ENRC

EURASIAN NATURAL RESOURCES CORPORATION PLC
ANNUAL REPORT AND ACCOUNTS 2007

CLEARLY FOCUSED, WELL POSITIONED, ETHICALLY MINDED.

CONTENTS

This document includes forward-looking statements that reflect the current views of the Group's management with respect to future events. These forward-looking statements include matters that are not historical facts or are statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies, and the industries in which the Group operates. Forward-looking statements are based on current plans, estimates and projections, and therefore too much reliance should not be placed upon them. Such statements are subject to risks and uncertainties, most of which are difficult to predict and generally beyond the Group's control. The Group cautions you that forward-looking statements are not guarantees of future performance and that if risks and uncertainties materialise, or if the assumptions underlying any of these statements prove incorrect, the Group's actual results of operations, financial condition and liquidity and the development of the industry in which the Group operates may materially differ from those made in, or suggested by, the forward-looking statements contained in this document. In addition, even if the Group's results of operations, financial condition and liquidity and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in future periods. Except as required by the Listing Rules and applicable law, the Group does not undertake any obligation to update or change any forward-looking statements to reflect events that occur or circumstances that arise after the date of this document.

HIGHLIGHTS

Revenue 2007

US$4,106M

(2006 : US$3,256m)

+26% 2006 › 2007

Profit before tax 2007

US$1,321M

(2006 : US$971m)

+36% 2006 › 2007

EBITDA before exceptional items 2007

US$1,906M

(2006 : US$1,256m)

+52% 2006 › 2007

Profit after tax 2007

US$814M

(2006 : US$686m)

+19% 2006 › 2007

EBITDA before exceptional items margin 2007

46%

(2006 : 39%)

+7 Percentage points

EPS 2007

US$0.79

(2006 : US$0.55)

+44% 2006 › 2007

ENRC AT A GLANCE

CLEARLY FOCUSED

1 Ferroalloy Division

Percentage of total revenues

53%

EBITDA before exceptional items US$1,138m
Average number of employees 21,020

2 Iron Ore Division

Percentage of total revenues

24%

EBITDA before exceptional items US$448m
Average number of employees 19,420

3 Alumina and Aluminium Division

Percentage of total revenues

15%

EBITDA before exceptional items US$220m
Average number of employees 13,870

4 Energy Division

Percentage of total revenues

4%

EBITDA before exceptional items US$107m
Average number of employees 6,420

5 The Logistics Division

Percentage of total revenues

4%

EBITDA before exceptional items US$44m
Average number of employees 3,200

In under fifteen years, ENRC has transformed itself into one of the world's largest and fastest-growing natural resources groups, well positioned to take a leading role in the global mining industry. Integrating Kazakhstan's foremost mining, processing, power and logistics operations, ENRC is now firmly established as a world-class business with 2007 revenue in excess of $4 billion, an ongoing investment programme that invested over $900 million in 2007 and over 64,000 employees.

The Ferroalloy Division was established in 1995. Its mining operations comprise Kazchrome's Donskoy GOK and, manganese miner, Zhairemsky GOK. The Division also includes the Aktobe and Aksu ferroalloy plants and the Akturbo gas-fired power station. The Division produces and sells high-carbon ferrochrome, medium- and low-carbon ferrochrome and other alloys, including ferrosilicochrome, ferrosilicomanganese and ferrosilicon, as well as chrome and manganese concentrate. The Division sells its ferroalloys primarily to steel producers and sells the remaining chrome and manganese ore to third party ferroalloy producers and the chemical industry. The Ferroalloy Division, according to estimates, is the world's largest ferrochrome producer, by chrome content.

	2007 Production	2006 Production
Ferroalloys	1,470kt	1,398kt
Chrome ore	3,881kt	3,410kt

The Iron Ore Division was established in 1996. The Division includes primary mining operations that produce iron ore, ancillary mining operations that produce limestone, dolomite and bentonite-clay, an iron ore processing plant and a power plant. It mines and processes iron ore into iron ore concentrate and pellets for sale primarily to steel producers. The Division's external energy needs are provided by the Group's Energy Division. The Iron Ore Division sells much of its iron ore to the Russian steel producer, MMK, under a long-term contract. The Iron Ore Division, according to estimates, is the sixth largest iron ore exporter by volume in the world.

	2007 Production	2006 Production
Commodity iron ore	16,791kt	16,113kt
Iron ore pellets	8,572kt	9,000kt

The Alumina and Aluminium Division was established in 1996. The Division's assets include two bauxite mining units, a limestone mine, an alumina refinery and a power station. A new aluminium smelter was commissioned in December 2007 with an initial capacity of 62,500 tonnes per annum. The Division sells its alumina, which it produces from mined bauxite, primarily to the Russian aluminium producer, United Company RUSAL ('UC RUSAL'), under a long-term contract. The Alumina and Aluminium Division, according to estimates, is the fifth largest supplier of traded alumina by volume in the world.

