GLENCORE

Interim Report and Financial Review 2010

GLENCORE

INTERNATIONAL AG
AND SUBSIDIARIES

Interim Report
and Financial Review

2010

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Financial summary

First half 2010 compared to first half 2009

- **Revenues up 55% from $ 45.2 billion to $ 70.0 billion**

- **EBITDA[1] up 69% from $ 1.6 billion to $ 2.6 billion**

- **Glencore net income[1, 2] up 43% from $ 1.1 billion to $ 1.6 billion**

- **Cash provided by operating activities before working capital changes up 38% from $ 1.3 billion to $ 1.8 billion**

June 30, 2010 compared to December 31, 2009

- **Following the exercise of the Prodeco call option, net debt[2] increased to $ 13.6 billion, however debt coverage ratios are largely unchanged, on the back of the increased earnings and operating cash generation**

- **Available committed liquidity improved from $ 3.8 billion to $ 6.5 billion, comfortably above our minimum $ 3 billion internal target**

[1] excludes exceptional items; refer to page 7 for definition and reconciliation

[2] refer to glossary on page 11 with definitions and calculation

US $ million

June 30, 2010 (unaudited)	June 30, 2009 (unaudited)	Key figures for the six months ended June 30, 2010 and 2009
1 870	1 442	Gross income[1]
2 678	1 635	Business group results[1]
2 630	1 554	EBITDA[1]
1 563	1 097	Glencore net income[1, 2]
1 470	967	Glencore net income (statutory)
1 809	1 315	Cash provided by operating activities before working capital changes
1 372	944	Funds from operations (FFO)[2]

June 30, 2010 (unaudited)	Dec 31, 2009 (audited)	Key figures as of June 30, 2010 and December 31, 2009
66 452	66 276	Total assets
16 566	16 686	Glencore shareholders' funds[2]
23 306	23 131	Net funding[3]
13 639	10 186	Net debt[2]
7 697	8 144	Net working capital
15 019	16 997	Current capital employed (CCE)[2]

		Key ratios as of June 30, 2010 and December 31, 2009
		Working capital ratios:
1.28	1.27	Current ratio (times)
1.36	1.37	Adjusted current ratio (times)[2]
32	43	Net conversion cycle[2]
		Equity, gearing and coverage ratios:
45.2	37.9	Net debt to net debt plus Glencore shareholders' funds (%)[2]
1.16	1.26	CCE plus listed associates (carrying value) to gross funding (times)
20.3	22.9	FFO[4] to Net debt[2] (%)
2.73	2.59	Net debt[2] to EBITDA[1, 4] (times)
7.23	5.08	EBITDA[1] to net interest[1] (times)

1 excludes exceptional items, refer to page 7

2 refer to glossary on page 11 with definitions and calculation

3 refer to table on page 9

4 the 2010 ratio based on last 12 months' FFO and EBITDA

Interim review

Results

Consistent with a gradually recovering global economy and significantly higher average metal prices, Glencore reports a strong increase in profitability compared to the first half of 2009, with EBITDA up 69% to $ 2.6 billion and net income up 43% to $ 1.6 billion.

Revenues

Revenues increased by 55% to $ 70.0 billion largely due to higher period on period average prices for key commodities, such as copper (75%), crude oil (52%) and aluminum (49%) as well as additional sales volume, notably in aluminum, zinc and alloys.

Operating income

The split of business group results (gross income, share of income from associates and dividend income pre exceptional items) between marketing and industrial activities is as follows:

US $ million	H1 2010		H1 2009	
Marketing activities	1 258	47%	1 210	74%
Industrial activities	1 420	53%	425	26%
Business group results[1]	2 678	100%	1 635	100%

From a reasonable base, in what was a very challenging 2009, Business group results increased by 64% to $ 2.7 billion, reflecting the strength of our business model and the diversification benefits associated with combining and integrating, across a broad spectrum of commodities, a portfolio of industrial assets with large scale physical sourcing, marketing and logistics capabilities.

In this regard, the contribution from our supply chain, volume oriented marketing activities was up 4% to $ 1.3 billion, while profitability from our industrial activities increased more than threefold to $ 1.4 billion, largely due to the higher commodity price environment.

The second quarter was somewhat weaker than the first, as the industrial division was impacted by the May/June dip in commodity prices (since largely recovered) as well as lower production related to infrequent events, most notably, a planned maintenance shutdown at Mopani, a strike at one of our Colombian coal mines and a pipeline failure at the nickel processing facility at Murrin Murrin.

We expect the production profile to be significantly higher in the second half of the year compared to the first half, including our coal operations (some 30% higher due to Prodeco's expansion and the high rainfalls which negatively impacted Shanduka's production earlier in the year), gold operations (more than doubling due to the recent commissioning of the large Vasilkovskoje Gold mine), zinc concentrate operations (some 70% higher, in large part due to the recent restart of one of our Peruvian mines) and our copper operations (ongoing expansion at Katanga).

[1] excludes exceptional items, see page 7

On the marketing front, contribution from the Metals and minerals group improved significantly compared to the corresponding prior period, on the back of a return to more normal volume activity and additional market penetration in commodities such as aluminum and zinc. However, compared to a very strong performance over the first half of 2009, the Oil marketing contribution was substantially weaker, owing to a market still generally characterized by oversupply/excess capacity and the reduction in contango related profit opportunities which were prevalent 12 months earlier.

Overall, the Metals and minerals group was up $ 1.5 billion (515%) to $ 1.8 billion against the corresponding very weak prior period, as a result of the improved marketing contribution noted above and significantly higher earnings from our copper, zinc and nickel operations, driven by increased prices and volumes. This was evident 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 group was down $ 381 million (35%) to $ 0.7 billion, primarily due to lower marketing contribution from our oil department noted above.

The Agricultural group was down $ 53 million from $ 247 million to $ 194 million.

A summary of Business group results and EBITDA is as follows:

US $ million	H1 2010	H1 2009	Var (%)
Metals and minerals	1 764	287	515%
Energy products	720	1 101	– 35%
Agricultural products	194	247	– 21%
Business group results[1]	2 678	1 635	64%
Selling and administration	– 476	– 390	22%
Depreciation and amortization	428	309	39%
EBITDA[1]	2 630	1 554	69%

Earnings

A summary of the differences between EBITDA and Glencore net income including exceptional items is set out in the following table:

US $ million	H1 2010	H1 2009
EBITDA pre exceptional items	2 630	1 554
Depreciation and amortization	– 428	– 309
Net finance costs	– 364	– 306
Net other items	– 44	204
Income tax expense	– 153	– 29
Non controlling interest	– 78	– 17
Glencore net income pre exceptional items	1 563	1 097
Prodeco additional depreciation on change from 'held for sale' accounting treatment[1]	– 115	0
Write off capitalized borrowing costs upon cancelation of forward start agreement[2]	– 39	0
Gain on previously held interest in Vasilkovskoje Gold revaluation[3]	462	0
Prodeco call option expense[3, 4]	– 226	0
Impairment[3]	– 24	0
Net (loss)/gain on disposal of investments[3]	0	24
Other prior year items[1]	0	– 60
Share of associates' exceptional items	– 4	– 94
Non controlling interests	– 147	0
Total exceptional items	– 93	– 130
Glencore net income	1 470	967

1 recognized within cost of goods sold

2 recognized within interest expense

3 recognized within other income/(expense) – net

4 Amount includes $ 131 million of fair value adjustments related to selling forward a certain portion of Prodeco's future production at fixed prices which, from an accounting perspective, did not qualify as 'own use' exemption prior to the exercise of the call option. At such time, approximately 30 million tonnes, covering quarterly periods to the end of 2013, had been sold forward (pricing locked-in) and will no longer be required to be fair valued on an ongoing basis.

