

GOLDMAN SACHS INTERNATIONAL

(unlimited company)

**UNAUDITED INTERIM MANAGEMENT REPORT AND
CONDENSED FINANCIAL STATEMENTS**

30 MAY 2008

GOLDMAN SACHS INTERNATIONAL

(unlimited company)

MANAGEMENT REPORT

The directors present their unaudited interim management report and condensed financial statements for the 26 week period ended 30 May 2008.

1. Principal activities

Goldman Sachs International ('the company' or 'GSI') provides a wide-range of financial services to clients located worldwide and undertakes proprietary trading. The company is regulated by the Financial Services Authority ('the FSA'). GSI's share capital is denominated in US Dollars and the company is part of a US Dollar reporting group, The Goldman Sachs Group, Inc. ('the group'). Accordingly, the company's functional currency is US Dollars and these condensed financial statements have been prepared in that currency.

2. Review of business and future developments

The profit and loss account for the period is set out on page 5. Trading profit was US\$5,809 million for the period (26 week period ended 25 May 2007: US\$5,451 million). The results for the company show a pre-tax profit of US\$3,561 million for the period (26 week period ended 25 May 2007: US\$1,346 million). GSI has total assets of US\$1,018 billion (30 November 2007: US\$944 billion).

Investment Banking results reflect declines in debt and equity underwriting declined as market conditions remained challenging and was partially offset by higher revenues from merger fees.

Trading and Principal Investments benefited from strong customer-driven activity. Higher net revenues from credit products, interest rate products, commodities and currencies were offset by lower results in mortgages. Net revenues from equity principal strategies declined. During the period, the company operated in an environment characterised by solid client activity, generally tighter corporate credit spreads in the second quarter and volatile markets.

Asset Management and Securities Services reflected strong results primarily from the prime brokerage business generated mainly by higher customer balances.

Administrative expenses decreased to US\$1,796 million for the period (26 week period ended 25 May 2007: US\$3,611 million) mainly due to a reduction in compensation costs including costs of equity-based compensation.

Interest payable decreased to US\$452 million for the period (26 week period ended 25 May 2007: US\$496 million), mainly due to a decrease in subordinated debt from US\$19,913 million, as at 30 November 2007, to US\$15,013 million.

Business environment

As an investment banking and securities firm, our businesses are materially affected by conditions in the financial markets and general economic conditions. A favourable business environment is typically characterised by, amongst other factors, transparent, liquid and efficient capital markets, low inflation, high business and investor confidence and strong business earnings. Over the business cycle, these factors provide a positive climate for our investment banking activities, for many of our trading and investing businesses and for wealth creation.

Strategy

The Goldman Sachs Group, Inc. is a leading global investment banking, securities and investment management firm that provides a wide-range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high-net-worth individuals.

As part of the group, GSI seeks to be the advisor of choice for its clients and a leading participant in the global financial markets. GSI's strategy, consistent with that of the group, is to grow its three core businesses, Investment Banking, Trading and Principal Investments, and Asset Management and Securities Services, in markets throughout the world.

GOLDMAN SACHS INTERNATIONAL
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REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Principal risks and uncertainties

GSI faces a variety of risks that are substantial and inherent in its businesses including economic and market conditions, liquidity, credit quality, competition, and employee-related, operational infrastructure and technology risks. Consequently, the company does not produce predictable earnings. The key business risks affecting the company are set out below.

Economic and market conditions

Our businesses are materially affected by conditions in the global financial markets and economic conditions generally and these conditions may change suddenly and dramatically. Unfavourable or uncertain economic and market conditions have adversely affected, and may in the future adversely affect, our business and profitability.

Credit quality

The amount and duration of our credit exposures have been increasing over the past several years, as has the breadth and size of the entities to which we have credit exposures. We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. In addition, deterioration in the credit quality of third parties whose securities or obligations we hold could result in losses and / or adversely affect our ability to use those securities or obligations for liquidity purposes. Although we regularly review credit exposures to specific clients and counterparties and to specific industries, countries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the company.