	2007 Production	2006 Production
Alumina	1,537kt	1,515kt
Aluminium	12kt	n/a

The Energy Division was established in 1996. The Division is one of the largest producers of electricity and coal in Kazakhstan, accounting for approximately 16% of the country's recorded electricity production in 2007. The Division operates through Eurasian Energy Corporation JSC ('EEC'), and includes a hydroelectric power station. The Division supplies electricity and coal primarily to the Company's other divisions (42% of the Division's 2007 revenue) as well as to third parties. Within the Division, the coal mine and power station supply coal and electricity to each other. The Division also purchases electricity for resale from third parties.

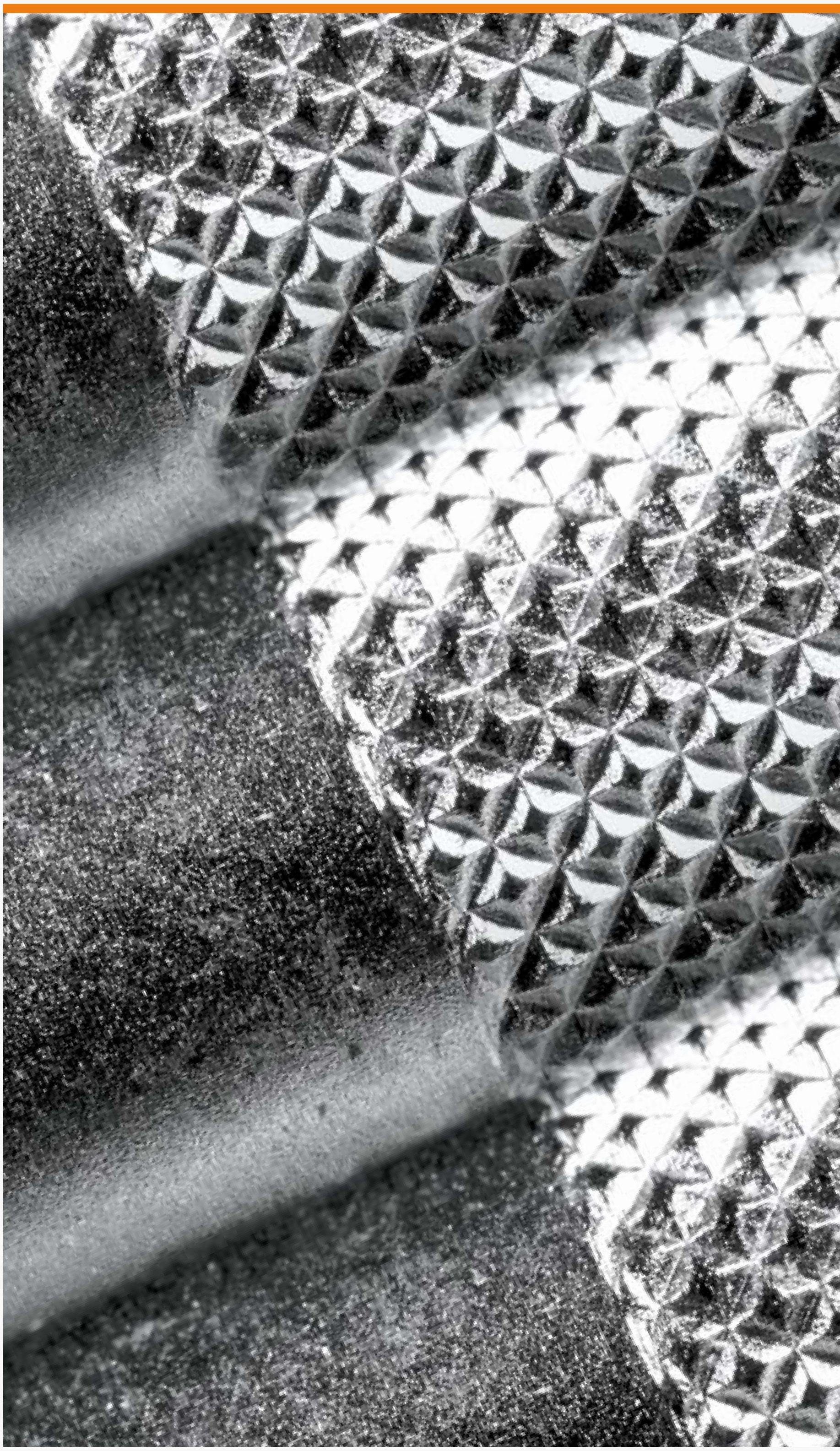
	2007 Production	2006 Production
Coal	18,442kt	17,853kt
Electricity	12,121GWh	11,499GWh

The Logistics Division was established in 1999. The Division provides transportation and logistical services to the Group's primary operating divisions (36% of the Division's 2007 revenue) and to third parties. The Division's operations include three core businesses: freight forwarding; railway construction and maintenance; and wagon and locomotive repair. In addition, the Division operates a transfer and reloading terminal on the Kazakhstan and Chinese border.