Net finance costs

Interest expense

Compared to the first half of 2009, interest expense increased as a result of higher average debt levels and the incremental cost impact of a higher long term funding mix.

Variable interest expense

Interest expense on floating rate debt increased by $ 32 million (excluding exceptional charges) to $ 255 million in the first half of 2010 from $ 223 million in the corresponding 2009 period. Floating rate debt is predominantly used to fund fast turning and liquid 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 $ 275 million for the first half of 2010, representing an increase of $ 87 million over the corresponding 2009 period. The net increase resulted from the Convertible and Eurobond issuance in December 2009 and March 2010, respectively.

Interest income

Interest income was up $ 61 million compared to the first half of 2009, primarily due to incremental interest earned on various loans extended, including companies within the Russneft Group.

Cash flow

Cash provided by operating activities

Cash flows from operating activities before working capital changes amounted to $ 1.8 billion over the first half of the year, an increase of $ 0.5 billion over the corresponding prior period. Net working capital inflows were $ 2.3 billion, compared to an outflow of $ 1.6 billion in 2009. In 2010, this primarily reflected the reduction in inventories to a more 'normal' holding cycle period and the associated reduction in net cash margining, the opposite movements of which were explained in our 2009 Annual Report covering the working capital build in fourth quarter of 2009. The net working capital conversion cycle was 32 days at June 30, 2010 compared to 43 days six months earlier and a five year average of 36.

Net cash provided/used by investing activities

Net cash used by investing activities amounted to $ 3.3 billion over the first half of 2010 compared to $ 417 million in the corresponding 2009 period. The net outflow primarily related to the $ 2.25 billion settlement of the Prodeco call option with Xstrata, the acquisition of a 51.5% stake in Chemoil for $ 237 million and the continued capital expenditure programs in respect of Vasilkovskoje Gold's start-up, oil exploration and development projects in West Africa and production expansions at Katanga and Prodeco.

Net cash provided/used by financing activities

In March 2010, Glencore issued 7 year, 5.25% EUR 1,250 million ($ 1,709 million) bonds.

Balance sheet

Assets, leverage and working capital

The current ratio and net working capital as at June 30, 2010 were 1.28 and $ 7.7 billion respectively, broadly in line with the December 31, 2009 levels. Non current assets increased by $ 3.5 billion primarily due to the first time consolidation of Vasilkovskoje Gold, following its full acquisition by Kazzinc and the reclassification of Prodeco from 'assets held for sale'.

Consistent with December 31, 2009, 98% ($ 9.6 billion) of total marketing inventories were contractually sold or hedged (readily marketable inventories) as of June 30, 2010. 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 either 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, 2010 increased to $ 13.6 billion from $ 10.1 billion as of December 31, 2009, although drawn funding levels were relatively unchanged. The increase in net debt is largely due to the exercise of the Prodeco call option. Last 12 months' FFO to net debt was 20.3% compared to 22.9% as at December 31, 2009. Following our comments above related to the expected boost in second half industrial production and assuming constant commodity prices, we see this coverage ratio improving in the coming quarters. In addition, at the time of announcing the exercise of the Prodeco option, we communicated an intention to effect some $ 1 billion of disposals. We have reached final agreement with acquirers in respect of the sale of certain non-core portfolio assets which should yield proceeds of some $ 400 million. The transactions are expected to close before the end of the year. In relation to the balance, Kazzinc is planning to spin-off/IPO part of its sizeable gold unit during the course of 2011.

Balance sheet liquidity is very healthy such that current capital employed plus liquid stakes in listed associates (at book carrying value) covers 116% of Glencore's gross funding.

Glencore shareholders' funds as of June 30, 2010 were relatively static at $ 16.6 billion after taking into account a required negative fair value adjustment (through equity reserves) in respect of Glencore's stake in United Company Rusal following its January Hong Kong listing and negative movements in cash flow hedges associated with hedging our non-dollar denominated bonds.

Capital resources and financing/liquidity

During the first half of 2010, the following important financing activities took place:

- In March 2010, Glencore issued 7 year, 5.25% EUR 1,250 million ($ 1,709 million) bonds;
- In March/May 2010, Glencore issued an additional $ 300 million of its Convertible bonds;
- In May 2010, Glencore replaced its 364 day $ 815 million revolving credit facility with a new $ 1,375 million 364 day plus one year term out option facility and also concluded a debut 364 day $ 515 million Asian focused tranche. In addition, Glencore replaced its $ 8,180 million medium term revolving credit facility with a new 3 year committed revolving credit facility of $ 8,370 million and cancelled the $ 6,650 million forward start facility concluded last year. In aggregate, the three tranches represent an increase in committed available liquidity of $ 1,265 million, provided by 97 banks, including 42 new banks.

The following facilities and funding programs are currently in place:

Facility/Program US $ million	Initial issue / current rollover	Amount issued or outstanding June 30, 2010	December 31, 2009
2014 144A Notes	950	945	945
Xstrata secured bank loans[1]	2 800	2 287	2 282
2011 Eurobonds (Euro 600 million)	739	700	817
2013 Eurobonds (Euro 850 million)	1 078	987	1 154
2015 Eurobonds (Euro 750 million)	1 200	883	1 030
2017 Eurobonds (Euro 1 250 million)	1 709	1 520	0
2019 Sterling Bond (GBP 650 million)	1 242	944	1 013
2014 Convertible bonds	2 300	2 122	1 838
Perpetual Notes	700	700	700
Purchase of profit participation certificates	2 069	2 069	2 222
Committed syndicated revolving credit facilities	10 260	5 040	5 890
U.S. commercial paper[2]	1 000	329	214
Committed asset backed (receivables) commercial paper program[3]	1 500	1 400	1 300
Committed secured receivables facilities	550	550	0
Committed secured inventory base metals facility[4]	600	230	310
Bilateral uncommitted secured inventory facilities	869	869	1 353
Bilateral inventory repurchase arrangements	522	522	477
Other financings[5]	2 867	2 867	2 521
Cash and cash equivalents and marketable securities		– 1 658	– 935
Total		23 306	23 131

Short term debt commentary

US S million	June 30, 2010	December 31, 2009
Committed syndicated revolving credit facilities	302	1 156
U.S. commercial paper[2]	329	214
Committed asset backed (receivables) commercial paper program[3]	1 400	1 300
Committed secured receivables facilities	550	0
Committed secured inventory base metals facility[4]	230	310
Bilateral uncommitted secured inventory facilities	869	1 353
Other financings[5]	2 071	1 812
Total	5 751	6 145

1 Consisting of two loans maturing in September 2011.

2 U.S. commercial paper drawn under a $ 1.0 billion A3/P2 rated program. Amounts drawn under this program cannot be drawn under the medium term committed syndicated revolving credit facility.