Liquidity

Liquidity is essential to our businesses. Our liquidity could be impaired by an inability to access secured and / or unsecured debt markets, an inability to sell assets or redeem our investments or unforeseen outflows of cash or collateral. This situation may arise due to circumstances that we may be unable to control, such as a general market disruption or an operational problem that affects third parties or us or even by the perception amongst market participants that we are experiencing greater liquidity risk. Furthermore, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time as is likely to occur in a liquidity or other market crisis. In addition, financial institutions with which we interact may exercise set-off rights or the right to require additional collateral, including in difficult market conditions, which could further impair our access to liquidity.

Competition

The financial services industry is intensely competitive and we expect it to remain so. Our competitors are other brokers and dealers, investment banking firms, mutual funds, hedge funds, private equity funds, commercial banks and merchant banks. We compete on the basis of a number of factors including transaction execution, our products and services, innovation, reputation and price. We believe that we will continue to experience pricing pressures in the future as some of our competitors seek to obtain market share by reducing prices.

Over time, there has been substantial consolidation and convergence amongst companies in the financial services industry. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of some of our competitors. It has also hastened the globalisation of the securities and other financial services markets.

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REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Employees

We also face intense competition in attracting and retaining qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

Our performance is largely dependent on the talents and efforts of highly skilled individuals. Competition from within the financial services industry and from business outside the financial service industry, such as hedge funds, private equity funds and venture capital funds, for qualified employees is intense. This is particularly the case in emerging markets, where we are often competing for qualified employees with entities that have a significantly greater presence or more extensive experience in the region.

Operational infrastructure

Shortcomings or failures in internal processes, people or systems or external events could lead to impairment of our liquidity, financial loss, disruption of business, liability to clients, regulatory intervention or reputational damage. Our businesses are highly dependent on our ability to process and monitor, on a daily basis, a large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. These transactions, as well as information technology services we provide to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards. As our client base and our geographical reach expands, developing and maintaining our operational systems and infrastructure becomes increasingly challenging. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control such as a spike in transaction volume, adversely affecting our ability to process these transactions. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

We also face the risk of operational failure or termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that we use to facilitate our securities transactions and, as our interconnectivity with our clients grows, we will increasingly face the risk of operational failure with respect to our clients' systems. Any such failure or termination could adversely affect our ability to effect transactions, service our clients and manage our exposure to risk.

Despite the contingency plans and facilities that we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located. This may include a disruption involving electrical, communications, transportation or other services used by GSI or third parties with which we conduct business. These disruptions may occur, for example, as a result of events that affect only the buildings of the company or such third parties, or as a result of events with a broader impact on the cities where those buildings are located.

Technology

Technology is fundamental to our business and our industry. The growth of electronic trading and the introduction of new technologies is changing our businesses and presenting us with new challenges. Securities, futures and options transactions are increasingly occurring electronically, both on our own systems and through other alternative trading systems and it appears that the trend toward alternative trading systems will continue and probably accelerate. Some of these alternative trading systems compete with our trading businesses and we may experience continued competitive pressures in these and other areas. In addition, the increased use by our clients of low-cost electronic trading systems and direct electronic access to trading markets could cause a reduction in commissions and spreads. As our clients increasingly use our systems to trade directly in the markets, we may incur liabilities as a result of their use of our order routing and execution infrastructure.

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REPORT OF THE DIRECTORS (CONTINUED)

2. Review of business and future developments (continued)

Risk management

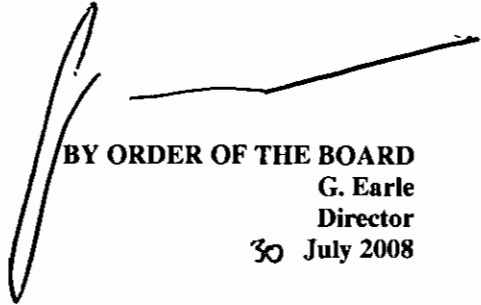
We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems, internal controls, management review process and other mechanisms. Our trading risk management process seeks to balance our ability to profit from trading positions with our exposure to potential losses. Whilst we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgements that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Thus, we may, in the course of our activities, incur losses. In addition, refer to the financial risk management section (note 4 in the notes to the financial statements), below.

Future outlook

The directors consider that the period end financial position of the company was satisfactory. No significant change in the company's principal business activity is expected.