	2007 Shipments	2006 Shipments
Railway Transport	60,854kt	61,700kt

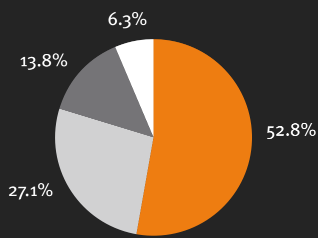
REGIONAL OVERVIEW

WELL POSITIONED

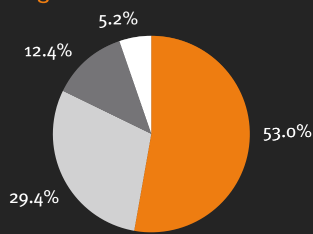


ENRC benefits from close proximity to two key BRIC economies

Segment revenue 2007



Segment revenue 2006



- Eurasia
- Asia Pacific
- Europe and Middle East
- Rest of world

Providing a captive customer base and exposure to rapidly growing markets

Ferroalloys
- ■ Donskoy Chrome Ore Mines
- ■ Zhairem Mines
- ■ Aktobe Ferroalloy Plant
- ■ Aksu Ferroalloy Plant

Iron ore
- ★ Sokolov-Sarbai Iron Ore Mines

Alumina and Aluminium
- ● Aluminium of Kazakhstan ('AoK')
- ● Kazakhstan Aluminium Smelter ('KAS')
- ● Turgai Bauxite Mines

Energy
- ▲ Eurasian Energy Company (EEC)

Logistics
- ○ Dostyk

■ Principal customers

With our production centred in Kazakhstan, a powerhouse in Central Asia, we are well positioned to extend our strong regional presence as the market for natural resources continues to shift eastwards towards Russia and China.

REGIONAL CONNECTIONS

CHAIRMAN'S STATEMENT

2007 was a year of tremendous achievement for ENRC, culminating in the IPO and the opening of the aluminium smelter. Our diversified mix of high-quality assets and our integrated operations position us well to rise to the opportunities available in our chosen businesses.

Sir David Cooksey non-executive Chairman

OUR MISSION

'The Group's mission is to achieve growth as a leading natural resources group and to enhance overall value for its shareholders'

I am delighted to present the first Annual Report and Accounts of Eurasian Natural Resources Corporation PLC ('ENRC'), since it began trading on the main market of the London Stock Exchange. The past year has been enormously eventful for ENRC, its first year as a single operating group. This culminated at the end of 2007 with our very successful initial public offering ('IPO') and the formal opening of our new aluminium smelter by President Nazarbayev of the Republic of Kazakhstan.

ENRC's businesses comprise the integrated mining, processing and smelting of ferroalloys, iron ore, alumina and aluminium, together with coal mining, electricity generation and logistics to support these operations. Our scale ensures that ENRC is a substantial participant in world markets. We have the advantage of proximity to China and Russia, which are two of the world's fastest-growing markets for our products. Our vertical integration enables us to be an advantaged low cost producer in our chosen businesses.

The IPO in early December 2007 was the fulfilment of the combined efforts over a number of years of a great number of employees and advisors, of the Government of Kazakhstan and of our Founder Shareholders – Mr Patokh Chodiev, Mr Alijan Ibragimov and Mr Alexander Machkevitch. To all of these people, I would like to extend the thanks of the Board for their efforts and for making possible the new opportunities which are now available to the Group.

Our US$3.1 billion IPO was completed and the shares commenced trading on 12 December 2007 at an offer price of 540p a share. This was the largest IPO by funds raised by way of ordinary shares on the main market of the London Stock Exchange in 2007. Our market capitalisation (as at 31 March 2008) makes us the ninth largest listed metals and mining company in the world and, on entry, we were the 30th largest company in the FTSE 100 Index. Subsequent to our IPO we have benefited from some particular tailwinds affecting the industry, not all of which could have been anticipated: substantial interest rate cuts by the US Federal Reserve; mergers and acquisitions activity in the sector; the South African power situation; and various weather events

– particularly affecting ferroalloys and iron ore. However, these have all played to the Group's inherent strengths: its diversified, high-quality assets, its integrated operating capabilities and its strategic location. We believe that these factors underpin our positive outlook for the next few years.