3 Funded via ABCP issued by three Western European banks' multi seller A1+/P1 rated conduits. The program is structured and rated until 2013, with the backup liquidity facilities provided by the sponsoring banks requiring annual renewal in June each year.

4 Funding is secured against certain base metal inventories, with committed funding currently in place until November 2010.

5 Consisting of numerous credit facilities from a large number of international banks.

Glencore maintains adequate liquidity via its cash, committed credit facilities, diversified funding sources and fast turning liquid working capital. As at June 30, 2010, Glencore had available cash and undrawn committed facilities of some $ 6.5 billion, comfortably exceeding its internal target of maintaining, at all times, a minimum committed available liquidity level of $ 3 billion.

Our secured funding facilities, representing more than half of the short term debt above, generally require extension/renewal on an annual basis, however, we feel very confident in this regard, given the strong underlying collateral and our history of successful refinancing. The vast majority of the remaining short term debt ('other financings' in the table on page 9) relates to the funding of local level working capital requirements in various jurisdictions and does not have an expected or scheduled repayment profile as long as the level of working capital supports such funding lines. Certain bank 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 significant headroom under these covenants.

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

Average market risk VaR (1 day 95%) during the first half of 2010 was $ 37 million, representing a modest 0.2% of Glencore shareholders' funds.

In light of our extensive funding activities, investment grade ratings are of utmost importance to us and the Group's business, capital structure, balance sheet and risk and financial profiles are managed accordingly.

Glossary to financial highlights and interim review

Adjusted current ratio

Current assets over current liabilities, both adjusted to exclude the more temporary impact of other financial liabilities.

Current capital employed

Current capital employed is current assets, presented before assets held for sale, less accounts payable, other financial liabilities and income tax payable.

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 non controlling interests.

Glencore shareholders' funds

Net assets attributable to profit participation shareholders, non controlling interests and equity holders less non controlling interests.

Net conversion cycle

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

Net debt

2010 US $ million	2009 US $ million	
17 631	16 403	Long term debt
6 811	7 186	Short term debt, including current portion of long term debt
522	477	Commodities sold with agreements to repurchase
– 1 658	– 935	Cash and cash equivalents and marketable securities
– 9 667	– 12 945	Readily marketable inventories
13 639	10 186	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, 2010 and 2009

US $ million

Note	2010 (unaudited)	2009 (unaudited)	
	70 007	45 242	Revenues
	– 68 252	– 43 860	Cost of goods sold
	1 755	1 382	Gross income
	– 476	– 390	Selling and administrative expenses
	797	89	Share of income from associates
	7	10	Dividend income
	2 083	1 091	Income before interest, tax and other items
	166	105	Interest income
	– 569	– 411	Interest expense
3	168	228	Other income/(expense) – net
	1 848	1 013	Income before income taxes and attribution
	– 153	– 29	Income taxes
	1 695	984	Income before attribution
	– 60	– 55	Attribution to hybrid profit participation shareholders
	– 330	– 62	Attribution to ordinary profit participation shareholders
	1 305	867	Income for the period
			Attribution to:
	– 225	– 17	Non controlling interests
	– 1 080	– 850	Equity holders

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

Consolidated statements of comprehensive income for the six months ended June 30, 2010 and 2009

2010 (unaudited)	2009 (unaudited)	US $ million
1 305	867	Income for the period
– 10	31	Exchange gain/(loss) on translation of foreign operations
– 208	248	Gain/(loss) on cash flow hedges
– 821	0	Gain/(loss) on available for sale financial assets
– 125	170	Share of comprehensive income/(loss) of associates
– 1 164	449	Net income/(loss) recognized directly in equity
– 31	41	Hedges transferred to the income statement
– 1 195	490	Other comprehensive income/(loss)
110	1 357	Total comprehensive income
		Attribution (to)/from:
– 225	– 17	Non controlling interests
115	– 1 340	Equity holders

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

Consolidated statements of financial position as of June 30, 2010 and December 31, 2009

US $ million

Note	2010 (unaudited)	2009 (audited)	Assets
			Non current assets
4	11 368	6 845	Property, plant and equipment
5	14 992	14 881	Investments in associates
5	2 396	3 202	Other investments
6	2 171	2 535	Long term advances and loans
	121	88	Deferred income taxes
	31 048	27 551	Total non current assets
			Current assets
7	12 034	15 073	Inventories
8	16 780	15 243	Accounts receivable
9	4 881	6 125	Other financial assets
	128	75	Marketable securities
	1 530	860	Cash and cash equivalents
	35 353	37 376	
10	51	1 349	Assets held for sale
	35 404	38 725	Total current assets
	66 452	66 276	Total assets

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

Consolidated statements of financial position
as of June 30, 2010 and December 31, 2009

Note	2010 (unaudited)	2009 (audited)	US $ million Liabilities and equity
			Net assets attributable to profit participation shareholders, non controlling interests and equity holders
11	46	46	Share capital
	4 192	4 395	Reserves and retained earnings
	2 761	1 258	Non controlling interests
	6 999	5 699	
11	1 522	1 461	Hybrid profit participation shareholders
11	10 806	10 784	Ordinary profit participation shareholders
	19 327	17 944	Total net assets attributable to profit participation shareholders, non controlling interests and equity holders
			Other non current liabilities
12	17 631	16 403	Long term debt
	1 024	626	Deferred income taxes
	763	722	Provisions
	19 418	17 751	Total other non current liabilities
			Current liabilities
12	1 060	1 041	Current portion of long term debt
13	5 751	6 145	Short term debt
7	522	477	Commodities sold with agreements to repurchase
10	0	2 303	Prodeco call option arrangement
14	14 065	11 482	Accounts payable
9	6 033	8 643	Other financial liabilities
	236	254	Income tax payable
	27 667	30 345	
10	40	236	Liabilities held for sale
	27 707	30 581	Total current liabilities
	66 452	66 276	Total liabilities and equity

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

Consolidated statements of cash flows
for the six months ended June 30, 2010 and 2009

