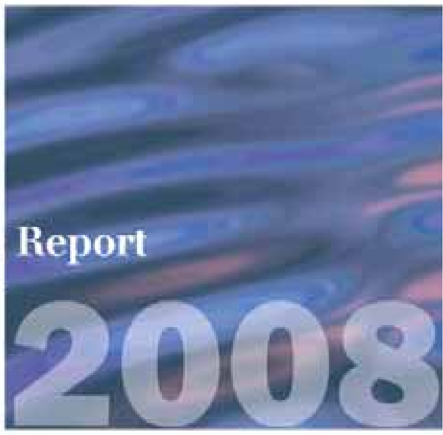
GLENCORE



Interim Report and Financial Review 2008

GLENCORE
INTERNATIONAL AG
AND SUBSIDIARIES

Interim Report
and Financial Review
2008

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Financial highlights

First half 2008 compared to first half 2007

- **Revenues up 29% from $ 66.6 billion to $ 86.2 billion**

- **Segment results largely unchanged at around $ 4.1 billion**

- **Glencore net income[1] down 25% from $ 3.5 billion to $ 2.6 billion, however up 6% excluding gain on sale of investments after tax and changes in net mark to market valuation**

- **Funds from operations[1] up 5% from $ 2.3 billion to $ 2.4 billion**

June 30, 2008 compared to December 31, 2007

- **Glencore shareholders' funds[1] up 13% from $ 15.7 billion to $ 17.8 billion**

- **Net debt[1] to rolling 12 months EBITDA[1] remains very comfortable, up from 1.34 times to 1.53 times**

[1] refer to glossary on page 11 with definitions and calculations

2008 (unaudited)	2007 (unaudited)	US $ million
		Key figures for the six months ended June 30, 2008 and 2007
3 092	3 071	Gross income
4 134	4 175	Segment results
3 793	3 841	EBITDA[1]
2 634	3 506	Glencore net income[1]
2 919	3 020	Cash provided by operating activities before working capital changes
2 396	2 284	Funds from operations (FFO)[1]
		Key figures as of June 30, 2008 and December 31, 2007
78 351	59 955	Total assets
17 821	15 671	Glencore shareholders' funds[1]
11 830	10 433	Net debt[1]
30 753	26 594	Capitalization[1]
18 785	15 797	Current capital employed (CCE)[1]
6 617	5 415	Net working capital
		Key ratios as of June 30, 2008 and December 31, 2007
		Working capital ratios:
1.14	1.17	Current ratio (times)
1.24	1.24	Adjusted current ratio (times)[2]
32	30	Inventories (days)
27	28	Accounts receivable (days)
25	23	Accounts payable (days)
34	35	Net conversion cycle[1] (days)
		Equity, gearing and coverage ratios:
38.7	37.7	Long term debt to capitalization[1] (%)
31.3	46.0	Return on average Glencore shareholders' fund[1] (%)
0.78	0.77	CCE to total debt (times)
1.26	1.31	CCE plus listed associates (at carrying value) to total debt (times)
37.9	41.8	FFO[3] to Net debt[1] (%)
1.53	1.34	Net debt[1] to EBITDA[1, 3] (times)
8.19	6.80	EBITDA[1] to net interest (times)

1 refer to glossary on page 11 with definitions and calculations

2 excluding from current assets and current liabilities the more temporary impact of 'fair value of trade related financial instruments' in accounts receivable (see note 9)

3 the 2008 ratio based on last 12 month's FFO and EBITDA

Results

Glencore's 2008 half-yearly net income (excluding gains on sale of investments after tax of $ 54 million and $ 859 million respectively and net mark to market valuation changes) increased by 6% from $ 2,586 million to $ 2,753 million.

Revenues

Average period on period price increases in many of the commodities Glencore markets and produces, most notably oil, coal, copper and wheat, up 74%, 121%, 20% and 89% respectively, contributed to an increase in revenues of $ 19.6 billion (29%) to $ 86.2 billion. The increase was tempered by significantly lower average period on period prices for nickel and zinc, falling 39% and 36% respectively.

Operating income

Gross income for the first half of 2008 remained at $ 3.1 billion, in line with the corresponding 2007 period.

Overall segment results (gross income, share of income from associates and dividend income) were steady at $ 4.1 billion, reflecting the strength of our business diversification, with many commodity markets remaining strong while others were more challenging. Contribution from marketing activities increased by 16% compared to the prior period while contribution from our industrial activities was 15% lower.

The Metals and Minerals segment was down $ 0.9 billion (28%) to $ 2.3 billion against the corresponding prior period, in large part due to lower earnings from our nickel and zinc operations, on the back of the significantly lower prices noted above. This impacted earnings at both our own consolidated operations as well as those of Xstrata, the results of which are reported in our share of income from associates.

The Energy segment, was up $ 657 million (75%) to $ 1.54 billion, due to favorable market conditions and considerably higher earnings at our coal production operations, as well as Xstrata's, on the back of stronger coal prices.

The Agricultural segment was up $ 211 million from $ 90 million to $ 301 million.

The split of aggregate segment results between marketing and industrial activities continues to be balanced as follows:

	2008 US $ million		2007 US $ million	
Marketing activities	2 141	52%	1 843	44%
Industrial activities	1 993	48%	2 332	56%
Segment results	4 134	100%	4 175	100%

Share of income from associates (mainly Xstrata) decreased $ 11 million to $ 900 million compared to the corresponding 2007 period.

Selling and administrative expenses of $ 610 million increased by 15% over the corresponding 2007 period.

Interest expense and interest income

Interest expense

Compared to the first half of 2007, interest expense increased due to a rise in average borrowings, which was in turn mitigated by lower short term U.S. Dollar interest rates.

Variable interest expense

One month U.S. Dollar Libor averaged 2.95% in the first half of 2008, compared to 5.32% in the corresponding 2007 period.

The increase in working capital funding and lower interest rates resulted in a net increase in interest expense on floating rate debt of $ 33 million to $ 454 million in the first half of 2008 from $ 421 million in the corresponding 2007 period. Floating rate debt is predominantly used to fund fast turning working capital, the funding cost of which is taken into account in transactional pricing and terms and accordingly 'recovered' in gross marketing income.

Fixed interest expense

Interest expense on fixed rate funding was $ 194 million for the first half of 2008, representing an increase of $ 6 million over the corresponding 2007 period.

Interest income

Interest income was up $ 138 million compared to the first half 2007, primarily due to first half 2008 interest income on loans extended to companies of the Russneft Group. Previously, interest was conservatively not being recognized whilst it was merely accruing but not actually paid. We now expect interest to be received and recorded on a quarterly basis.

Dividend income

Dividend income relates almost entirely to cash receipts from our stake in United Company Rusal Limited ("UCR").

Gain on sale of investments

The net gain on sale of investments of $ 78 million ($ 54 million after tax) relates primarily to the disposal of approximately 7% of Kazzinc, reducing our ownership to 69%. In 2007, the net gain of $ 859 million resulted from the merger of certain of our aluminum/alumina assets with those of Rusal and Sual in exchange for a 12% stake in the combined entity UCR.

Changes in mark to market valuation - net

Changes in mark to market valuation mainly reflect movements related to the exchange feature (into Xstrata shares) of the Exchangeable bonds as well as mark to market valuation on other investments. As at June 30, 2008, the notional amount of outstanding Exchangeable bonds reduced to $ 34 million from $ 106 million as of December 31, 2007.

Income taxes

The effective tax rate for the first half of 2008 was 10% (15% excluding share of income from associates and the 'gain on sale of investments'), compared to 9% (16% excluding share of income from associates and the 'gain on sale of investments') in the corresponding 2007 period.