From an operational perspective, in 2007 we benefited from strong demand across our range of products and from higher prices, notably in ferroalloys and iron ore. 2007 represented a record year for EBITDA (before exceptional items). These results were underpinned by the security of our logistics and energy supply and by our low cost power advantage. Strong growth in our principal markets – China and Russia – and the strength of demand and pricing in chrome ore, ferroalloys and iron ore, have allowed us to leverage our management expertise, high quality assets, diversified revenues and integrated operations. These combined events were ideal to deliver improved margins and record results.

Nonetheless, whilst we believe that we have all of the essential ingredients for success, we remain alert to those risks inherent in a complacency that can be induced by sustained favourable markets. We recognise the underlying cyclicality of our industry and the challenges of operating in the region as well as the prevailing climate of uncertainty in the global economy. In response we are focused on the rigorous control of costs in our businesses, the pursuit of a range of asset enhancements, brownfield and greenfield growth and merger and acquisition opportunities. All of these, accompanied by a strong financial discipline, are directed towards underpinning the performance of the business and building its growth.

RESULTS

- The Group's EBITDA (before exceptional items) in 2007 was US$1,906 million (2006 : US$1,256 million), growth of 52%.
- Profit before tax (PBT) (before exceptional items) in 2007 was US$1,503 million (2006 : US$977 million), growth of 54%.
- Profit attributable to equity shareholders of the Group in 2007 was US$798 million (2006 : US$550 million), growth of 45%.
- Cash flow from operations in 2007 was US$1,079 million (2006 : US$739 million), growth of 46%.

Company Milestones

1995
Ferroalloy Division was established

1996
Iron Ore Division was established through the acquisition of SSGPO

1996
Alumina and Aluminium Division established through the merger of several mining and energy-producing enterprises

1996
Energy Division established

1999
Logistics Division established

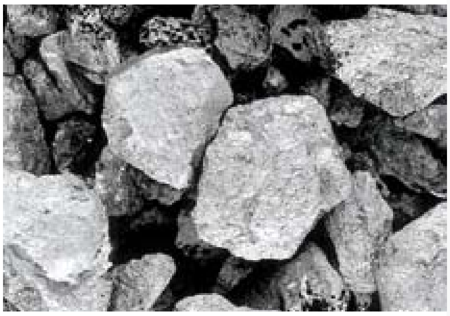
2004
Construction of new aluminium smelter commenced

2007
US$1.5 billion trade finance facility secured

2007
Successful IPO and listing on the London Stock Exchange main market

2007
New smelter opened

2008
Entry into FTSE 100 Index



CHAIRMAN'S STATEMENT CONTINUED

- Our EBITDA and PBT were partially offset by exceptional costs associated with the IPO of US$182 million (2006 : US$6 million).
- EBITDA was US$1,724 million (2006 : US$1,250 million) whilst PBT was US$1,321 million (2006 : US$971 million).
- Underlying the results were the strong growth in revenues fuelled by higher product prices and, despite strong input cost growth in the industry and domestic inflation in Kazakhstan, improved margins.

As announced at the time of the IPO, there is no final dividend for 2007 because the IPO was so close to the year end. Going forward the dividend policy is for our payout to be progressive and in line with peers, taking into account the investment and growth opportunities that are available to us. The first dividend to be declared is expected to accompany the 2008 half-year results and will represent approximately one-third of the full year dividend.

The investment required for our announced capex pipeline of some US$4.0 billion out to 2011 is significantly exceeded by accumulating cash flow, added to the IPO proceeds and our potential debt capacity. The opportunities that our new position has opened up, together with our management capability and experience offer an exciting outlook for 2008 and beyond, but this will always be within the confines of rigorous financial discipline.

STRATEGY

The IPO was a key milestone in the development of the Group. Looking ahead it is worth reiterating our five strategic goals:

- Maintain and improve on our low cost operations.
- Continue expansion and development of the existing reserves and capacity.
- Add value and customer diversity by expanding our product portfolio.
- Expand our asset portfolio and footprint in the region's natural resources sector and within our core commodities worldwide.
- Commit to high standards of corporate responsibility.

Accompanying these strategic goals is our commitment to deliver shareholder value as we pursue the enhancement and growth of the Group.