2010 (unaudited)	2009 (unaudited)	US $ million
		Operating activities
1 848	1 013	Income before income taxes and attribution
		Adjustments to reconcile income before income taxes and attribution to net cash provided/(used) by operating activities
542	309	Depreciation and amortization
– 797	– 89	Share of income from associates
– 6	22	Increase/(decrease) in long term provisions
– 8	– 24	(Gain)/loss on sale of investments – net
12	– 149	Unrealized mark to market movements on other investments
– 185	– 73	Other non cash items and impairments
403	306	Interest expense – net
1 809	1 315	Cash provided by operating activities before working capital changes
		Working capital changes
– 53	7	(Increase)/decrease in marketable securities
182	5 540	(Increase)/decrease in accounts receivable[1]
3 592	– 2 766	(Increase)/decrease in inventories
– 1 397	– 4 390	Increase/(decrease) in accounts payable[1]
2 324	– 1 609	Total working capital changes
4 133	– 294	Cash provided/(used) by operating activities
– 162	– 33	Income taxes paid
100	64	Interest received
– 485	– 417	Interest paid
3 586	– 680	Net cash provided/(used) by operating activities

[1] Includes movements in other financial assets and liabilities

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

Consolidated statements of cash flows
for the six months ended June 30, 2010 and 2009

Note	2010 (unaudited)	2009 (unaudited)	US $ million
			Investing activities
	– 247	– 271	Increase in long term advances and loans
15	– 364	– 54	Net cash used in acquisition of subsidiaries
	– 92	– 188	Purchase of investments
10	– 2 250	0	Exercise of Prodeco call option
	56	555	Proceeds from sale of investments
	– 745	– 504	Purchase of property, plant and equipment
	187	30	Proceeds from sale of property, plant and equipment
	110	15	Dividends received from associates
	– 3 345	– 417	Net cash used by investing activities
			Financing activities
	– 946	1 558	Net proceeds/(repayment) of short term debt
	283	0	Net proceeds from Convertible bonds
	1 699	– 90	Net proceeds/(repurchase) of Euro and Sterling bonds
	– 122	60	Net proceeds/(repayment) of other long term bank debt
	– 484	– 355	Payment of profit participation certificates
	– 1	– 2	Dividend
	429	1 171	Net cash provided by financing activities
	670	74	Increase in cash and cash equivalents
	860	826	Cash and cash equivalents, beginning of period
	1 530	900	Cash and cash equivalents, end of period

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, 2010 and 2009

Reserves Restricted	Retained earnings	Other reserves[1]	Total reserves and retained earnings	Share capital	Total	Non controlling interests	Total equity	US $ million (unaudited)
1	4 413	– 19	4 395	46	4 441	1 258	5 699	Balance January 1, 2010
0	1 080	0	1 080	0	1 080	225	1 305	Income for the period
0	– 125	– 1 070	– 1 195	0	– 1 195	0	– 1 195	Other comprehensive income
0	– 1	0	– 1	0	– 1	0	– 1	Dividend
0	0	– 99	– 99	0	– 99	126	27	Change in ownership interest in subsidiaries
0	0	0	0	0	0	1 152	1 152	Acquisition of subsidiaries
0	0	12	12	0	12	0	12	Equity portion of Convertible bonds
1	5 367	– 1 176	4 192	46	4 238	2 761	6 999	Balance June 30, 2010
1	3 255	– 501	2 755	46	2 801	906	3 707	Balance January 1, 2009
0	850	0	850	0	850	17	867	Income for the period
0	170	320	490	0	490	0	490	Other comprehensive income
0	– 2	0	– 2	0	– 2	0	– 2	Dividend
0	0	0	0	0	0	197	197	Acquisition of subsidiaries and other
1	4 273	– 181	4 093	46	4 139	1 120	5 259	Balance June 30, 2009

[1] See note 11

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

Notes to interim consolidated financial statements (unaudited)

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 2009 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 2009 annual financial statements.

Amendments to accounting standards or new interpretations which were applied from January 1, 2010, do not have a material impact on Glencore's 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, risk management, 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 Other income/(expense) - net

2010 US $ million	2009 US $ million	
10	137	Change in mark to market valuation - net[1]
– 226	0	Prodeco call option expense
462	161	Revaluation of previously held interest in newly acquired businesses[2]
0	– 161	Impairment on Katanga related goodwill[2]
– 78	91	Other
168	228	Net

[1] Changes in mark to market valuation – net primarily relates to movements on interests in other investments carried at fair value.

[2] See note 15

4 Property, plant and equipment

Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Mineral and petroleum rights	Deferred mining costs	Total	US $ million
						Gross carrying amount:
1 066	5 936	319	1 718	229	9 268	January 1, 2010
284	719	12	2 308	91	3 414	Business combination
19	570	12	126	18	745	Additions
– 22	– 288	– 7	– 15	– 13	– 345	Disposals
112	898	10	73	155	1 248	Reclassified from held for sale[1]
12	141	8	– 134	– 10	17	Other movements
1 471	7 976	354	4 076	470	14 347	June 30, 2010
						Accumulated depreciation and impairment:
235	1 621	189	364	14	2 423	January 1, 2010
47	383	20	76	16	542	Depreciation
– 13	– 98	– 6	– 9	0	– 126	Disposals
7	124	4	7	10	152	Reclassified from held for sale[1]
– 1	– 17	7	– 1	0	– 12	Other movements
275	2 013	214	437	40	2 979	June 30, 2010
1 196	5 963	140	3 639	430	11 368	Net book value June 30, 2010

Land and buildings	Plant, machinery and vehicles	Furniture, fixtures and equipment	Mineral and petroleum rights	Deferred mining costs	Total	US $ million
						Gross carrying amount:
1 046	6 192	326	1 075	319	8 958	January 1, 2009
0	882	0	1	0	883	Business combination
25	419	16	26	18	504	Additions
– 18	– 37	– 3	0	– 1	– 59	Disposals
21	– 127	13	57	– 7	– 43	Other movements
1 074	7 329	352	1 159	329	10 243	June 30, 2009
						Accumulated depreciation and impairment:
179	1 401	179	325	15	2 099	January 1, 2009
27	216	19	38	9	309	Depreciation
– 12	– 20	– 3	0	0	– 35	Disposals
0	15	13	7	– 2	33	Other movements
194	1 612	208	370	22	2 406	June 30, 2009
880	5 717	144	789	307	7 837	Net book value June 30, 2009

[1] See note 10

Plant, machinery and vehicles include expenditure for construction in progress of $ 1,389 million (December 31, 2009: $ 1,233 million). Mineral rights include expenditures for exploration and evaluation of $ 202 million (December 31, 2009: $ 146 million). Depreciation expenses included in cost of goods sold are $ 533 million (2009: $ 304 million) and in selling and administrative expenses $ 9 million (2009: $ 5 million).