Cash flow

Cash provided by operating activities

In order to more fully describe movements in cash flows, it is appropriate to review the group's net balance sheet working capital position, which has been segmented in the table below. During the 1st half, net core working capital increased by $ 1.8 billion or 12% from $ 15.0 billion to $ 16.8 billion. This increase occurred primarily in our energy division (up 37%), on the back of price rises in both oil and coal products of about 50%, with record prices recorded in the June/July period. Commodity prices across the energy spectrum have since moderated from June's level. Net core working capital in our metals segment increased 9% due to the impact of higher copper, aluminum and chrome prices, expansion of minor metals' business such as cobalt, molybdenum and manganese products, offset by lower nickel and zinc prices. The agricultural division reduced its working capital during the period, owing primarily to the effects of seasonality i.e. our sourcing activities are more weighted to the Northern Hemisphere which, assuming constant prices, generally results in higher inventories in December compared to June.

Another contributor to the overall increase in working capital was a $ 0.6 billion increase to $ 1.1 billion in our net cash margining related to our commodity hedging activities. Our hedging positions substantially reflect forward sales, which, in a rising commodity price environment resulted in the need to post additional collateral, particularly related to oil and coal. We regularly perform stress scenarios over our derivatives portfolio to ensure that, at all times, we have sufficient available committed liquidity to meet potential margining requirements even in extreme price movement scenarios.

Confirmation that the net increase in working capital is primarily commodity price and revenue driven is that the net conversion cycle actually decreased by 1 day to 34 days - average days on hand for inventories was 32 days for the first half of 2008, increasing by 2 days compared to the full year of 2007, average days on hand for accounts receivable decreased by 1 day to 27 days while average days on hand for accounts payable increased by 2 days to 25 days.

Glencore continues to actively manage the quality and turnover of its inventories and receivables, and ensure that adequate liquidity levels are maintained at all times.

Working Capital Analysis US $ billion	June 2008	Dec 2007	Var. ($)	Var. (%)
Core segment net working capital[1]				
Metals and Minerals	9.5	8.7	0.8	9%
Energy Products	5.6	4.1	1.5	37%
Agricultural Products	1.7	2.2	– 0.5	– 23%
	16.8	15.0	1.8	12%
Net Cash Margining[2]	1.1	0.5	0.6	55%
Net Other receivables/payables	– 0.3	– 0.4	0.1	25%
Current Capital Employed[3]	17.6	15.1	2.5	17%

1 comprises inventories (see note 8), plus accounts receivable (see note 9) less accounts payable (see note 13), adjusted for separate disclosure of net cash margining and other receivables/payables

2 disclosed within trade advances and deposits (see note 9) and trade advances from buyers (see note 13) line items

3 reconciles to page 5 amount with the addition of cash, marketable securities and income tax payable

Cash flow from operating activities before working capital changes reduced slightly from $ 3.0 billion to $ 2.9 billion. As noted above, cash outflows associated with increased net working capital requirements were $ 2.7 billion over the first half of 2008 compared to $ 1.2 billion over the corresponding prior period.

This working capital increase (principally due to higher commodity prices) is generally associated with highly attractive value creation opportunities for Glencore, and the resultant additional investment in working capital should therefore be viewed in such context. Conversely, should commodity prices fall, net working capital would be expected to reduce, providing Glencore with substantial cash inflows.

Net cash provided/used by investing activities

Net cash used by investing activities amounted to $ 1.7 billion over the first half of 2008 and the corresponding 2007 period. The net outflow comprises primarily Kazzinc's new 40% investment in Vasilkovskoje Gold, the largest gold deposit in Kazakhstan for which meaningful production is already expected in 2009, payment of the final capital contribution to the Cartagena oil refinery venture, the procurement of various new sea going vessels, along with continued capital expenditure in respect of previously discussed organic expansion programs, the most noteworthy being our significant Colombian coal expansion and the building of a new copper smelter at Kazzinc. In terms of expansionary capital expenditure relating to our existing industrial portfolio, we expect 2008 to be the peak investment year, moderating in 2009 and reducing significantly thereafter. These growth initiatives are all expected to result in substantially enhanced income and cash flow generating potential in future periods.

Net cash provided/used by financing activities

In April 2008, EUR 750 million 7 year bonds were issued, raising $ 1.2 billion of new long term debt. Also in May 2008, we redeemed Exchangeable bonds with a notional value of $ 72 million for a total consideration of $ 469 million.

Balance sheet

Assets, leverage and working capital

Rising commodity prices and their associated impact on working capital balances, combined with the investment activities noted above, contributed to an increase in total assets of 31% to $ 78.4 billion as of June 30, 2008, from $ 59.9 billion as of December 31, 2007.

Current assets increased by $ 15.9 billion (43%) to $ 52.8 billion. The adjusted current ratio as of June 30, 2008, was 1.24, unchanged from December 31, 2007. Net working capital increased by $ 1.2 billion to $ 6.6 billion.

89% of total marketing inventories were contractually sold or hedged (readily marketable inventories) as of June 30, 2008 compared with 84% as of December 31, 2007. These inventories are readily convertible into cash due to their liquid nature, widely available markets, and the fact that any associated price risk is covered either by a physical sale transaction or a hedge transaction on a commodity exchange, or with a highly rated counterparty. Given the cash like nature of these inventories, which represent a significant share of current assets, we believe it is appropriate to consider them as cash equivalents in analyzing net debt levels and computing certain debt coverage ratios and credit trends.

After taking into account these readily marketable inventories, net debt as of June 30, 2008, was $ 11.8 billion and $ 10.4 billion as of December 31, 2007. The 2008 amount takes into account $ 1.2 billion of additional long term debt, resulting from the Eurobond issuance in April 2008 and $ 0.5 billion of Exchangeable bond repurchases in May 2008. The ratio of net debt to EBITDA stood at the healthy level of 1.53 despite increasing modestly from the 1.34 level as at December 2007.

Another relevant debt coverage ratio is the current capital employed including listed associates (at carrying value) to total debt ratio which remained at a comfortable level of 1.26 times compared to 1.31 times as at year end 2007. On this basis, current capital employed, together with listed investments (at carrying value, which is significantly below market value), exceeded total debt by $ 6.3 billion, the same level as at December 2007.

Glencore shareholders' funds as of June 30, 2008 were $ 17.8 billion, an increase of $ 2.2 billion (14%) compared with $ 15.7 billion as of December 31, 2007. In line with this increase, total capitalization increased from $ 26.6 billion as of December 31, 2007, to $ 30.8 billion as of June 30, 2008 and the long term debt to total capitalization ratio increased to 39% from 38%.

Capital resources and financing

During the first half of 2008, the following financing activities took place:

- In April 2008, EUR 750 million 7.125% bonds maturing 2015 were issued;
- In May 2008, some 90% of the existing 3 year $ 8.2 billion committed revolving credit facility was extended by one year to 2011 and the previous $ 565 million 364 day revolving credit facility was replaced by a $ 925 million 364 day revolving credit facility with a one year term-out option;
- In June 2008, the Asset backed (receivables) commercial paper program was increased to $ 2.0 billion;
- During the first half of 2008, Glencore cash settled early conversions of Exchangeable bonds with a notional amount of $ 72 million for a total consideration of $ 469 million;
- The committed secured inventory financing facility is currently being extended to December 2009, and it is our intention going forward to extend it on an annual basis.

The following facilities and funding programs are currently in place:

Facility/Program US $ million	Initial issue / current rollover	Amount issued or outstanding June 30, 2008	December 31, 2007
2014 144A Notes	950	943	942
2010 Exchangeable bonds	800	36	111
Xstrata secured bank loans	3 150	3 150	2 700
2011 Eurobonds (Euro 600 million)	739	945	876
2013 Eurobonds (Euro 850 million)	1 078	1 338	1 242
2015 Eurobonds (Euro 750 million)	1 200	1 181	0
2019 Sterling Bond (GBP 650 million)	1 242	1 271	1 271
Perpetual Notes	700	700	700
Purchase of profit participation certificates[1]	2 100	2 100	2 048
Committed syndicated revolving credit facility	9 135	7 725	6 795
Bilateral committed secured inventory financing facility	1 000	703	675
Committed asset backed (receivables) commercial paper program	2 000	2 000	1 024
Unsecured uncommitted bilateral bank credit facilities[2]	1 458	1 075	904
Other financings	895	895	1 117

1 see note 10 of the financial statements

2 available credit facilities from a number of international banks

There are no outstanding off balance sheet financings.