BOARD MATTERS

I would like to thank Mr Daulet Yergozhin, a representative of the Government of the Republic of Kazakhstan, who resigned as a non-executive Director of ENRC with effect from 20 February 2008. In his place and at the request of the Prime Minister of Kazakhstan, I would like to welcome Mr Marat Beketayev, Vice-minister of Justice of Kazakhstan, as a non-executive Director. This Board change is the result of a reallocation of the responsibility for ENRC within the Government of Kazakhstan.

It is very important to me, as it has been to the Government of Kazakhstan and to the Founder Shareholders since the very outset, for the Group to have a strong platform of corporate governance. This is an ongoing journey for the Group. With the depth of the experience and knowledge of the non-executive directors that are guiding the management and affairs of the Group and their commitment to Combined Code compliance, investors should remain confident of a strong commitment to corporate governance.

It is crucial for the Group that the Board and the management team maintain a strong and fruitful working relationship. I anticipate that active contributions from the full Board – and from the Audit, Remuneration, Nomination and the Health, Safety, Environment and Sustainability Committees – will provide valuable strategic direction and oversight to ENRC as it develops over the coming years.

I would also like to extend the thanks of the Board to the Government of the Republic of Kazakhstan and to the Founder Shareholders. Without the vision and support of the Government, the IPO would not have been possible. It was important to the Government that the IPO was undertaken to the highest standards, and in support of its broader development objectives. The Government's participation, through its two Board representatives, evidences a continued support and commitment to the Group. In addition, it is thanks to the drive and commitment of the Founder Shareholders that the IPO was achieved. Again we value our continuing relationships with the Founder Shareholders and the opportunities that these relationships offer for the future growth of the Group.

A key focus of the Board for 2008 will be to provide support to the senior management team of the Group as it addresses the challenges of managing a public company, continues to grow the existing assets and exploits other opportunities available to maximise shareholder value. The entrepreneurial management, under the experienced leadership of Dr Johannes Sittard, has delivered much over recent years. The Board will continue to work with the management to ensure that it can meet all its goals, whilst providing proper oversight to give the best possible assurance to shareholders.

SUSTAINABLE DEVELOPMENT

ENRC is in a long-term, capital-intensive business with a resource life of many decades and investments that may have lives of 30 years or more. It is therefore important that the Group remains committed to the principles of sustainable development. We see sustainable development as a positive for our business, opening new opportunities and raising performance.

EMPLOYEES

2007 was a year of challenge across the Group. The operating Divisions delivered a record performance despite challenges from the weather and the day-to-day issues that beset life on the ground. In addition, the delivery of the aluminium smelter, on budget and ahead of time, was a significant achievement and a testament to the quality of operational and project management available to us. Further, across the Group a large number of people were involved in preparing for and delivering the IPO. The accomplishments of 2007 reflect on the commitment, dedication and hard work of our workforce worldwide. On behalf of the Board and you, our shareholders, I thank our employees for what was achieved in an excellent year for the Group.

Our safety performance in 2007 was disappointing and fell short of expectations. The rate of reportable accidents fell, however, tragically there was a rise in fatalities to 15 from 11 in 2006. Health and safety is a key focus for the Group and we have intensified training and invested in infrastructure to improve our safety record. To drive this we have a Board committee dedicated to health and safety. In addition we introduced a position of Group Safety Officer and are undertaking a thorough review of procedures and standards, implementation and adherence.

RECENT DEVELOPMENTS AND OUTLOOK

Since the year end we have completed the acquisition of a controlling interest in the Russian-based Serov group ('Serov'), the Group's first acquisition outside of Kazakhstan. We believe that the acquisition of Serov will help reinforce the market position of the Group in the ferrochrome industry and in the region. In addition, the acquisition will allow the Group to benefit from further vertical integration within the ferroalloys business and will provide a strong platform for ENRC in Russia.

Recently there was some market speculation following the release of the 2007 financial results of Kazakhmys PLC, concerning a possible combination with ENRC. In accordance with our legal obligations we made a statement on 12 March 2008 confirming that we had engaged in an informal dialogue with Kazakhmys PLC in relation to a possible transaction. This is only one of a number of strategic opportunities that we are evaluating with a view to creating further shareholder value. We expect to announce our intentions with respect to the aforementioned opportunity on or before 16 May 2008 as requested by the Takeover Panel.

At the end of March 2008, we completed the listing of ENRC's ordinary shares on the Kazakhstan Stock Exchange ('KASE'). There were no new shares issued in connection with this listing. We believe that the listing will enable us to access a wider investment base in Kazakhstan and will further efforts to develop Kazakhstan's capital markets.

