

## **Steel Guru**

### **Glencore H1 profit surges by 42pct**

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Glencore International the Swiss mining and commodities trading giant said that a sharp rise in metals prices sent first half net income soaring 42% while a planned USD 1 billion asset sale was on track.

#### Highlights of H1

1. Glencore's focused strategy and market leading position across a diversified portfolio of commodity groups enabled it to take advantage of the gradual recovery in the global economy and generally higher average commodity prices. As a result, Glencore reported an increase in EBITDA and net income of 69% and 42% respectively, compared to the first half of 2009.
2. Compared to the first half of 2009, profitability from Glencore's industrial activities increased more than threefold primarily due to significantly higher metal prices, while the contribution from the volume oriented marketing activities was up slightly.
3. Liquidity, comprising cash and undrawn committed credit facilities, stood at USD 6.5 billion as at June 30th 2010, comfortably exceeding Glencore's internal minimum target of USD 3 billion.
4. Glencore successfully completed the refinancing of its core committed revolving credit facilities in May at a record size of USD10.3 billion, an increase of some USD 1.2 billion compared to the previous facilities. In March, Glencore issued 7 year 5.25% Eurobonds in the amount of EUR 1.25 billion.
5. In March 2010, Glencore exercised its USD 2.25 billion option to repurchase Prodeco from Xstrata. During the period, Glencore also completed the purchase of a 51.5% stake in Chemoil for USD 237 million and the remaining 60% of Vasilkovskoje Gold for some USD 200 million in cash and shares, which reduced Glencore's stake in Kazzinc from 69% to 50.7%.

6. During the period, Glencore also advanced numerous near-term internal growth projects, including oil exploration and development blocks in West Africa, commissioning of the new Vasilkovskoje Gold operation in Kazakhstan and ongoing production expansions at Katanga and Prodeco.

7. Following the repurchase of Prodeco and expenditure associated with the growth projects noted above, net debt increased to USD 13.6 billion from USD 10.2 billion, however debt coverage ratios were largely unchanged due to the increased earnings and operating cashflow generation.

8. At the time of announcing the exercise of the Prodeco option, Glencore communicated its intention to execute USD 1 billion of disposals. Glencore has since reached final agreement with respect to the sale of certain non core portfolio assets, from which proceeds of around USD 400 million are expected, with the balance coming from the planned partial spin off/IPO of Kazzinc's gold unit during the course of 2011.