Glencore maintains adequate liquidity via its cash, committed credit facilities, diversified funding sources and fast turning, very liquid working capital. As at June 30, 2008, in addition to its cash balances, Glencore had available undrawn committed facilities in excess of $ 2.5 billion. As a prudent financial target, Glencore seeks to maintain at all times a level of committed available liquidity in excess of $ 2 billion.

The following table summarizes Glencore's net balance sheet liquidity as at June 30, 3008.

After 5 years	Due 1 - 5 years	Due 0 - 1 year	Total	US $ million 2008
16 964	0	0	16 964	Investments in associates and other investments[1]
0	2 013	0	2 013	Long term advances and loans
0	0	11 596	11 596	Marketing inventories
0	0	37 259	37 259	Accounts receivable
0	0	1 483	1 483	Cash and cash equivalents and marketable securities
16 964	2 013	50 338	69 315	
5 525	6 369	756	12 650	Long term debt (see note 11)
0	4 300	7 112	11 412	Short term debt (see note 12)[2]
0	0	34 002	34 002	Accounts payable and income taxes
5 525	10 669	41 870	58 064	
11 439	– 8 656	8 468	11 251	Net - June 30, 2008
11 218	– 8 308	7 762	10 672	Net - December 31, 2007

1 As at June 30, 2008, the fair value of listed associates was $ 28.1 billion, compared to a carrying value of $ 11.6 billion

2 $ 4.3 billion of reported short term debt is drawn under a 3 year committed facility. See summary debt table on page 9

The only significant debt facility maturing in the second half of 2008 is the $ 1.8 billion Xstrata secured bank loan due in September 2008. Work is currently under way to refinance this with a new $ 1.5 billion 3 year Xstrata secured bank loan, which will further enhance our debt maturity profile.

Certain debt arrangements require compliance with specific financial covenants related to current ratio and a maximum long term debt to tangible net worth ratio. Currently, there is comfortable headroom under these covenants.

None of the credit facilities or funding programs include rating triggers which would accelerate repayment obligations in the event of a credit rating downgrade.

In light of our extensive funding activities in the public debt capital markets, investment grade ratings are of utmost importance to us. On April 3, 2008, Standard & Poor's upgraded our corporate credit rating by one notch to BBB/A-2, maintaining its positive outlook and on June 17, 2008, Moody's upgraded Glencore's issuer rating also by one notch to Baa2/P-2 (stable outlook).

Glossary to financial highlights and interim review

Capitalization

Capitalization is the sum of long term debt, minority interest and Glencore shareholders' funds.

Current capital employed

Current capital employed is current assets less accounts payable and income tax payable.

EBITDA

2008 US $ million	2007 US $ million	
3 524	3 646	Income before interest, tax and other items
269	195	Depreciation and amortization
3 793	3 841	EBITDA

Funds from operations

Cash provided by operating activities before working capital changes less tax and net interest payments plus dividends received.

Glencore net income

Income before attribution less attribution to minority interest.

Glencore shareholders' funds

Net assets attributable to profit participation shareholders, minority interest and equity holders less minority interest.

Net conversion cycle

Days on hand for inventory plus days on hand for accounts receivable less days on hand for accounts payable.

Net debt

2008 US $ million	2007 US $ million	
11 894	10 023	Long term debt
12 168	10 382	Short term debt, including short term portion of long term debt
– 1 483	– 997	Cash and cash equivalents and marketable securities
– 10 276	– 8 648	Readily marketable inventories
– 473	– 327	Adjustment for hedged non US $ denominated debt (see note 11)
11 830	10 433	Net debt

Readily marketable inventories

Readily marketable inventories (disclosed as inventories contractually sold or hedged) are readily convertible to cash due to their very liquid nature, widely available markets and the fact that the price risk is covered either by a physical sale transaction or hedge transaction on a commodity exchange or with a highly rated counterparty.

Interim consolidated financial statements

Consolidated statements of income
for the six months ended June 30, 2008 and 2007

US $ million

Notes	2008 (unaudited)	2007 (unaudited)	
	86 175	66 632	Revenues
	– 83 083	– 63 561	Cost of goods sold
	3 092	3 071	Gross income
	– 610	– 529	Selling and administrative expenses
	900	911	Share of income from associates
	142	193	Dividend income
	3 524	3 646	Income before interest, tax and other items
	186	48	Interest income
	– 649	– 608	Interest expense
3	78	859	Gain on sale of investments
4	– 173	61	Changes in mark to market valuation – net
	59	43	Other income/(expense) – net
	3 025	4 049	Income before income taxes and attribution
	– 306	– 360	Income taxes
	2 719	3 689	Income before attribution
	– 328	– 407	Attribution to hybrid profit participation shareholders
	– 1 956	– 2 422	Attribution to ordinary profit participation shareholders
	435	860	Income for the period
			Attribution to:
	– 85	– 183	Minority interest
	– 350	– 677	Equity holders

The accompanying notes are an integral part of these interim consolidated financial statements

Consolidated balance sheets
as of June 30, 2008 and December 31, 2007

US $ million

Notes	2008 (unaudited)	2007 (audited)	Assets
			Non current assets
5	6 464	5 742	Property, plant and equipment
6	13 656	11 822	Investments in associates
6	3 308	3 611	Other investments
7	2 013	1 730	Long term advances and loans
	123	168	Deferred income taxes
	25 564	23 073	Total non current assets
			Current assets
8	14 045	12 212	Inventories
9	37 259	23 673	Accounts receivable
	346	339	Marketable securities
	1 137	658	Cash and cash equivalents
	52 787	36 882	Total current assets
	78 351	59 955	Total assets

The accompanying notes are an integral part of these interim consolidated financial statements

Notes	2008 (unaudited)	2007 (audited)	US $ million Liabilities and equity
			Net assets attributable to profit participation shareholders, minority interest and equity holders
10	46	46	Share capital
	3 207	2 901	Reserves and retained earnings
	1 038	900	Minority interest
	4 291	3 847	
10	1 649	1 320	Hybrid profit participation shareholders
10	12 919	11 404	Ordinary profit participation shareholders
	18 859	16 571	Total net assets attributable to profit participation shareholders, minority interest and equity holders
			Other non current liabilities
11	11 894	10 023	Long term debt
	586	687	Deferred income taxes
	842	1 207	Provisions and other long term liabilities
	13 322	11 917	Total other non current liabilities
			Current liabilities
11	756	758	Current portion of long term debt
12	11 412	9 624	Short term debt
13	33 687	20 760	Accounts payable
	315	325	Income tax payable
	46 170	31 467	Total current liabilities
	78 351	59 955	Total liabilities and equity

The accompanying notes are an integral part of these interim consolidated financial statements

Consolidated statements of cash flow
for the six months ended June 30, 2008 and 2007

2008 (unaudited)	2007 (unaudited)	US $ million
		Operating activities
3 025	4 049	Income before income taxes and attribution
		Adjustments to reconcile income before income taxes and attribution to net cash provided/(used) by operating activities
269	195	Depreciation and amortization
– 900	– 911	Share of income from associates
78	111	Unrealized (gain)/loss on bonds' exchange feature
– 45	11	Increase/(decrease) in long term provisions
– 78	– 859	(Gain)/loss on sale of investments – net
92	– 172	Unrealized mark to market movements on other investments
15	36	Other non cash items
463	560	Interest expense – net
2 919	3 020	Cash provided by operating activities before working capital changes
		Working capital changes
– 7	– 13	(Increase)/decrease in marketable securities
– 13 594	– 1 581	(Increase)/decrease in accounts receivable
– 1 825	– 620	(Increase)/decrease in inventories
12 738	1 018	Increase/(decrease) in accounts payable
– 2 688	– 1 196	Total working capital changes
231	1 824	Cash provided/(used) by operating activities
– 360	– 390	Income taxes paid
186	43	Interest received
– 478	– 500	Interest paid
– 421	977	Net cash provided/(used) by operating activities