The Kazakhstan economy remains robust, notwithstanding problems in the banking sector that surfaced in mid-2007. Expectations for 2008 are for around 5%–6% real GDP growth, although certain sectors, construction and banking among them, are likely to remain weak. Whilst economic growth may be slower than in recent years, the fiscal position, foreign currency reserves and the strength of the oil and mining sectors differentiate Kazakhstan from other emerging markets in which economic crises have occurred in recent years. However, domestic inflation remains a big challenge, with a much higher than expected outturn for 2007, and is a key focus for us in managing our Kazakhstani tenge cost base through 2008.

For the mining sector as a whole the world economic outlook will weigh on expectations for 2008. ENRC, with its greater focus on China and Russia, expects the latent structural demand in these markets, from both industry and consumers, and with accompanying domestic supply issues, to mitigate any slowdown in demand from the United States and Europe. In addition, for the industry, there are issues over the longer-term growth potential of supply and of structural deficits affecting a broad range of minerals. Day-to-day there are also practical issues across the metals and mining industry as to shortages of equipment, infrastructure, people and power. Despite these conditions, we believe that with its 'Tier 1' assets, its captive, energy and logistics capabilities, the Group is well positioned to rise to the opportunities available and to manage the challenges of this environment.

Sir David Cooksey
Non-executive Chairman
25 April 2008

CHIEF EXECUTIVE OFFICER'S STATEMENT

ENRC delivered record results in 2007. Buoyant markets for ferroalloys and iron ore were complemented by the strength and breadth of the business. The outlook for 2008 is for a very strong performance in our core commodities and principal markets, tempered by higher costs.

Dr Johannes Sittard Chief Executive Officer

OUR VALUES

- Teamwork: We empower our people to work together effectively, sharing accountability, responsibility and reward.
- Enterprise: We use our capital and strong cash flow to take bold, decisive and fast action.
- Adaptability: We adapt what we produce and how we work to the needs of our customers.
- Quality: We do things right first time to the highest professional standards.
- Integrity: We adhere strictly to ethical and transparent business practices, within a unified culture of trust and openness.
- Partnership: We work 'smart', forging long-term, strategic alliances with key partners.

Transformation: All these values are brought to bear in transforming the assets.

2007 was a year of tremendous success for ENRC and its stakeholders. The Group's record results are a testament to the strength and breadth of our businesses, most specifically, our high quality assets, diversified revenue base and fully integrated energy and logistics capabilities. In addition our success is a credit to the operational management team in Kazakhstan and all of the employees, to whom we offer our sincere thanks for their efforts. Whilst we were helped by strong chrome ore, ferroalloys and iron ore prices we faced weaker pricing conditions in alumina and aluminium as well as significant cost pressures across our operations.

As the Chief Executive Officer of ENRC I am pleased that our senior management team has worked together so well. In little more than a year we have worked hard to bring to fruition the IPO of the Group and to operate as a Listed company. This remains an ongoing journey, to be helped by the advice and guidance of the Board. I am also delighted with the high calibre of non-executive Directors that have been appointed to the Board. The Board has very quickly become engaged with the Group under the leadership of our Chairman, Sir David Cooksey.

The Group's management team, with the support of the Founder Shareholders and the Government of Kazakhstan, has achieved the current standing and strength of ENRC through its entrepreneurial culture and drive for growth. For the management, with the support of the Board, the challenge is to maintain these strengths, whilst working within the requirements of public company corporate governance. For management and the Board, the aim of achieving growth in shareholder value aligns our interests with those of our new shareholders.

ENRC is a significant employer in Kazakhstan with over 64,000 employees. We have extensive operations spread across the country and in a number of towns are the principal employer. We recognise that this gives us key economic and social responsibilities to employees and the community, which we take very seriously. We are engaged with the Government of Kazakhstan and with several local regions and towns, as well as directly with our workforce, to fully reflect these responsibilities in our businesses. In 2007 we gave sponsorship and made donations, including investment in community facilities and workforce training amounting to US$34 million (2006 : US$24 million).

As mentioned by the Chairman, 2007 saw a rise in fatalities. Any fatality is unacceptable and we offer our deepest condolences to the families affected. Health and safety is a key issue for management and we are implementing a number of measures in 2008 to improve in this important area.

COST MANAGEMENT

A key focus for management in 2008 will be costs. In 2007 total costs and unit costs were lower than or equal to targeted levels. In common with the metals and mining industry worldwide, however, we have experienced continued cost pressures on materials and services, offsetting savings achieved by our businesses. Costs of raw materials, services and wages all rose strongly, exacerbated by the high rate of inflation in Kazakhstan reaching 19% for 2007, and by the appreciation of the Kazakhstani tenge. We expect cost pressures to continue in 2008.

In the short term, the opportunities to reduce costs or increase productivity will be limited. Management is committed to implementing cost control initiatives; however, these will be medium-term programmes across the breadth of our business and we anticipate that the full realisation of these benefits will take two to four years to be fully realised.