5 Investments in associates and other investments

2010 US $ million	2009 US $ million	
13 851	13 267	Listed associates
1 141	1 614	Non listed associates
14 992	14 881	Investments in associates
2 396	3 202	Other investments
17 388	18 083	Total

A list of the principal operating and finance subsidiaries and industrial investments is included in note 20.

Other investments

Other investments primarily include Glencore's interests in various Russneft Group companies and a 8.78% interest in United Company Rusal Limited ("UCR"), the fair value movements of which are recognized within related equity reserves (see note 11).

6 Long term advances and loans

2010 US $ million	2009 US $ million	
63	66	Loan to Parents
267	832	Loans to associated companies
1 841	1 637	Other long term receivables and loans
2 171	2 535	Total

7 Inventories

2010 US $ million	2009 US $ million	
2 147	1 894	Production inventories
9 667	12 945	Inventories contractually sold or hedged
220	234	Other
12 034	15 073	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.

Glencore has entered into a number of arrangements to finance a portion of its marketing inventories. In each case, the inventory has not been derecognized with the proceeds received recognized as either short term debt, commodities sold with agreements to repurchase or trade advances from buyers, depending upon its funding nature. Details of such arrangements are as follows:

Committed secured inventory base metals facility

A $ 600 million committed borrowing base facility is currently in place until November 2010. Under the program, eligible base metals are pledged against funds drawn and the net balance outstanding under the facility bears interest at U.S. $ LIBOR plus a premium. As of June 30, 2010, the total amount of marketing inventories secured was $ 265 million (2009: $ 400 million) and proceeds received as secured bank loans included as short term debt (see note 13) amounted to $ 230 million (2009: $ 310 million).

Bilateral uncommitted secured inventory facilities

On a bilateral basis, Glencore has concluded a number of secured funding arrangements with a range of banks. As of June 30, 2010, $ 1,084 million (2009: $ 1,818 million) of marketing inventories were pledged under such arrangements and $ 869 million (2009: $ 1,353 million) of proceeds were received and included within short term debt (see note 13).

Bilateral inventory repurchase arrangements

Glencore has entered into arrangements with certain counterparts to fund particular marketing strategies. The legal form of these arrangements is a fixed sale and repurchase agreement. As of June 30, 2010, $ 522 million (2009: $ 477 million) of marketing inventories were transacted but not derecognized under such arrangements, with the proceeds received recorded as commodities sold with agreements to repurchase.

Sale and optional repurchase arrangements

Glencore has entered into arrangements with various counterparties for the sale and optional repurchase of certain marketing inventories. As of June 30, 2010, $ 82 million (2009: $ 497 million) of marketing inventory has not been derecognized and proceeds received of $ 75 million (2009: $ 419 million) have been deferred and included as trade advances from buyers (see note 14).

8 Accounts receivable

2010 US $ million	2009 US $ million	
11 211	9 156	Trade receivables
3 486	4 415	Trade advances and deposits
326	315	Associated companies
1 757	1 357	Other receivables and prepaid expenses
16 780	15 243	Total

Glencore has entered into certain arrangements to finance a portion of its receivables. In each case, the receivables have not been derecognized with the proceeds received recognized as short term debt. Details of such arrangements are as follows:

Committed asset backed (receivables) commercial paper program

In June 2010, the Company, Glencore AG and Glencore Energy UK Ltd renewed the liquidity commitments in respect of the revolving Commercial Paper Program backed by certain trade receivables in the amount of $ 1.5 billion. Under the 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 three bank conduits, carrying interest at floating market rates which are included as short term debt (see note 13). The liquidity back-up commitments for the three conduits require annual renewal.

As of June 30, 2010, the total amount of trade receivables securitized was $ 1,713 million (2009: $ 1,590 million) and proceeds received as secured bank loans amounted to $ 1,400 million (2009: $ 1,300 million).

Committed secured receivables facilities

In April 2010, Glencore Singapore Pte Ltd and Glencore AG entered into committed secured receivables financing programs for $ 300 million and $ 250 million respectively. As of June 30, 2010, the total amount of receivables secured was $ 953 million and proceeds received as secured bank loans included as short term debt (see note 13) amounted to $ 550 million.

9 Other financial assets, liabilities and hedging activities

The following tables show the fair values of the financial instruments including trade related financial instruments and physical forward purchase and sale commitments by type of contract as at June 30, 2010 and December 31, 2009. Fair values are primarily determined using quoted market prices or standard pricing models using observable market inputs where available and are presented to reflect the expected gross future cash in/outflows. Glencore classifies the fair values of its financial instruments into a three level hierarchy based on the degree of the source and observability of the inputs that are used to derive the fair value of the financial asset or liability as follows:

Level 1 unadjusted quoted inputs in active markets for identical assets or liabilities; or

Level 2 inputs other than quoted inputs included in Level 1 that are directly or indirectly observable in the market; or

Level 3 unobservable market inputs or observable but can not be market corroborated, requiring Glencore to make market based assumptions.

Level 1 classification primarily includes futures with a tenor of less than one year and options that are exchange traded. Level 2 classifications primarily include futures with a tenor greater than one year, over the counter options, swaps and physical forward transactions which derive their fair value primarily from exchange quotes and readily observable broker quotes. Level 3 classifications primarily include physical forward transactions which derive their fair value predominantly from models that use broker quotes and applicable market based estimates surrounding location, quality and credit differentials. In circumstances where Glencore cannot verify fair value with observable market inputs (Level 3 fair values), it is possible that a different valuation model could produce a materially different estimate of fair value.

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.

Level 1	Level 2	Level 3	2010 Total	Fair value of other financial assets Fair value hierarchy (US $ million)
				Commodity related contracts
1 650	557	0	2 207	Futures
81	87	0	168	Options
95	386	0	481	Swaps
16	739	1 195	1 950	Physical forwards
				Financial contracts
51	24	0	75	Foreign currency and interest rate contracts
1 893	1 793	1 195	4 881	Total other financial assets

Level 1	Level 2	Level 3	2009 Total	Fair value of other financial assets Fair value hierarchy (US $ million)
				Commodity related contracts
1 838	947	0	2 785	Futures
132	277	0	409	Options
193	394	0	587	Swaps
0	343	1 706	2 049	Physical forwards
				Financial contracts
0	246	0	246	Cross currency swaps
21	28	0	49	Foreign currency and interest rate contracts
2 184	2 235	1 706	6 125	Total other financial assets

Level 1	Level 2	Level 3	2010 Total	Fair value of other financial liabilities Fair value hierarchy (US $ million)
				Commodity related contracts
1 003	1 806	0	2 809	Futures
50	197	104	351	Options
146	351	2	499	Swaps
27	489	700	1 216	Physical forwards
				Financial contracts
0	1 022	0	1 022	Cross currency swap
0	136	0	136	Foreign currency and interest rate contracts
1 226	4 001	806	6 033	Total other financial liabilities

Level 1	Level 2	Level 3	2009 Total	Fair value of other financial liabilities Fair value hierarchy (US $ million)
				Commodity related contracts
3 463	2 284	0	5 747	Futures
144	333	88	565	Options
241	415	1	657	Swaps
0	249	1 025	1 274	Physical forwards
				Financial contracts
0	371	0	371	Cross currency swap
19	10	0	29	Foreign currency and interest rate contracts
3 867	3 662	1 114	8 643	Total other financial liabilities

Swaps	Physical forwards	Options	Total Level 3	Net changes in fair values of Level 3 other financial assets/liabilities (US $ million)
– 1	681	– 88	592	Net Level 3 assets/(liabilities) – January 1, 2010
– 2	108	– 21	85	Total gain/(loss) recognized in cost of goods sold
1	– 294	5	– 288	Settlements
– 2	495	– 104	389	Net Level 3 assets/(liabilities) – June 30, 2010

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 bond as disclosed in note 12 and to certain operating expenditures (equivalent in $ million).