3. Responsibility statement

The directors confirm that the condensed financial statements have been prepared in accordance with the Accounting Standards Board guidance on 'half-yearly financial reports' and that the interim management report herein includes a fair review of the information required by the FSA's Disclosure and Transparency Rules ('DTR') 4.2.7 R and 4.2.8 R.



BY ORDER OF THE BOARD
G. Earle
Director
30 July 2008

GOLDMAN SACHS INTERNATIONAL
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PROFIT AND LOSS ACCOUNT (UNAUDITED)
for the 26 week period ended 30 May 2008

	26 week period ended 30 May 2008 US\$'000	26 week period ended 25 May 2007 US\$'000	52 week period ended 30 November 2007 US\$'000
Trading profit (note 3)	5,808,857	5,451,356	10,318,322
Administrative expenses	(1,796,075)	(3,610,996)	(6,431,446)
OPERATING PROFIT	4,012,782	1,840,360	3,886,876
Interest payable and similar charges	(451,939)	(495,535)	(1,145,899)
Net finance income	-	986	2,804
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,560,843	1,345,881	2,743,781
Tax charge on profit on ordinary activities	(880,068)	(399,164)	(787,845)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL PERIOD	2,680,775	946,647	1,955,936

The trading and operating profit of the company is derived from continuing operations in the current and prior periods.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (UNAUDITED)
for the 26 week period ended 30 May 2008

	26 week period ended 30 May 2008 US\$'000	26 week period ended 25 May 2007 US\$'000	52 week period ended 30 November 2007 US\$'000
Profit for the financial period	2,680,775	946,647	1,955,936
Actuarial gain relating to the pension scheme	41,597	98,767	46,465
UK deferred tax attributable to the actuarial gain	(11,647)	(29,630)	(13,010)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE FINANCIAL YEAR AND SINCE LAST FINANCIAL	2,710,725	1,015,784	1,989,391

The notes on pages 7 to 10 form an integral part of these financial statements.

GOLDMAN SACHS INTERNATIONAL
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BALANCE SHEET (UNAUDITED)
as at 30 May 2008

	30 May 2008 US\$'000	30 November 2007 US\$'000
FIXED ASSETS		
Tangible assets	11,190	11,769
Shares in subsidiary undertakings	50	50
Other investments other than loans	1,772	1,766
	<u>13,012</u>	<u>13,585</u>
CURRENT ASSETS		
Trading inventory	605,341,673	522,854,239
Securities purchased under agreements to resell	92,822,216	72,929,770
Debtors	303,993,268	329,122,368
Cash at bank and in hand	15,785,321	18,911,554
	<u>1,017,942,478</u>	<u>943,817,931</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trading inventory sold, but not yet purchased	(570,461,502)	(483,662,890)
Securities sold under agreements to repurchase	(86,119,104)	(105,335,450)
Other creditors	(332,352,471)	(323,967,522)
	<u>(988,933,077)</u>	<u>(912,965,862)</u>
NET CURRENT ASSETS	<u>29,009,401</u>	<u>30,852,069</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	29,022,413	30,865,654
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	(18,664,015)	(23,170,224)
PROVISIONS FOR LIABILITIES AND CHARGES	(40,000)	(40,000)
NET ASSETS EXCLUDING PENSION DEFICIT	<u>10,318,398</u>	<u>7,655,430</u>
Pension deficit	(60,424)	(108,181)
NET ASSETS INCLUDING PENSION DEFICIT	<u>10,257,974</u>	<u>7,547,249</u>
CAPITAL AND RESERVES		
Called up share capital	498,396	498,396
Share premium account	2,607,806	2,607,806
Capital reserve (non-distributable)	17,286	17,286
Profit and loss account	7,134,486	4,423,761
TOTAL SHAREHOLDERS' FUNDS	<u>10,257,974</u>	<u>7,547,249</u>

The notes on pages 7 to 10 form an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS – 30 MAY 2008 (UNAUDITED)

1. BASIS OF PREPARATION

These condensed financial statements for the 26 week period ended 30 May 2008 have been prepared in accordance with the Disclosure and Transparency Rules of the FSA and the Accounting Standards Board guidance on 'half-yearly financial reports'. The condensed financial statements should be read in conjunction with the financial statements for the 53 week period ended 30 November 2007 which have been prepared in accordance with applicable accounting standards.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the financial statements for the 53 week period ended 30 November 2007, as described in those financial statements, except as stated in note 5.