In 2008 we will commence a number of specific initiatives:

- A review, conducted by external consultants, of productivity and de-bottlenecking in a number of our businesses.
- A review of management structures to identify greater efficiencies.
- A spin off of non-core businesses.
- Investment to replace imported or purchased materials; for example, caustic soda.

In addition ENRC will, over the medium term, seek to improve volume throughout, increasing the productivity of our fixed assets and investing in equipment modernisation to reduce maintenance support.

CAPITAL EXPENDITURE

Capital expenditure in 2007 amounted to US$911 million (2006 : US$563 million); including capital repairs of US$279 million (2006 : US$233 million). The highlight of our investment programme in 2007 was the start-up of the first phase of our aluminium smelter at an annual capacity of 62,500 tonnes. Formally opened by President Nazabayev of the Republic of Kazakhstan on 12 December 2007, the project has operated ahead of schedule and is running to budget. We anticipate increasing the

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

smelter's annual capacity to 125,000 tonnes during 2008 and are confident of reaching the planned full annual capacity of 250,000 tonnes per annum by 2011. The responsibility for this project is in the hands of local management under the leadership of the General Director of JSC Aluminium of Kazakhstan ('AoK'), Mr Almaz Ibragimov, and its delivery reflects very well on the considerable operational and project management capabilities we have available to us.

The aluminium smelter will remain a key aspect of capital expenditure in 2008 with the continuing build-up to its Phase 1 capacity of 125,000 tonnes per annum, and beginning its build up of an additional Phase 2 annual capacity of 125,000 tonnes.

The Board has reviewed the Group's capital expenditure plans and has confirmed a number of additional projects from 2008 to be implemented over the next three years. These will include:

- An anode plant with a capacity of 150,000 tonnes per annum to secure the supply of anodes required for aluminium production. Total capital expenditure is estimated to be about US$175 million and the plant is targeted to be in production in 2010.
- A caustic soda plant with a capacity of 400,000 tonnes per annum to secure the supply of caustic soda required for aluminium production. Total capital expenditure is estimated to be about US$150 million and the plant is targeted to be in production in 2010.

ACQUISITIONS

We recently announced the completion of the acquisition of a controlling interest in Serov group and certain related entities ('Serov'). Serov is a ferroalloy producer in eastern Russia. Under the terms of the acquisition we will receive the economic benefit for the full year 2008. The total acquisition consideration amounted to US$210 million.

The acquisition of Serov demonstrates a number of important aspects of our strategy. This transaction is ENRC's first acquisition outside of Kazakhstan and reinforces our position in low-carbon and medium-carbon ferrochrome, with an incremental annual sales volume of approximately 200,000 tonnes. In addition the transaction allows the Group to benefit from further vertical integration within its ferroalloys business and provides ENRC with an important asset base in Russia supporting its strategy of pursuing regional expansion opportunities.

Merger and acquisition opportunities are an important element of our strategy. We believe that our presence in the region and our operational capabilities in our core commodities leave us well equipped to successfully execute value enhancing transactions in the years ahead. Nonetheless, a tight financial discipline will complement our approach to any such opportunities.

INDUSTRY OVERVIEW AND OUTLOOK

We anticipate that the outlook for mining and metals over the next few years is likely to remain positive across our core commodities. For ENRC this will be reinforced by our strategic location, proximate to two key 'BRIC' economies, which are expected to drive demand growth from consumers and for infrastructure investment. Stainless steel production is estimated to grow at around 5% per annum or more over the next decade, whilst the outlook for alumina and aluminium should be driven by the existing structural shortage within the CIS. We anticipate further efforts from competitors to raise supply in our core commodities but it appears that in the face of infrastructure and materials constraints, new production will predominantly be at the higher end of the cost curve, in contrast to our favoured cost position.

Recent developments in the power situation in South Africa have been foremost in shaping the near term positive price outlook for a number of metals. This situation may take a number of years to resolve and therefore threatens the expected expansion of South Africa's ferroalloy production capacity. In the immediate future we would expect the energy cutbacks to be partially offset by capacity coming back on stream and the implementation of energy conservation measures, all of which should combine to ease some of the current pressure on prices. Nonetheless, for ENRC, and specifically ferroalloys and iron ore, the value of our reserves and resources, combined with our integrated long energy position and logistics capacity, offer key medium-term advantages.

Whilst the short-term outlook for the world economy, particularly in the United States and Europe, is uncertain, any abatement in demand in these markets is likely to be at least offset by continuing growth in China and Russia. These are key markets for ENRC where currently the bulk of our iron ore and alumina is sold on secure long-term, benchmark-priced contracts. Whilst our ability to grow capacity in 2008 is limited, our medium-term plans will support growth in these critical markets.