The accompanying notes are an integral part of these interim consolidated financial statements

Consolidated statements of cash flow
for the six months ended June 30, 2008 and 2007

Notes	2008 (unaudited)	2007 (unaudited)	US $ million
			Investing activities
	– 130	– 35	(Increase)/decrease in long term advances and loans
14	– 40	– 130	Net cash used in acquisition of subsidiaries
	– 1 001	– 1 034	Purchase of investments
	– 955	– 616	Purchase of property, plant and equipment
	12	11	Proceeds from sale of property, plant and equipment
	271	5	Proceeds from sale of investments
	62	0	Return of capital
	129	111	Dividends received
	– 1 652	– 1 688	Net cash provided/(used) by investing activities
			Financing activities
	2 288	727	Net proceeds/(repayment) of short term debt[1]
	– 5	– 34	Net proceeds/(repayment) of other long term bank debt
	1 189	1 266	Net proceeds from issuance of Euro/sterling bonds
	– 387	– 294	Payment of profit participation certificates
	– 469	– 874	Redemption/repurchase of Exchangeable bonds
	– 62	– 81	Dividend to minority interest
	– 2	– 2	Dividend
	2 552	708	Net cash provided /(used) by financing activities
	479	– 3	Increase/(decrease) in cash and cash equivalents
	658	796	Cash and cash equivalents, beginning of period
	1 137	793	Cash and cash equivalents, end of period

[1] 2008 amount includes a portion of the committed revolving credit facility recorded as non current

The accompanying notes are an integral part of these interim consolidated financial statements

Consolidated statements of changes in equity
for the six months ended June 30, 2008 and 2007

US $ million
(unaudited)

	Reserves restricted	Retained earnings	Translation adjustment	Cash flow hedge reserve	Total reserves and retained earnings	Share capital	Total	Minority interest	Total equity
Balance January 1, 2008	1	3 120	– 5	– 215	2 901	46	2 947	900	3 847
Translation adjustment	0	0	– 1	0	– 1	0	– 1	0	– 1
Gains/(losses) on hedges	0	0	0	– 125	– 125	0	– 125	0	– 125
Net income recognized directly in equity	0	0	– 1	– 125	– 126	0	– 126	0	– 126
Hedges transferred to income statement	0	0	0	33	33	0	33	0	33
Income for the period	0	350	0	0	350	0	350	85	435
Total recognized income and expense	0	350	– 1	– 92	257	0	257	85	342
Dividend	0	– 2	0	0	– 2	0	– 2	– 62	– 64
Equity related movements of associates	0	51	0	0	51	0	51	0	51
Other equity movements	0	0	0	0	0	0	0	115	115
Balance June 30, 2008	1	3 519	– 6	– 307	3 207	46	3 253	1 038	4 291
Balance January 1, 2007	1	2 294	2	– 216	2 081	46	2 127	746	2 873
Translation adjustment	0	0	0	– 50	– 50	0	– 50	0	– 50
Gains/(losses) on hedges	0	0	0	– 1	– 1	0	– 1	0	– 1
Deferred taxes on hedges	0	0	0	0	0	0	0	0	0
Net income recognized directly in equity	0	0	0	– 51	– 51	0	– 51	0	– 51
Hedges transferred to income statement	0	0	0	46	46	0	46	0	46
Income for the period	0	677	0	0	677	0	677	183	860
Total recognized income and expense	0	677	0	– 5	672	0	672	183	855
Dividend	0	– 2	0	0	– 2	0	– 2	– 81	– 83
Equity related movements of associates	0	– 66	0	0	– 66	0	– 66	0	– 66
Other equity movements	0	1	0	0	1	0	1	– 6	– 5
Balance June 30, 2007	1	2 904	2	– 221	2 686	46	2 732	842	3 574

The accompanying notes are an integral part of these interim consolidated financial statements

US $ million unless otherwise stated

1 Basis of presentation

These interim consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the 2007 Annual Report of Glencore International AG (the Company) and subsidiaries, collectively 'Glencore'.

These interim consolidated financial statements are prepared using the same accounting policies as applied in the audited 2007 annual financial statements.

Certain financial information that is included in the audited annual financial statements but is not required for interim reporting purposes has been condensed or omitted. The impact of seasonality or cyclicality on operations is not regarded as significant on the interim consolidated financial statements.

2 Nature of the business activities

Glencore is a leading, privately held, diversified natural resources group with worldwide activities in mining, smelting, refining, processing and marketing of metals and minerals, energy products and agricultural products. Glencore operates on a global scale, marketing, in addition to its own production, physical commodities mainly sourced from producers and delivering such commodities to industrial consumers. Glencore also provides financing, logistics, marketing and purchasing services to producers and consumers of commodities. These activities are supported by substantial strategic investments in industrial assets operating in Glencore's core commodities.

3 Gain on sale of investments

2008 US $ million	2007 US $ million	
78	859	Gain on sale of subsidiaries – net
78	859	Total

In March 2008, Glencore disposed of a 7% interest in Kazzinc against proceeds of $ 210 million, reducing its ownership to 69% and realizing a gain of $ 78 million ($ 54 million after income taxes).

The gain on sale of investments in 2007 relates primarily to the merger in March 2007 of certain of Glencore's aluminum/alumina assets with those of Rusal and Sual, in exchange for a 12% stake in the combined company, United Company Rusal ('UCR'), resulting in a net gain on sale of $ 859 million (see note 14). In April 2008, our ownership in UCR was reduced to 10.3% following the issue of new shares in connection with UCR's purchase of a 25% stake in Norilsk Nickel.

4 Changes in mark to market valuation – net

2008 US $ million	2007 US $ million	
– 78	– 111	Exchange feature
– 95	172	Other
– 173	61	Net

Changes in the mark to market valuation of the exchange feature relate to the Exchangeable bonds (see note 11). Other relates to movements on interests in other investments carried at fair value.

5 Property, plant and equipment

US $ million	Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Mineral rights	Deferred mining costs	Total
At cost:						
January 1, 2008	725	4 874	262	1 030	256	7 147
Business combination	8	7	1	32	0	48
Additions	86	738	24	63	44	955
Disposals	– 9	– 47	– 3	0	– 1	– 60
Other movements	100	– 61	6	– 17	0	28
June 30, 2008	910	5 511	290	1 108	299	8 118
Accumulated depreciation:						
January 1, 2008	135	924	140	205	1	1 405
Depreciation	18	197	18	33	3	269
Disposals	– 1	– 14	– 2	0	0	– 17
Other movements	1	– 1	– 1	– 1	– 1	– 3
June 30, 2008	153	1 106	155	237	3	1 654
Net book value June 30, 2008	757	4 405	135	871	296	6 464

US $ million	Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Mineral rights	Deferred mining costs	Total
At cost:						
January 1, 2007	783	4 908	238	745	213	6 887
Business combination	13	79	0	88	0	180
Business disposition	– 169	– 1 397	– 22	0	– 5	– 1 593
Additions	12	560	14	18	12	616
Disposals	– 10	– 32	– 2	0	– 1	– 45
Other movements	56	– 53	55	– 38	0	20
June 30, 2007	685	4 065	283	813	219	6 065
Accumulated depreciation:						
January 1, 2007	168	1 153	138	98	14	1 571
Business disposition	– 46	– 500	– 13	0	0	– 559
Depreciation	15	133	13	32	2	195
Disposals	– 4	– 23	– 2	0	0	– 29
Other movements	1	10	0	0	– 6	5
June 30, 2007	134	773	136	130	10	1 183
Net book value June 30, 2007	551	3 292	147	683	209	4 882

Plant, machinery and vehicles includes expenditure for construction in progress of $ 1,288 million (2007: $ 773 million).