3. SEGMENTAL REPORTING

The company's trading profit is categorised into the following three principal segments: Investment Banking, Trading and Principal Investments, and Asset Management and Securities Services.

	26 week period ended 30 May 2008 US\$'000	26 week period ended 25 May 2007 US\$'000	53 week period ended 30 November 2007 US\$'000
Investment Banking	534,860	621,943	1,233,714
Trading and Principal Investments	4,077,039	4,151,746	7,776,357
Asset Management and Securities Services	1,196,958	677,667	1,308,251
	5,808,857	5,451,356	10,318,322

Investment Banking

The company's investment banking activities are divided into two categories:

- *Financial Advisory* – Financial Advisory includes advisory assignments with respect to mergers and acquisitions, divestitures, corporate defence activities, restructuring and spin offs; and
- *Underwriting* – Underwriting includes public offerings and private placements of a wide range of securities and other financial instruments.

Trading and Principal Investments

Trading and Principal Investments is divided into three categories:

- *Fixed Income, Currencies and Commodities* – The company makes markets in and trades interest rate and credit products, mortgage-related securities and loans, including asset-backed securities, currencies and commodities, structures and enters into a wide variety of derivative transactions and engages in proprietary trading and investing;
- *Equities* – The company makes markets in and trades equities and equity-related products, structures and enters into equity derivative transactions, and engages in proprietary trading. The company also executes and clears customer transactions on major stock, options and futures exchanges worldwide; and
- *Principal Investments* – Principal Investments primarily represents fees from group companies for sourcing and associated work with regard to the group's merchant banking investments.

Trading and Principal Investments also includes variable costs such as brokerage, clearance and underwriting expenses that are offset against trading profit.

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NOTES TO THE FINANCIAL STATEMENTS – 30 MAY 2008 (UNAUDITED)

3. SEGMENTAL REPORTING (CONTINUED)

Asset Management and Securities Services

The Asset Management and Securities Services segment includes services related to the following:

- *Asset Management* – Asset Management provides investment advisory and financial planning services to a diverse group of institutions and individuals worldwide and primarily generates revenues in the form of management and incentive fees; and
- *Securities Services* – Securities Services provides prime brokerage, financing services and securities lending services to institutional clients, including hedge funds, mutual funds, pension funds, and foundations and to high-net-worth individuals worldwide, and generates revenues primarily in the form of interest rate spreads or fees.

Geographic Analysis

Due to the highly integrated nature of international financial markets, the directors consider that the company operates in a single global market. As a result, no disclosure of segmental information relating to the geographical origin of results has been provided.

4. FINANCIAL RISK MANAGEMENT

Normal trading activities expose the company to market, credit, and liquidity risk. These risks, described below, are managed in accordance with established risk management policies and procedures.

The Goldman Sachs Group, Inc. manages market, credit and liquidity risk on a consistent basis, firmwide. Consequently, GSI, as part of a global group, adheres to global risk management policies and procedures.

We seek to monitor and control our risk exposure through a variety of separate, but complementary, financial, credit, operational, compliance and legal reporting systems. In addition, a number of global, regional and entity committees are responsible for monitoring risk exposures and for general oversight of our risk management process. These committees meet regularly and consist of senior members of both our revenue-producing units and departments that are independent of our revenue-producing units. In addition to the committees, functions that are independent of the revenue-producing units, such as Compliance, Finance, Legal, Management Controls (Internal Audit) and Operations, perform global risk management functions, which include monitoring, analysing and evaluating risk.

(a) Market risk

The potential for changes in the market value of our trading and investing positions is referred to as market risk. Such positions result from market making, specialist and proprietary trading, investing and underwriting activities. Categories of market risk include exposures to interest rates, equity prices, currency rates and commodity prices. A description of each market risk category is set forth below:

- interest rate risks primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates and credit spreads;
- equity price risk results from exposure to changes in prices and volatilities of individual equities, equity baskets and equity indices; and
- currency rate risks result from exposures to changes in spot prices, forward prices and volatilities of currency rates.

