GLENCORE

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Baar, Switzerland
7 September, 2015

Update on Glencore's plans to reduce net debt and adapt the business to the current commodity landscape

Glencore plc (the "**Company**") today announces a fully committed proposed equity capital raising of up to US$2.5 billion alongside additional capital preservation / debt reduction measures which, taken together, have an aggregate value of up to US$10.2 billion, and certain other portfolio optimisation and cost reduction actions, with the objective of reducing net debt to the low US$20s billion by the end of 2016.

Highlights:

- A proposed equity issuance of up to US$2.5 billion to reduce indebtedness and increase financial strength;
  - 78 per cent. of the proposed equity issuance underwritten by Citi and Morgan Stanley; and
  - commitments from Glencore senior management (including CEO, CFO and several Board members) to take up the remaining 22 per cent. of the proposed equity issuance.
  - More details of the proposed equity issuance will be provided in due course.
- Additional measures with a value of up to US$7.7 billion to be implemented between now and the end of 2016, including:
  - approximately US$1.6 billion to be saved from the suspension of the 2015 final dividend, intended to do so in the current commodity environment;
  - approximately US$800 million to be saved from the suspension of the 2016 interim dividend, intended to do so in the current commodity environment;
  - approximately US$1.5 billion to be generated from further reduction in working capital;
  - approximately US$2.0 billion to be raised from the sale of assets, including, but not limited to, proposed precious metals streaming transaction(s) and the minority participation of 3rd party strategic investors in certain of Glencore's agriculture assets, including infrastructure;
  - US$500 million to US$800 million to be generated from a reduction in long-term loans and advances made by Glencore (c.US$4 billion at 30 June 2015); and
  - US$500 million to $1.0 billion to be saved from an additional reduction in industrial capital expenditure to the end of 2016.
- Ongoing focus on portfolio optimisation and reduction of operating expenditures:
  - operations at Katanga and Mopani are under review and in the process of suspending certain African production until the completion of the remaining cost-transforming projects which are on schedule to be completed by the first half of

2017. An 18 month suspension will remove approximately 400,000 tonnes of copper cathode from the market.
- This review is detailed in a separate RNS which was released today.

Ivan Glasenberg, Chief Executive Officer, and Steven Kalmin, Chief Financial Officer, made the following statement:

“Notwithstanding our strong liquidity, positive operational free cashflow generation, lack of debt covenants, modest near-term maturities and the recent affirmation of our credit ratings, recent stakeholder engagement in response to market speculation around the sustainability of our leverage, highlights the desire to strengthen and protect our balance sheet amid the current market uncertainty.

The measures we have announced today do not affect our core business activities and overall franchise value and have been designed to sensibly accelerate the deleveraging of our balance sheet, maximise future cash flow generation in the current weak commodity price environment and substantially improve our financial and credit metrics, stability and strength, in the event of a prolonged weaker pricing environment.

We remain very positive on the long-term outlook for our business and this is reinforced by senior management’s commitment to take up 22 per cent. of the proposed equity issuance. Copper and zinc are both supply-challenged and an essential ingredient of future global growth. In seaborne thermal coal, a capex drought and low prices have helped rebalance the market. We are confident that thermal coal’s position and availability as the lowest cost fuel source for many large economies will underpin its key role in the global energy mix for many years to come.

We have today an extensive portfolio of long-life, low-cost industrial assets, benefitting from the unique capabilities of our marketing business. We reiterate our 2015 full year marketing EBIT guidance of US$2.5 billion to US$2.6 billion and remain confident of our long-term guidance range of US$2.7 billion to US$3.7 billion.”

Glencore is hosting an investor update call to discuss these debt reduction plans at 08:30AM London time, 7th September 2015. Dial in details are as follows, and a replay facility will be available for a period of 7 days from the date of this announcement:

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Local - United Kingdom:	+44(0)20 3427 1902
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Local - Sydney, Australia:	+61(0)2 9253 5962
National free phone - Australia:	1800 027 830

1. BACKGROUND

On 19th August 2015, Glencore announced its 2015 interim results in which a number of significant actions were outlined to protect Glencore's balance sheet in the current challenging commodity environment. These included:

- a reduction in industrial capital expenditure for the 2015 financial year to US$6 billion, down from prior guidance range of US$6.5 billion to US$6.8 billion;
- a reduction in industrial capital expenditure for the 2016 financial year to a maximum of US$5 billion, down from prior guidance of US$6.6 billion;
- a reduction in costs of approximately US$400 million in the 6 month period to 30th June 2015, with a further US$400 million targeted during the next 12 months; and
- a net debt target of US$27 billion by the end of 2016.