Depreciation expenses included in cost of goods sold are $ 264 million (2007: $ 190 million) and in selling and administrative expenses $ 5 million (2007: $ 5 million).

6 Investments in associates and other investments

2008 US $ million	2007 US $ million	
11 626	10 991	Listed associates
2 030	831	Non listed associates
3 308	3 611	Other investments
16 964	15 433	Total

A list of the principal operating and finance subsidiaries and industrial investments is included in note 21.

Listed associates

Significant listed associates transactions during 2008 were as follows:

In January 2008, a merger between Katanga Mining Limited (Katanga) and Nikanor was approved, whereby the shareholders of Nikanor received 0.613 Katanga shares for each Nikanor share and cash of $ 2.16 per share paid by Nikanor. As a result, in January 2008 Glencore received cash of $ 62 million and 17.6 million shares in Katanga representing 8.4 % of the enlarged entity.

Non listed associates

Significant non listed associates transactions during 2008 were as follows:

In March 2008, Glencore acquired through its subsidiary Kazzinc a 40% interest in Vasilkovskoje Gold, a gold development project also located in Kazakhstan for a cash consideration of $ 300 million.

In April 2008, Glencore contributed the remaining portion ($ 438 million) of its original capital commitment under the tender agreements with Ecopetrol S.A., whereby Glencore and Ecopetrol S.A. hold, respectively, a jointly controlled interest of 51% and 49% in a Colombian oil refinery (Refineria de Cartagena S.A.).

Other investments

Other investments primarily include Glencore's interests in various Russneft Group companies, together with its 10.3% interest in United Company Rusal Limited. These two non listed investments are carried at cost, as determining a fair value is not practical.

7 Long term advances and loans

2008 US $ million	2007 US $ million	
163	140	Trade advances and loans
66	60	Loan to Parents
234	46	Loans to associated companies
1 550	1 484	Other long term receivables and loans
2 013	1 730	Total

8 Inventories

2008 US $ million	2007 US $ million	
2 449	1 883	Production inventories
10 276	8 648	Inventories contractually sold or hedged
1 320	1 681	Other
14 045	12 212	Total

Production inventories consist of materials, spare parts, work in process and finished goods held by the production entities.

Inventories contractually sold or hedged and Other, are together considered marketing inventories.

In December 2006, a 2 year, $ 1 billion committed secured bank facility was entered into. Under the program, an agreement for the sale and repurchase of certain base metal inventories was transacted, and the net balance outstanding under the facility bears interest at US $ Libor plus a premium. As of June 30, 2008, the total amount of marketing inventories securitized was $ 730 million (2007: $ 714 million), and proceeds received as secured bank loans included as short term debt (see note 12) amounted to $ 703 million (2007: $ 675 million).

Glencore has entered into arrangements with various counterparties for the sale and optional repurchase of certain trading inventories. These sales do not meet the derecognition criteria from an accounting perspective. As at June 30, 2008, $ 581 million (2007: $ 539 million) of marketing inventory has not been derecognized and proceeds received for the inventory have been deferred and included as trade advances from buyers (see note 13).

9 Accounts receivable

2008 US $ million	2007 US $ million	
14 738	11 408	Trade receivables
2 844	1 846	Trade advances and deposits
540	702	Associated companies
17 955	8 647	Fair value of trade related financial instruments[1]
1 182	1 070	Other receivables and prepaid expenses
37 259	23 673	Total

[1] see note 15

In June 2008, the Company, Glencore AG and Glencore Energy UK Ltd entered into a new 5 year revolving $ 2 billion Commercial Paper Program backed by certain trade receivables, which replaced the 1 year Euro 700 million trade receivables program entered into in December 2007. Under the new program, a widely diversified portfolio of trade receivables meeting certain debtor and country concentration limits are sold on a continuous basis to M&M Finance Company Limited, Jersey (MMFC). MMFC is funded with Commercial Paper issued by 3 bank conduits, carrying interest at floating market rates which are included as short term debt (see note 12). The liquidity back-up commitments for the 3 conduits requires annual renewal.

The trade receivables sold through this program do not meet the derecognition criteria under IFRS. As of June 30, 2008, the total amount of trade receivables securitized was $ 2,501 million (2007: $ 1,375 million) and proceeds received as secured bank loans amounted to $ 2,000 million (2007: $ 1,024 million).

10 Share capital

Glencore Holding AG (the ultimate parent) and Glencore L.T.E. AG (together the Parents), both wholly owned by the management and employees of Glencore, own 85% and 15% respectively, of the Company.

The share capital consists of 150,000 registered shares with a nominal value of CHF 500 each and a restriction of transferability.

The shares carry the right to a preferred dividend up to a maximum of 10% of nominal value. The Company is authorized by its articles of incorporation to issue to employees of Glencore non voting profit participation certificates (“PPC”) with no nominal value. The PPC arrangements, described below, are designed to accumulate and attribute Glencore’s net income for the year as well as facilitate sufficient capital preservation over time. A total of 150,000 PPC were authorized for issuance. Distribution of the income for the period for the PPC is based on 150,000 (2007: 150,000) shares issued.

Under the Ordinary Profit Participation Plan, selected employees become shareholders of Glencore Holding AG (Ordinary Profit Participation Shareholders - “PPS”) by purchasing shares and receiving the same number of PPC, pursuant to employee participation agreements with the Company. Upon termination of employment, the financial benefits accumulated during the period of PPC tenure are reclassified into long term debt as “Purchase of profit participation instruments”, with the portion falling due within 12 months included in current portion of long term debt and repaid in installments over a period of five years.

Employees selected to participate in the Hybrid Profit Participation Plan similarly purchase shares of Glencore Holding AG and become shareholders (Hybrid Profit Participation Shareholders - “HPPS”), receiving PPC pursuant to employee participation agreements with the Company.

However, upon termination of employment, HPPS have agreed to receive their accumulated financial benefits in the form of hybrid securities to be issued by Glencore Finance (Europe) S.A., a wholly owned subsidiary of the Company. The hybrid securities have been structured so as to achieve Basket D equity credit (75%) from Moody’s and high equity content (100%) from Standard & Poor’s. The key features include no maturity (perpetual); option to call at par after 10 years; legally binding replacement covenant and mandatory coupon deferral where long term debt exceeds equity, current ratio falls below 1.1x or a minimum cash flow to net debt ratio is breached. The securities will constitute unsecured and subordinated obligations that will rank senior to LTS (see below), pari passu with PPS and junior to any present or future claims of unsecured lenders and investors. As of June 30, 2008, 15,000 shares (2007: 15,000 shares) were held by HPPS, representing 10% of the Company’s registered share capital.

Participants in the Glencore L.T.E. AG Profit Participation Plan (Glencore L.T.E. AG Profit Participation Shareholders – “LTS”) have pooled both their shares in Glencore L.T.E. AG, as well as the respective PPC under separate agreements. In contrast to PPS and HPPS, termination of employment of an LTS does not trigger any claims against the Company, but rather it is in the Company’s control if and when any amount should be redeemed. In this manner, the portion of net income accumulated to LTS is consistent with traditional characteristics of an entity’s retained earnings.

Since November 1, 2004, in the event of certain triggering events which includes any breach of a financial covenant, all redemptions under these plans are subordinated to claims of unsecured lenders and investors.

According to the existing agreements, the Company redeemed during the first half of 2008 a certain number of PPC from PPS representing an aggregate amount of $ 430 million (2007: $ 522 million).