Notional amounts		Recognized Fair Values		Average	
Buy	Sell	Assets	Liabilities	maturity	2010
–	6 082	–	261	2015	Cross currency swap agreements
–	187	–	67	2011	Commodity futures

Notional amounts		Recognized Fair Values		Average	
Buy	Sell	Assets	Liabilities	maturity	2009
–	4 357	–	48	2015	Cross currency swap agreements
–	195	–	41	2011	Commodity futures

10 Assets and liabilities held for sale

Following Glencore's acquisition of Chemoil Energy Limited (Chemoil) in February 2010, certain of its operations were determined to be non core and were identified for disposal. The corresponding assets and liabilities held for sale amounted to $ 51 million and $ 40 million respectively (see note 15).

Following the exercise of the Prodeco call option with Xstrata in March 2010 and the decision not to partially or fully dispose of it, the net assets previously classified as held for sale were reclassified to the respective line items in the balance sheet. As a result of the change in accounting classification, a one time depreciation charge of $ 115 million was recognized.

11 Share capital and reserves

The share capital consists of 150,000 registered shares with a nominal value of CHF 500 each, a restriction of transferability and carry the right to a preferred dividend up to a maximum of 10% of nominal value.

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 Company is authorized by its articles of incorporation to issue to employees of Glencore, non voting profit participation certificates ("PPC") with no nominal value, enabling the employees to participate in the four profit sharing arrangements described below. The profit sharing arrangements entitle the participating employees to a portion of Glencore shareholders' funds accumulated during the period that such employees hold the PPCs. The PPCs attribute Glencore's net income pro rata based on the 150,000 (2009: 150,000) shares issued, however, upon termination of employment, the arrangements differ in the way that the accumulated financial benefits are settled as follows:

Glencore L.T.E. Profit Participation Shareholders ("LTS")

Participants in the Glencore L.T.E. AG Profit Participation Plan, representing 15% of the Company's registered share capital, have pooled both their shares in Glencore L.T.E. AG and their respective PPCs. Under separate agreements, in contrast to PPS and HPPS (noted below), termination of employment of LTS does not trigger any claims against the Company, but rather, it is in the Company's control if and when any amount will be redeemed. In this manner, the portion of net income accumulated by LTS is consistent with the traditional characteristics of an entity's retained earnings.

Long Term Profit Participation Shareholders ("LTPPS")

LTPPS, upon termination of employment, have agreed to forgo their accumulated financial benefits in the Company until the occurrence of certain triggering events, such as an IPO. Until such triggering event occurs, the accumulated financial benefits are non-interest bearing. As with LTS above, given that termination of employment does not trigger any claims against the Company, but rather it is in the Company's control if and when any amount will be redeemed, the portion of net income accumulated by LTPPS is consistent with the traditional characteristics of an entity's retained earnings. As of June 30, 2010, LTPPS represented 15% of the Company's registered share capital.

Hybrid Profit Participation Shareholders ("HPPS")

HPPS have agreed to receive their accumulated financial benefits upon termination of employment in the form of hybrid securities, which have been structured 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), 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 notes, upon issuance, will constitute unsecured and subordinated obligations that will rank senior to LTS (see above), pari passu with PPS/LTPPS and junior to any present or future claims of unsecured lenders and investors. As of June 30, 2010, HPPS represented 10% of the Company's registered share capital.

Ordinary Profit Participation Shareholders ("PPS")

Upon termination of employment, the accumulated financial benefits of a PPS employee are reclassified into long term debt, as "Ordinary profit participation certificates" and paid in installments over a period of five years, with the portion falling due within 12 months included in current portion of long term debt.

In 2009, many key employees, including department heads, holding in aggregate 74% of PPS as at June 30, 2010 agreed to defer the commencement of all payments of PPS claims, which may become due to them as a result of termination of their employment, until January 2012 at the earliest. In December 2009, various senior executives agreed to a further extension, such that 44% of PPS as at June 30, 2010 is locked up until January 2013 at the earliest.

In the event of certain triggering events, which include any breach of a financial covenant, redemptions under all four plans are subordinated to claims of unsecured lenders and investors.

According to the existing agreements, the Company redeemed during 2010 a certain number of PPC from PPS representing an aggregate amount of $ 304 million (2009: $ 300 million).

Other reserves

Translation adjustment	Equity portion of Convertible bonds	Cash flow hedge reserve	Net unrealized gains/(loss)	Net ownership changes in subsidiaries	Total	US $ million
– 7	77	– 89	0	0	– 19	Balance January 1, 2010
– 10	0	0	0	0	– 10	Exchange gain/(loss) on translation of foreign operations
0	0	– 208	0	0	– 208	Gain/(loss) on cash flow hedges[1]
0	0	0	– 821	0	– 821	Gain/(loss) on available for sale financial assets[2]
0	0	– 31	0	0	– 31	Hedges transferred to the income statement
0	0	0	0	– 99	– 99	Change in ownership interest in subsidiaries[3]
0	12	0	0	0	12	Equity portion of Convertible bonds[4]
– 17	89	– 328	– 821	– 99	– 1 176	Balance June 30, 2010
– 44	0	– 457	0	0	– 501	Balance January 1, 2009
31	0	0	0	0	31	Exchange gain/(loss) on translation of foreign operations
0	0	248	0	0	248	Gain/(loss) on cash flow hedges[1]
0	0	41	0	0	41	Hedges transferred to the income statement
– 13	0	– 168	0	0	– 181	Balance June 30, 2009

1 See note 9
2 See note 5
3 See note 15
4 See note 12

12 Long term debt

US $ million 2010	After 5 years	Due 4–5 years	Due 2–3 years	Total long term	Current portion	Total
Banks:						
Committed syndicated revolving credit facility[1]	0	0	4 738	4 738	0	4 738
Other	132	206	229	567	229	796
144A Notes	0	945	0	945	0	945
Xstrata secured bank loan	0	0	2 287	2 287	0	2 287
Convertible bonds[2]	0	2 122	0	2 122	0	2 122
Eurobonds[3]	1 520	1 870	700	4 090	0	4 090
Sterling bonds	944	0	0	944	0	944
Perpetual Notes	700	0	0	700	0	700
Ordinary profit participation certificates	0	281	957	1 238	831	2 069
Total	3 296	5 424	8 911	17 631	1 060	18 691