In spite of these measures, and notwithstanding the Group's strong liquidity position, modest near-term debt maturities and positive operational free cashflow generation, the Board has determined that, in light of the current market volatility and speculation it is prudent, and in all shareholders' interests, to implement the additional measures outlined in this announcement as soon as possible.

2. DETAILS OF THE PROPOSED EQUITY ISSUANCE

In accordance with the principles outlined above, Glencore is announcing that it intends to raise up to US$2.5 billion by way of a proposed equity issuance to reduce indebtedness and increase financial strength.

In connection with the proposed equity issuance, Glencore has received commitments from Glencore senior management in respect of 22 per cent. of the proposed equity issuance, and has entered into a standby equity underwriting agreement with Citi and Morgan Stanley in respect of 78 per cent. of the proposed equity issuance.

The Company will, in due course, announce further details of the proposed equity issuance, including as to its terms, following consultation with shareholders.

3. DETAILS OF THE PROPOSED ADDITIONAL DEBT REDUCTION MEASURES

3.1 Against current commodity backdrop, suspension of dividend payments until further notice, starting with the 2015 final dividend

Glencore's balance sheet remains strong and the Group's committed lines of credit are assured. The Board's confidence in the fundamentally positive prospects of Glencore, its quality of assets and marketing business, remains unchanged.

However, although the Group reported meaningful profits in the first half of 2015, the cash flows of its industrial assets are geared to commodity prices. In light of the other actions being announced today to strengthen and protect the balance sheet amid the current market uncertainty, the Board has determined that it is right that a conservative stance be taken. As a result, and despite Glencore's sound financial position, a decision has been taken to suspend the dividend until further notice, beginning with the final dividend for 2015. The previously announced interim dividend for 2015 of US$0.06 per share will be paid.

This measure will save approximately US$2.4 billion between now and the end of 2016, comprising approximately US$1.6 billion in respect of the final dividend for 2015, and approximately US$800 million in respect of the interim dividend for 2016.

The Board will review this matter on a regular basis and will resume dividend payments as soon as conditions allow.

3.2 Additional reduction of working capital

In its 2015 interim results, Glencore announced that the unique flexibility of the Group's capital structure had enabled a working capital release (from sources other than readily marketable inventories ("**RMI**")) of more than $3.2 billion during the 6 months to 30th June 2015, reflecting lower commodity prices and active working capital management, along with a $1.5 billion reduction in RMI.

In addition, Glencore noted that scope existed for potential further reductions in net working capital in the future.

Glencore today announces its intention to further reduce net working capital by an additional US$1.5 billion by the end of June 2016, with these reductions targeted to be derived approximately equally from industrial and marketing activities. The reduction in net working capital within marketing will come from a mix of both RMI and non-RMI.

3.3 Reduction of long-term loans and advances made by Glencore

In its 2015 interim results, Glencore noted that the Group derives further balance sheet flexibility from the potential to reduce its existing sizeable long-term advances and loan book, which includes, inter alia, marketing pre-export facilities and some infrastructure loans. As at 30th June 2015, the long-term advances and loan book stood at approximately US$4 billion.

Glencore today announces its intention to begin reducing the amount of long-term loans and advances outstanding by between US$500 million and US$800 million by the end of 2016, primarily via ongoing loan amortisation and various refinancing initiatives.

3.4 Additional reduction of capital expenditure at the industrial assets

In its 2015 interim results, Glencore noted that in light of the challenging commodity pricing environment, capital expenditure on industrial assets for 2015 would reduce to US$6 billion, compared to previous guidance of a maximum of US$6.8 billion. At the same time, Glencore indicated that it was targeting capital expenditure on industrial assets in 2016 up to a maximum of US$5.0 billion.

In aggregate, the revised guidance given at the time of the 2015 interim results for capital expenditure on industrial assets in 2015 and 2016 amounted to US$11 billion.

Glencore today announces a further reduction in expected capital expenditure on industrial assets in 2015 and 2016 by an additional US$500 million to US$1 billion, such that the overall anticipated capital expenditure on industrial assets in 2015 and 2016 is now US$10 billion to US$10.5 billion. These additional reductions come from further currency support, cost deflation and various minor project deferrals.

3.5 Precious metals streaming and sale of minority participations in certain assets to 3rd party strategic investors

Glencore today confirms that it is in discussions regarding a number of strategic transactions which will generate proceeds for the Group. These include, but are not limited to, proposed precious metals streaming transaction(s) and the minority participation of 3rd party strategic investors in certain of Glencore's Agriculture assets, including infrastructure.

In aggregate, the Group is targeting to raise US$2 billion from the sale of assets. Further announcements will be made in due course, at the appropriate time.

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About the Company

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 of over 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. We also provide financing, logistics and other services to producers and consumers of commodities. Glencore's companies employ around 181,000 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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