11 Long term debt

After 5 years	Due 4–5 years	Due 2–3 years	Total long term	Current portion	Total	US $ million 2008
						Banks:
0	0	2 500	2 500	0	2 500	Committed revolving credit facility[1]
92	69	84	245	41	286	Other[2]
943	0	0	943	0	943	144A Notes
0	0	36	36	0	36	Exchangeable bonds
0	0	1 350	1 350	0	1 350	Xstrata secured bank loan
2 519	0	945	3 464	0	3 464	Eurobonds
1 271	0	0	1 271	0	1 271	Sterling bonds
700	0	0	700	0	700	Perpetual Notes
0	318	1 067	1 385	715	2 100	Purchase of profit participation certificates
5 525	387	5 982	11 894	756	12 650	Total

After 5 years	Due 4–5 years	Due 2–3 years	Total long term	Current portion	Total	US $ million 2007
						Banks:
0	0	2 000	2 000	0	2 000	Committed revolving credit facility[1]
60	47	72	179	62	241	Other[2]
942	0	0	942	0	942	144A Notes
0	0	111	111	0	111	Exchangeable bonds
0	0	1 350	1 350	0	1 350	Xstrata secured bank loan
1 242	876	0	2 118	0	2 118	Eurobonds
1 271	0	0	1 271	0	1 271	Sterling bonds
700	0	0	700	0	700	Perpetual Notes
0	356	996	1 352	696	2 048	Purchase of profit participation certificates
4 215	1 279	4 529	10 023	758	10 781	Total

[1] see note 12

[2] Includes $ 71 million (2007: $ 22 million) of obligations under financial leases

144A Notes

In April 2004, Glencore Funding LLC, a wholly owned subsidiary of the Company, issued $ 950 million 6% coupon Notes due 2014 in accordance with Rule 144A of the United States Securities Act of 1933 as amended. The Notes, originally recorded at cost, are subsequently measured at amortized cost at an effective interest rate of 6.15% per annum. The Notes are guaranteed by the Company and Glencore AG.

The Notes are rated Baa2 by Moody's and BBB by Standard & Poor's rating agencies.

Exchangeable bonds

In October 2003, Glencore Finance (Europe) S.A. (the Issuer), a wholly owned subsidiary of the Company, issued $ 800 million 4.125% guaranteed exchangeable bonds due 2010 (the Bonds), exchangeable into ordinary shares of Xstrata, an associated company, at $ 13.67 per share. The Bonds are guaranteed on a joint and several basis by the Company and Glencore AG. Unless previously exchanged, redeemed or purchased and cancelled, the Bonds will be redeemed by the Issuer on October 6, 2010, at 113.76% of their nominal amount. The Bonds can be exchanged by the holders at any time.

The Bonds are rated Baa2 by Moody's and BBB by Standard & Poor's rating agencies.

The Bonds consist of a debt component and a derivative component (the exchange feature). The fair values of the debt component ($ 751 million) and the exchange feature ($ 49 million) were determined at issuance of the Bonds. The debt component is included in long term debt and is measured at amortized cost at an effective interest rate of 5.75% per annum. The exchange feature is included in other long term liabilities and is carried at its fair value with changes in fair value reported in the statement of income.

During the 2nd quarter 2008, Glencore cash settled early conversions with a notional amount of $ 72 million for a total consideration of $ 469 million, bringing cumulative early conversions and repurchases to $ 766 million of notional amount for a total consideration of $ 3,026 million as per June 30, 2008. All the repurchased bonds have been cancelled.

Xstrata secured bank loan

In December 2006, Finges Investment B.V., a wholly owned subsidiary of the Company, entered into a secured bank funding package. The substance of the financing package, which is made up of two derivative limbs, has been accounted for as a secured 3 year $ 1.35 billion bank loan which bears interest at a rate of US $ Libor plus a premium. As at June 30, 2008, 7.3% or $ 815 million of the carrying value (2007: 8.6%, $ 894 million) of Glencore's investment in Xstrata were pledged as security.

Eurobonds

In September 2004, Glencore Finance (Europe) S.A., a wholly owned subsidiary of the Company, issued Euro 600 million 5.375% coupon bonds due 2011. Upon issuance, Glencore Finance (Europe) S.A. entered into a cross currency transaction to swap the Euro denominated bonds as well as the future interest payments into their U.S. Dollar equivalent. The U.S. Dollar equivalent of the bonds issued was $ 739 million and the effective U.S. Dollar fixed interest rate is 5.78%.

In October 2006, Glencore Finance (Europe) S.A., issued Euro 850 million 5.25% coupon bonds due 2013. Upon issuance, Glencore Finance (Europe) S.A. entered into a cross currency transaction to swap the Euro denominated bonds as well as the future interest payments into their U.S. Dollar equivalent. The U.S. Dollar equivalent of the bonds issued was $ 1,078 million and the effective U.S. Dollar fixed interest rate is 6.60%.

In April 2008, Glencore Finance (Europe) S.A., issued Euro 750 million 7.125% coupon bonds due 2015. Upon issuance, Glencore Finance (Europe) S.A. entered into a cross currency transaction to swap the Euro denominated bonds as well as the future interest payments into their U.S. Dollar equivalent. The U.S. Dollar equivalent of the bonds issued was $ 1,200 million and the effective U.S. Dollar fixed interest rate is 6.86%.

As of June 30, 2008, the carrying value of the Eurobonds increased to $ 3,464 million due to changes in Euro/U.S. Dollar exchange rates. A corresponding gain of $ 444 million (2007: $ 300 million) on the cross currency transaction which offsets any foreign currency movements is included in fair value of trade related financial instruments and cash flow hedge reserves. The bonds are guaranteed by the Company and Glencore AG.

The bonds are rated Baa2 by Moody's and BBB by Standard & Poor's rating agencies.

Sterling bonds

In February 2007, Glencore Finance (Europe) S.A., a wholly owned subsidiary of the Company, issued GBP 650 million 6.50% coupon bonds due 2019. Upon issuance, Glencore Finance (Europe) S.A. entered into a cross currency transaction to swap the GBP denominated bonds as well as the future interest payments into their U.S. Dollar equivalent. The U.S. Dollar equivalent of the bonds issued was $ 1,242 million and the effective U.S. Dollar fixed interest rate is 6.58%.

As of June 30, 2008, the carrying value of the GBP 650 million bonds increased to $ 1,271 million due to changes in GBP/U.S. Dollar exchange rates. A corresponding gain of $ 29 million (2007: $ 27 million) on the cross currency transaction which offsets any foreign currency movements is included in fair value of trade related financial instruments and cash flow hedge reserves.

The bonds are guaranteed on a joint and several basis by the Company and Glencore AG and are rated Baa2 by Moody's and BBB by Standard & Poor's rating agencies.

Perpetual Notes

In February 2006, Glencore Finance (Europe) S.A., a wholly owned subsidiary of the Company, issued $ 700 million 8% Perpetual Notes, which can be called by the issuer after year 5 at par. The notes are guaranteed on a joint and several basis by the Company and Glencore AG and are rated Baa2 by Moody's and BBB by Standard & Poor's rating agencies.

Profit participation certificates

Profit participation certificates (PPC) bear interest at 6 month US $ Libor. In the event of certain triggering events (see note 10), with the exception of $ 129 million (2007: $ 258 million), all PPC would be subordinated to unsecured lenders.

12 Short term debt

2008 US $ million	2007 US $ million	
5 225	5 035	Committed revolving credit facility
2 000	1 024	Securitized receivables program[1]
703	675	Securitized inventory program[2]
1 800	1 350	Xstrata secured bank loan
1 684	1 540	Other
11 412	9 624	Total

[1] see note 9

[2] see note 8

Committed revolving credit facility

As contemplated in the facility agreement, in May 2008, the Company and Glencore Funding LLC (the Borrowers) requested extension of the existing 3 year $ 8,210 million unsecured committed revolving credit facility by one year to 2011. A take up of approximately 90% was received, such that $ 7,340 million is now due in May 2011, $ 840 million in May 2010 and $ 30 million in May 2009. In May 2008, the Borrowers also replaced the previous 364 day $ 565 million facility with a new 364 day $ 925 million facility with a one year extension option at the banks' consent and a one year term out option exercisable at the Borrowers' discretion. Funds drawn under the medium term revolving credit facility which are used to finance current working capital are classified as short term debt, while the portion drawn to fund non current assets is classified as long term debt (see note 11). The obligations of Glencore Funding LLC are guaranteed by the Company. Glencore AG guarantees the obligations of the Borrowers under these facilities. Up to $ 2,500 million of the 3 year facility may be used as liquidity back up for Glencore Funding LLC's stand alone U.S. commercial paper program. No balances were outstanding under the U.S. commercial paper program as at June 30, 2008 and December 31, 2007.