US $ million 2009	After 5 years	Due 4–5 years	Due 2–3 years	Total long term	Current portion	Total
Banks:						
Committed syndicated revolving credit facility[1]	0	0	4 734	4 734	0	4 734
Other	200	54	244	498	211	709
144A Notes	0	945	0	945	0	945
Xstrata secured bank loan	0	0	2 282	2 282	0	2 282
Convertible bonds	0	1 838	0	1 838	0	1 838
Eurobonds	1 030	1 154	817	3 001	0	3 001
Sterling bonds	1 013	0	0	1 013	0	1 013
Perpetual Notes	700	0	0	700	0	700
Ordinary profit participation certificates	0	354	1 038	1 392	830	2 222
Total	2 943	4 345	9 115	16 403	1 041	17 444

[1] see note 13

[2] Over the first half of 2010, $ 300 million of additional Convertible bonds were issued under the same terms and conditions as those issued in December 2009.

[3] In March 2010, Glencore Finance (Europe) S.A. issued Euro 1,250 million 5.25% coupon bonds due 2017. Upon issuance, the Company 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 $ 1,709 million and the effective U.S. Dollar fixed interest rate is 6.07%.

13 Short term debt

2010 US $ million	2009 US $ million	
302	1 156	Committed syndicated revolving credit facilities
329	214	U.S. commercial paper
230	310	Committed secured inventory base metals facility[1]
869	1 353	Bilateral uncommitted secured inventory facilities[1]
1 400	1 300	Committed asset backed (receivables) commercial paper program[2]
550	0	Committed secured receivables facilities[2]
2 071	1 812	Other[3]
5 751	6 145	Total

1 see note 7

2 see note 8

3 comprises various uncommitted bilateral bank credit facilities and other financings

Committed syndicated revolving credit facilities

In May 2010, Glencore replaced the previous 364 day $ 815 million revolving credit facility with a new 364 day $ 1,375 million facility with a one year term out option at Glencore's discretion as well as concluded a debut 364 day $ 515 million Asian focused tranche. In addition, Glencore replaced the $ 8,180 million medium term revolving credit facility with a new 3 year revolving credit facility of $ 8,370 million and cancelled the $ 6,650 million forward start facility concluded last year. 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 12). Up to $ 1,000 million of the medium term tranche may be used as liquidity back up for Glencore Funding LLC's stand alone U.S. commercial paper program (see below).

U.S. commercial paper

Glencore Funding LLC (the Issuer) has in place a stand alone U.S. commercial paper program for $ 1,000 million rated A3 and P2 respectively by Standard & Poor's and Moody's rating agencies. The Company guarantees the Issuer's obligations under this facility. The notes issued under this program carry interest at floating market rates and mature not more than 270 days from the date of issue.

14 Accounts payable

2010 US $ million	2009 US $ million	
10 923	8 162	Trade payables
501	946	Trade advances from buyers
1 640	1 371	Associated companies
1 001	1 003	Other payables and accrued liabilities
14 065	11 482	Total

15 Acquisition of subsidiaries

Acquisitions

Over the first half of 2010, Glencore acquired controlling interests in various businesses, the most significant being Vasilkovskoje Gold and Chemoil. The net cash used in the acquisition of subsidiaries and the fair value of the assets acquired and the liabilities assumed at the date of acquisition are detailed in the table below.

US $ million 2010	Vasilkovskoje Gold	Chemoil Energy Limited	Other	Total
Property, plant and equipment	2 855	406	153	3 414
Investments in associates	0	70	0	70
Inventories	44	322	49	415
Accounts receivable	103	674	13	790
Cash and cash equivalents	13	103	10	126
Assets held for sale	0	51	0	51
Non controlling interests	– 937	– 198	– 17	– 1 152
Long term debt	– 14	– 154	– 61	– 229
Deferred income taxes	– 357	– 29	0	– 386
Accounts payable	– 99	– 480	– 99	– 678
Short term debt	0	– 488	0	– 488
Liabilities held for sale	0	– 40	0	– 40
Total net assets acquired	1 608	237	48	1 893
Less: amounts previously recognized through loans and investments	1 403	0	0	1 403
Less: cash and cash equivalents acquired	13	103	10	126
Net cash used in acquisition of subsidiaries	192	134	38	364

Vasilkovskoje Gold

In February 2010, Kazzinc purchased the remaining 60% of Vasilkovskoje Gold that it did not previously own for $ 1,140 million funded through the payment of $ 204 million and the issuance of new Kazzinc shares which resulted in Glencore's ultimate ownership in Kazzinc being diluted from 69% to 50.7%. The dilution resulted in a loss of $ 99 million which has been recognized in reserves (see note 11). Prior to the acquisition, Kazzinc owned a 40% interest in Vasilkovskoje Gold which, on the date of acquisition, was revalued to its fair value of $ 760 million and as a result, a net gain of $ 462 million was recognized in other income (see note 3). The acquisition has been accounted for as a business combination with the non controlling interest being measured at fair value determined by using discounted cash flow techniques with a discount rate of 8.5%.

For the period post acquisition, Vasilkovskoje Gold contributed revenue of $ 52 million and a loss before attribution of $ 4 million. If the acquisition had taken place effective January 1, 2010, the operation would have contributed revenue of $ 53 million and a loss before attribution of $ 5 million.

Chemoil

In February 2010, Glencore acquired a 51.5% stake in Chemoil, a Singapore listed entity, for $ 237 million. The acquisition has been accounted for as a business combination with the non controlling interest being measured at fair value.

For the period post acquisition, Chemoil contributed revenue of $ 2,518 million and a loss before attribution of $ 9 million. If the acquisition had taken place effective January 1, 2010, the operation would have contributed revenue of $ 3,604 million and a loss before attribution of $ 16 million.

The fair values are provisional due to the proximity of the acquisitions to June 30, 2010.