We seek to manage these firmwide risks through diversifying exposures, controlling position sizes and establishing hedges in related securities or derivatives. The ability to manage an exposure may, however, be limited by adverse changes in the liquidity of the security or the related hedge instrument and in the correlation of price movements between the security and the related hedge instrument.

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NOTES TO THE FINANCIAL STATEMENTS – 30 MAY 2008 (UNAUDITED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

Firmwide market risk limits are monitored on a daily basis by the Finance Division and are reviewed regularly by the appropriate risk committee.

In addition to applying business judgement, senior management uses a number of quantitative tools to manage our exposure to market risk. These tools include:

- risk limits based on a summary measure of market risk exposure referred to as Value-at-Risk ('VaR') which are updated and monitored on a daily basis. VaR represents the potential loss in value of the company's trading positions due to adverse market movements over a defined time horizon with respect to a specified confidence level;
- scenario analyses, stress tests and other analytical tools that measure the potential effects on our trading net revenues of various market events, including, but not limited to, a large widening of credit spreads, a substantial decline in equity markets and significant moves in selected emerging markets; and
- inventory positions limits for certain business units (determined at a firmwide level).

(b) Credit risk

Credit risk represents the loss that we would incur if a counterparty or an issuer of securities or other instruments we hold fails to perform under its contractual obligations to us or upon a deterioration in the credit quality of third parties whose securities or obligations we hold.

To reduce our credit exposures, we seek to enter into netting agreements with counterparties that permit us to offset receivables and payables with such counterparties. In addition, we attempt to further reduce credit risk with certain counterparties by:

- entering into agreements that enable us to obtain collateral from a counterparty or to terminate or reset the terms of the transactions after specified time periods or upon the occurrence of credit related events;
- seeking third-party guarantees of the counterparty's obligations; and
- through the use of credit derivatives and other structures and techniques.

For most businesses, counterparty credit limits are established by the Credit Department, which is independent of the revenue-producing departments, based on guidelines set by the Firmwide Risk Committee and the Credit Policy Committee. For most products, we measure and limit credit exposures by reference to both current and potential exposure. We typically measure potential exposure based on projected worst case market movements over the life of the transactions. For collateralised transactions, we also evaluate potential exposure over a shorter collection period and give effect to the value of the collateral received. We further seek to measure credit exposure through the use of scenario analyses, stress tests and other quantitative tools. Our global credit management systems monitor current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. These systems also provide management, including the Firmwide Risk and Credit Policy Committees with information, regarding overall credit risk by product, industry sector, country and region.

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NOTES TO THE FINANCIAL STATEMENTS – 30 MAY 2008 (UNAUDITED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity is of critical importance to companies in the financial services sector. Accordingly, the company has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both firmwide-specific and broader industry or market liquidity events. Our principal objective is to be able to fund the company and to enable our core business to continue to generate revenue under adverse circumstances.

Management has implemented a number of policies according to the following liquidity risk management framework:

- excess liquidity – maintain substantial excess liquidity to meet a broad range of potential cash outflows in a stressed environment including financing obligations;
- asset liability management – ensure that we fund our assets with appropriate financing; and
- crisis planning – ensure all funding and liquidity management is based on stress-scenario planning and feeds into our liquidity crisis plan.

5. NEW ACCOUNTING POLICIES ADOPTED

During the financial period, the amendment to FRS 26 Financial Instruments: Measurement regarding derecognition has been adopted by the company which represents a change in accounting policy. No material impact on the results or financial position of the company has occurred following the adoption of this amendment.

6. ULTIMATE AND IMMEDIATE PARENT UNDERTAKINGS

The immediate parent undertaking is Goldman Sachs Holdings (U.K.), and the parent company of the smallest group for which consolidated financial statements are prepared is Goldman Sachs Group Holdings (U.K.), a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking and the parent company of the largest group for which consolidated financial statements are prepared is The Goldman Sachs Group, Inc., a company incorporated in the United States of America. Copies of its accounts can be obtained from 85 Broad Street, New York, NY 10004, United States of America, the group's principal place of business.