Upon successful closing of the increased securitized receivables program in June 2008, the Company cancelled the $ 500 million one year unsecured committed revolving credit facility executed with a major European bank in December 2007.

Xstrata secured bank loan

In September 2007, Finges Investment B.V., a wholly owned subsidiary of the Company, entered into an additional secured bank funding package (increased by $ 450 million in March 2008). The substance of the financing package, which is made up of two derivative limbs, has been accounted for as a secured 1 year bank loan which bears interest at a rate of US $ Libor plus a premium. As at June 30, 2008, 10.9% or $ 1,216 million (2007: 9.5%; $ 987 million) of the carrying value of Glencore's investment in Xstrata was pledged as security.

13 Accounts payable

2008 US $ million	2007 US $ million	
12 191	8 835	Trade payables
1 605	1 265	Trade advances from buyers
1 801	1 590	Associated companies
16 564	7 585	Fair value of trade related financial instruments[1]
1 526	1 485	Other payables and accrued liabilities
33 687	20 760	Total

[1] see note 15

14 Acquisition and disposal of subsidiaries

Acquisition

In 2008, the net cash used in the acquisition of subsidiaries and the provisional fair value acquisition adjustments made were:

Acquiree's carrying amount US $ million	Fair value adjustments US $ million	Fair value US $ million	
16	32	48	Property, plant and equipment
8	0	8	Inventories
4	0	4	Accounts receivable
13	0	13	Minority interest
– 10	0	– 10	Provisions and other long term liabilities
0	– 2	– 2	Deferred income taxes
– 21	0	– 21	Accounts payable
10	30	40	Net cash used in acquisition of subsidiaries

Over the first half of 2008, Glencore completed a few smaller acquisitions which have been accounted for as business combinations. The acquisitions are not individually significant to the financial statements and are therefore presented in aggregate.

The fair values are provisional due to the proximity of the acquisitions to June 30, 2008.

In the first half of 2007, the net cash used in the acquisition of subsidiaries and the fair value acquisition adjustments made were:

Acquiree's carrying amount US $ million	Fair value adjustments US $ million	Fair value US $ million	
159	21	180	Property, plant and equipment
55	0	55	Inventories
39	0	39	Accounts receivable
8	0	8	Cash and cash equivalents
– 58	– 4	– 62	Provisions
3	– 5	– 2	Deferred income taxes
– 66	0	– 66	Accounts payable
140	12	152	Total net assets acquired
		14	Less: amounts previously recognized through investments
		8	Less: cash and cash equivalents acquired
		130	Net cash used in acquisition of subsidiaries

In April 2007, Glencore purchased the remaining interest in Allied Alumina Inc. (Sherwin Alumina), a U.S. alumina plant and in June 2007, 100% of the operating assets of a Colombian coal mining company neighboring existing operations. The acquisitions, accounted for as business combinations, are not individually significant to the financial statements and are therefore presented in aggregate.

Disposal

2007 US $ million	
1 034	Property, plant and equipment
42	Investments in associates
5	Long term advances and loans
117	Deferred income taxes
285	Inventories
57	Accounts receivable
3	Cash and cash equivalents
– 115	Deferred income taxes
– 530	Short term debt
– 134	Accounts payable
764	Total net assets disposed

In March 2007, an agreement to merge certain of Glencore's alumina and aluminum assets with those of Rusal and Sual in return for a 12% interest in the new enlarged company, United Company Rusal Limited, was completed. A gain, net of transaction and related costs, of $ 859 million was recognized on the disposal of assets and the net fair value of the 12% equity consideration received (comprising $ 2,504 million of share consideration less a $ 771 million fair value adjustment for a short term supply contract) was $ 1,733 million.

15 Financial instruments and hedging activities

The following tables show the contract or underlying notional amounts and fair values of the trade related financial instruments by type of contract as at June 30, 2008 and December 31, 2007 including physical forward purchase and sale commitments. Fair values are determined using quoted market prices or standard pricing models using observable market inputs and are presented reflecting the expected gross future cash in/outflows. 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 by the counterparty. Notional amounts provide an indication of the underlying volume of the business outstanding as at the balance sheet date but do not reflect the underlying Glencore risk.

2008 Notional buy US $ million	2008 Notional sell US $ million	2008 Fair value US $ million	2007 Fair value US $ million	Fair value of trade related financial instruments (assets)
				Commodity related contracts
41 100	27 311	7 026	3 564	Futures
1 732	22	2 082	1 363	Options
4 555	2 575	1 047	530	Swaps
10 734	12 342	7 355	2 911	Physical Forwards
				Financial contracts
0	2 236	343	222	Cross currency swaps
2 182	1 183	102	57	Foreign currency contracts
60 303	45 669	17 955	8 647	Total as disclosed in accounts receivable[1]

2008 Fair value US $ million	2007 Fair value US $ million	Fair value of trade related financial instruments Term to maturity - (assets)
10 360	5 311	Due in 0 - 1 year
5 114	2 071	Due in 1 - 3 years
2 481	1 265	Due after 3 years
17 955	8 647	Total as disclosed in accounts receivable[1]

2008 Notional buy US $ million	2008 Notional sell US $ million	2008 Fair value US $ million	2007 Fair value US $ million	Fair value of trade related financial instruments (liabilities)
				Commodity related contracts
21 636	41 380	7 198	3 732	Futures
3 475	3 069	1 892	977	Options
1 901	5 347	1 251	567	Swaps
4 318	13 835	6 000	2 230	Physical Forwards
				Financial contracts
945	0	39	15	Futures
0	2 047	109	7	Cross currency swaps
1 879	2 144	75	57	Foreign currency contracts
34 154	67 822	16 564	7 585	Total as disclosed in accounts payable[2]

2008 Fair value US $ million	2007 Fair value US $ million	Fair value of trade related financial instruments Term to maturity - (liabilities)
9 712	4 670	Due in 0 - 1 year
4 532	1 975	Due in 1 - 3 years
2 320	940	Due after 3 years
16 564	7 585	Total as disclosed in accounts payable[2]

[1] see note 9

[2] see note 13

The following table summarizes the derivative instruments (included in the above tables) which are designated for hedge accounting purposes. These derivative instruments were specifically identified as cash flow hedges, held to hedge future cash flow risks related to the Eurobonds and Sterling bonds as discussed in note 11 and to specific marketing contracts (equivalent in US $ million).

Notional amounts		Recognized Fair Values		Average	
Buy	Sell	Assets	Liabilities	maturity	2008
–	4 283	–	239	2015	Cross currency swap agreements
238	446	–	68	2009	Commodity futures

Notional amounts		Recognized Fair Values		Average	
Buy	Sell	Assets	Liabilities	maturity	2007
–	3 083	–	112	2015	Cross currency swap agreements
–	734	–	109	2009	Commodity futures

16 Future commitments

Capital expenditure for the acquisition of property, plant and equipment is generally funded through the cash flow generated by the respective entities. As of June 30, 2008, $ 1,192 million (2007: $ 1,177 million) were contractually committed for the acquisition of property, plant and equipment.

Certain of Glencore's exploration tenements and licenses require it to spend a minimum amount per year on mine development activities; costs which in any event would have been incurred in the ordinary course of operations. As at June 30, 2008, $ 359 million (2007: $ 230 million) of such development expenditures are to be incurred, of which 46% are for commitments to be settled over the next 2 years.