In the first half of 2009, the net cash used in the acquisition of subsidiaries related mainly to Katanga Mining Limited (Katanga). The fair value of the assets acquired and liabilities assumed at the date of acquisition were:

US $ million

Total	2009
883	Property, plant and equipment
65	Inventories
52	Accounts receivable
228	Cash and cash equivalents
– 188	Non controlling interests
– 101	Long term debt
– 127	Provisions
– 153	Accounts payable
659	Total net assets acquired
377	Less: amounts previously recognized through loans and investments
228	Less: cash and cash equivalents acquired
54	Net cash used in acquisition of subsidiaries

In January 2009, Glencore participated in a Katanga convertible loan via a combination of existing and new loans which, when converted on June 2, 2009, resulted in Glencore holding a 68% interest in Katanga. Shortly thereafter, Glencore acquired an additional 1.2% interest, bringing its ownership to 69.2%. The acquisition has been accounted for as a business combination with the non controlling interest being measured at fair value. The total cash consideration of the acquisition, including the amounts paid prior to 2009, was $ 619 million. However, under IFRS, the consideration, for acquisition purposes, is deemed to be the fair value of the previously held equity interests and the convertible loan determined by reference to the quoted share price on the date of acquisition. In this regard, Glencore realized a net, non cash gain of $ 161 million comprising a gain on conversion of the convertible loan, offset by a loss on its original 8.5% interest in Katanga. Total consideration measured under IFRS 3 was therefore $ 780 million and a goodwill impairment of $ 161 million was recognized forthright, based on a detailed fair value assessment of the acquired assets and liabilities, using discounted cash flow techniques with a discount rate of 12%.

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, 2010, $ 722 million (2009: $ 815 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, 2010, $ 334 million (2009: $ 284 million) of such development expenditures are to be incurred, of which 34% are for commitments to be settled over the next two years.

Glencore procures chartering services to meet its overall marketing objectives and commitments. As at June 30, 2010, Glencore has committed to future hire costs to meet future physical delivery and sale obligations of $ 2,888 million (2009: $ 2,185 million), 41% of which are for services to be received over the next two 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, 2010, $ 8,984 million (2009: $ 7,178 million) of such commitments have been issued on behalf of Glencore, which will be settled simultaneously with the payment for such commodity.

17 Contingent liabilities

The amount of corporate guarantees in favor of associated and third parties as of June 30, 2010, was $ 62 million (2009: $ 73 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 (see notes 6, 8, 10 and 14). There have been no guarantees provided or received for any related party receivables or payables.

Related party transactions, unless discussed elsewhere in the notes to the financial statements, are summarized below. The principal related parties are included in notes 11 and 20. All transactions between Glencore and its subsidiaries are eliminated upon consolidation along with any unrealized profits and losses between its subsidiaries and associates.

Associated companies	Parent companies	Total	US $ million Six months ended June 30, 2010
495	0	495	Sales
– 4 360	0	– 4 360	Purchases
6	1	7	Interest income
49	0	49	Agency income
– 3	0	– 3	Agency expense

Associated companies	Parent companies	Total	US $ million Six months ended June 30, 2009
299	0	299	Sales
– 2 950	0	– 2 950	Purchases
7	1	8	Interest income
– 1	0	– 1	Interest expense
23	0	23	Agency income
– 2	0	– 2	Agency expense

19 Business Group information

For management purposes, Glencore is organized on a worldwide basis into three major business groups – metals and minerals, energy products, and agricultural products.

Metals and minerals	Energy products	Agricultural products	Total	Six months ended June 30, 2010
22 261	43 319	4 427	70 007	Revenues
– 21 045	– 42 970	– 4 237	– 68 252	Cost of goods sold
1 216	349	190	1 755	Gross income
537	256	4	797	Share of income from associates
7	0	0	7	Dividend income
1 760	605	194	2 559	Business group results
			– 476	Selling and administrative expenses
			– 403	Interest expense – net
			168	Other income/(expense) – net
			– 153	Income taxes
			1 695	Income before attribution

Metals and minerals	Energy products	Agricultural products	Total	Six months ended June 30, 2009
14 923	26 167	4 152	45 242	Revenues
– 14 648	– 25 307	– 3 905	– 43 860	Cost of goods sold
275	860	247	1 382	Gross income
– 152	241	0	89	Share of income from associates
10	0	0	10	Dividend income
133	1 101	247	1 481	Business group results
			– 390	Selling and administrative expenses
			– 306	Interest expense – net
			228	Other income/(expense) – net
			– 29	Income taxes
			984	Income before attribution

20 List of principal operating, finance subsidiaries and industrial investments

	Method of Consolidation[1]	Country of incorporation	% of controlling interest 2010	% of controlling interest 2009	Main activity
Glencore International AG	P	Switzerland			Operating
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	44.1[2]	44.1[2]	Aluminum production
Glencore Funding LLC	F	United States	100.0	100.0	Finance
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 Group Funding Limited	F	UAE	100.0	100.0	Finance
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[3]	F	Colombia	100.0	100.0	Coal production
Empresa Minera Los Quenuales SA	F	Peru	97.1	97.1	Zinc/Lead production
Glencore Exploration (EG) Ltd.	F	Bermuda	100.0	100.0	Oil exploration
Glencore Finance (Europe) SA	F	Luxembourg	100.0	100.0	Finance
Mopani Copper Mines PLC	F	Zambia	73.1	73.1	Copper production
Mutanda Mining	E	DRC	40.0	40.0	Copper production
Recylex S.A.	E	France	32.2	32.2	Zinc/Lead production
Sinchi Wayra	F	Bolivia	100.0	100.0	Zinc/Tin production
United Company Rusal Limited	O	Jersey	8.78	9.7	Aluminum production
Finges Investment B.V.	F	Netherlands	100.0	100.0	Finance
Biopetrol Industries AG	F	Germany	50.0	0.0	Biodiesel production
Xstrata plc	E	U.K.	34.9	34.9	Diversified production
Chemoil Energy Limited	F	Singapore	51.5	0.0	Oil production
Cobar Group	F	Australia	100.0	100.0	Copper production
Glencore Grain BV	F	Netherlands	100.0	100.0	Operating
Glencore Singapore Pte Ltd	F	Singapore	100.0	100.0	Operating
Inner Mongolia Huomei Hongiun Aluminium Co.	E	China	35.7	35.7	Aluminum production
Kazzinc Ltd.	F	Kazakhstan	50.7	69.0	Zinc/Lead production
Vasilkovskoje Gold	F	Kazakhstan	100.0	40.0	Gold production
Katanga Mining Limited	F	Bermuda	69.2	69.2	Copper production
Murrin Murrin Joint Venture[4]	F	Australia	40.0	40.0	Nickel production
Minara Resources Ltd	F	Australia	70.6	70.6	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)[5]	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[6]	F	B.V.I.	100.0	100.0	Ship owner

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

2 Represents Glencore's economic interest in Century, comprising 39.1% voting interest (2009: 39.1%) and 5% non voting interest (2009: 5%).

3 Comprises C.I. Prodeco SA, Consorcio Minero Unido SA, Carbones de la Jagua SA, Carbones El Tesoro SA and Carboloma.

4 The balance of the joint venture is held by Minara Resources Ltd giving Glencore an effective interest of 82.4% in the joint venture.

5 Although Glencore holds more than 20% of the voting rights, it has limited key management influence and thus does not exercise significant influence.

6 Holding company for 50% and 100% interests in various vessels.

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