Glencore procures chartering services to meet its overall marketing objectives and commitments. As at June 30, 2008, Glencore has committed to future hire costs to meet future physical delivery and sale obligations of $ 3,285 million (2007: $ 2,436 million), 79% of which are for services to be received over the next 2 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. As at June 30, 2008, $ 10,685 million (2007: $ 7,143 million) of such commitments have been issued on behalf of Glencore, which will be settled simultaneously upon physical delivery of the commodity.

17 Contingent liabilities

The amount of corporate guarantees in favor of associated and third parties as of June 30, 2008, was $ 46 million (2007: $ 54 million).

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 defenses against those actions or claims. Glencore believes the likelihood of any liability arising from these claims to be remote and that the liability, if any, resulting from any litigation will not have a material adverse effect on its income or consolidated financial position.

Environmental contingencies

Glencore's operations, predominantly those arising from the ownership in industrial investments, 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 contamination at its locations.

18 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. There have been no guarantees provided or received for any related party receivables.

Related party transactions, unless discussed elsewhere in the notes to the financial statements, are summarized below. The principal related parties are included in notes 10 and 21. All transactions between Glencore and its subsidiaries are eliminated along with any unrealized profits and losses between its subsidiaries and associates.

Associated companies	Joint ventures	Parent companies	Total	US $ million Six months ended June 30, 2008
515	0	0	515	Sales
– 5 472	– 23	0	– 5 495	Purchases
10	0	1	11	Interest income
– 1	0	0	– 1	Interest expense
81	0	0	81	Agency income
– 2	0	0	– 2	Agency expense

Associated companies	Joint ventures	Parent companies	Total	US $ million Six months ended June 30, 2007
545	0	0	545	Sales
– 4 084	0	0	– 4 084	Purchases
1	0	1	2	Interest income
– 1	0	0	– 1	Interest expense
60	0	0	60	Agency income
– 2	0	0	– 2	Agency expense

19 Subsequent events

In July 2008, it was agreed that Century Aluminum Company and Glencore would unwind all of their primary aluminum financial forward sales contracts. Consideration to Glencore was partly settled in cash (for $ 730 million, of which $ 667 million was received in July with the balance due over the next 12 months), and in preferred shares, representing 16 million underlying common shares. The preferred shares are economically equivalent to common shares, except that they carry no general voting rights. Consequently, Glencore's economic ownership in Century increased by 18.6% to 47%. In addition, Century completed a share placement, in which Glencore participated together with further share purchases for a total consideration of $ 163 million, thus maintaining its new economic ownership and an unchanged voting interest of 28.5%.

In August 2008, Glencore notified holders of Exchangeable Bonds, of its decision to redeem all outstanding bonds.

20 Segment information – business segments

For management purposes, Glencore is organized on a worldwide basis into three major business groups – metals and minerals, energy products, and agricultural products. These divisions are the basis on which Glencore reports its primary segment information.

Metals and minerals	Energy products	Agricultural products	Corporate/ eliminations	Total	Six months ended June 30, 2008
23 385	55 355	7 435	0	86 175	Revenues
– 21 917	– 54 031	– 7 135	0	– 83 083	Cost of goods sold
1 468	1 324	300	0	3 092	Gross income
688	211	1	0	900	Share of income from associates
142	0	0	0	142	Dividend income
2 298	1 535	301	0	4 134	Segment results
				– 610	Selling and administrative expenses
				– 463	Interest expense – net
				78	Gain on sale of investments
				– 173	Changes in mark to market valuation – net
				59	Other income/(expense) – net
				– 306	Income taxes
				2 719	Income before attribution

Metals and minerals	Energy products	Agricultural products	Corporate/ eliminations	Total	Six months ended June 30, 2007
25 242	37 425	3 965	0	66 632	Revenues
– 23 083	– 36 598	– 3 876	– 4	– 63 561	Cost of goods sold
2 159	827	89	– 4	3 071	Gross income
859	51	1	0	911	Share of income from associates
193	0	0	0	193	Dividend income
3 211	878	90	– 4	4 175	Segment results
				– 529	Selling and administrative expenses
				– 560	Interest expense – net
				859	Gain on sale of investments
				61	Changes in mark to market valuation – net
				43	Other income/(expense) – net
				– 360	Income taxes
				3 689	Income before attribution

21 List of principal operating, finance subsidiaries and industrial investments

	[1]Method of Consolidation	Country of incorporation	% of controlling interest 2008	% of controlling interest 2007	Main activity
Glencore AG	F	Switzerland	100.0	100.0	Operating
Allied Alumina Inc. (Sherwin Alumina)	F	United States	100.0	100.0	Alumina production
Century Aluminum Company	E	United States	28.5	28.6	Aluminum production
Columbia Falls Aluminum Company	F	United States	100.0	100.0	Aluminum production
Glencore Funding LLC	F	United States	100.0	100.0	Finance
Tennessee Zinc Company, LLC	F	United States	100.0	100.0	Zinc production
Glencore UK Ltd	F	U.K.	100.0	100.0	Operating
Glencore Commodities Ltd	F	U.K.	100.0	100.0	Operating
Glencore Energy UK Ltd	F	U.K.	100.0	100.0	Operating
Glencore Finance (Bermuda) Ltd	F	Bermuda	100.0	100.0	Finance
AR Zinc Group	F	Argentina	100.0	100.0	Zinc/Lead production
Colombian Coal Group[2]	F	Colombia	100.0	100.0	Coal production
Empresa Minera Los Quenuales SA	F	Peru	96.5	96.5	Zinc/Lead production
Glencore Finance (Europe) SA	F	Luxembourg	100.0	100.0	Finance
Recylex S.A.	E	France	32.2	32.2	Zinc/Lead production
Mopani Copper Mines PLC	F	Zambia	73.1	73.1	Copper production
Mutanda Mining Sprl	E	DRC	40.0	40.0	Copper production
Katanga Mining Limited (previously Nikanor plc)[3]	E	U.K.	8.4	13.9	Copper production
Refineria de Cartagena S.A.	E	Colombia	51.0	51.0	Oil production
Sinchi Wayra	F	Bolivia	100.0	100.0	Zinc/Tin production
United Company Rusal Limited	O	Jersey	10.3	12.0	Aluminum production
Finges Investment B.V.	F	Netherlands	100.0	100.0	Finance
Xstrata plc	E	U.K.	35.1	35.1	Diversified production
Cobar Group	F	Australia	100.0	100.0	Copper production
Glencore Grain BV	F	Netherlands	100.0	100.0	Operating
Inner Mongolia Huomei Hongiun Aluminium Co.	E	China	35.7	35.7	Aluminum production
JSC Kazzinc	F	Kazakhstan	69.0	75.5	Zinc/Lead production
Vasilkovskoje Gold	E	Kazakhstan	40.0	0	Gold production
Murrin Murrin Joint Venture[4]	F	Australia	40.0	40.0	Nickel production
Minara Resources Ltd	F	Australia	54.0	53.1	Nickel production
Moreno Group	F	Argentina	100.0	100.0	Edible oils production
Pasar	F	Philippines	78.2	78.2	Copper production
Portovesme S.r.L.	F	Italy	100.0	100.0	Zinc/Lead production
Russneft Group (various companies)	O	Russia	40.0–49.0	40.0–49.0	Oil production
Shanduka Coal (Pty) Ltd	F	South Africa	70.0	70.0	Coal production
ST Shipping & Transport Pte Ltd	F	Singapore	100.0	100.0	Operating
Topley Corporation[5]	F	B.V.I.	100.0	100.0	Ship owner

1 F = Full consolidation; E = Equity method; O = Other investment

2 Comprises C.I. Prodeco Productos de Colombia SA, Consorcio Minero Unido SA, Carbones de la Jagua SA and Carbones El Tesoro SA

3 Although Glencore holds less than 20% of the voting rights, it exercises significant influence by virtue of its participation in a common voting agreement, various commercial contracts and its right to appoint key executives

4 The balance of the joint venture is held by Minara Resources Ltd giving Glencore an effective interest of 72.4% in the joint venture

5 Holding company for 50% interest in various vessels

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