I would like to offer a positive view on the prospects for medium-term growth in the Chinese and Russian markets. Their potential scale of demand growth in ferroalloys, iron ore, alumina and aluminium, and in other metals is immense, based on their populations and the demand in their countries. The prospects for ENRC in these markets are enhanced by structural capacity shortages, particularly in China, that are expected to emerge. Kazakhstan and ENRC are strategically well positioned to seize the opportunities in these key markets.

Overall, I anticipate a strong year for ENRC in 2008. Even with modest volume growth across our existing ferroalloys, iron ore and alumina and aluminium businesses, we expect that strong prices should result in higher revenues. Ferrochome should benefit from a further expected increase in global stainless steel production, to some 31 million tonnes in 2008, notwithstanding the anticipated slowdown in the United States and Europe. Iron ore has seen an exceptionally strong rise in benchmark prices for 2008 and whilst the weather impacts of 2007/2008 may not recur, there is likely to be a structural deficit in iron ore for the next few years. Aluminium is facing an improved pricing outlook over 2007 whilst alumina is set to rise due to limitations in the availability of bauxite. With our self-sufficiency in bauxite we will benefit. Underpinning our operations we remain long on energy and benefit from our extensive coal reserves that should allow us to maintain an advantaged cost position for energy production.

Dr Johannes Sittard
Chief Executive Officer
25 April 2008

OUR LEADERSHIP TEAM

BOARD OF DIRECTORS

Dr Johannes Sittard (Age 64)
Chief Executive Officer
Appointed 19 December 2006. Dr Sittard is the Chief Executive Officer of the Company. He has over 25 years experience in the natural resource and steel industries and is also the Chairman of International Mineral Resources BV, Chairman of Alferon and a non-executive director of Cunico Resources NV. Prior to joining the Group in 2001, Dr Sittard was the President and Chief Operating Officer of ISPAT International NV (now known as ArcelorMittal). Dr Sittard is Chairman of the Health, Safety, Environment and Sustainability Committee.

Mr Miguel Perry (Age 37)
Chief Financial Officer
Appointed 12 November 2007. Mr Perry is the Chief Financial Officer of the Company. Prior to joining the Company in March 2007, he worked at PricewaterhouseCoopers in Russia and Switzerland for 15 years and was made a partner in 2005. During this period, Mr Perry gained extensive experience with companies based in the former Soviet Union and advised the Group during 2005 and 2006.

Sir David Cooksey (Age 67)
Non-executive Chairman
Appointed 7 November 2007. Sir David Cooksey GBE was one of the pioneers of the private equity industry in Europe. He retired as Chairman of Advent Venture Partners LLP in 2006, a firm that he founded in 1981. Sir David Cooksey is Chairman of London & Continental Railways Ltd, an independent director of Resolution plc, where he chairs its Remuneration Committee and is a member of its Nominations Committee, and an independent director of the Establishment Investment Trust plc where he chairs its Audit Committee. Sir David Cooksey is Chairman of the Nomination Committee.

Mr Gerhard Ammann (Age 64)
Independent non-executive Director
Appointed 6 December 2007. Mr Ammann is Chairman of the Company's Audit Committee. He was CEO of Deloitte in Switzerland until May 2007 and has over 30 years experience as an auditor under IFRS and Swiss reporting standards, primarily in banking, finance and international trade. At Deloitte Mr Ammann was Lead Client Service Partner and Advisory Partner for many international companies.

Mr Mehmet Dalman (Age 50)
Independent non-executive Director
Appointed 6 December 2007. Mr Dalman has spent 20 years as an Investment Banker, working in Japan, Hong Kong, Frankfurt and London. Prior to joining the ENRC Board he was a member of the Supervisory Board of Deutsche Börse and a member of the Board of Commerzbank AG. Mr Dalman is currently the Chief Executive Officer of the WMG Group, a financial services firm that he founded in 2004 that specialises in alternative investments.

Mr Michael Eggleton (Age 39)
Independent non-executive Director
Appointed 6 December 2007. Mr Eggleton has spent over 15 years as an investment professional in the United States, United Kingdom, Turkey and Russia. In August 2006, he joined TRUST Investment Bank to serve as CEO and Chairman of the bank. He is also on the board of directors of Moorgate Capital Management, a private equity asset manager formed by the TRUST Banking Group.

Mr Marat Beketayev (Age 31)
Non-executive Director and representative of the Government of Kazakhstan
Appointed 20 February 2008. Mr Beketayev is Vice-minister of Justice of the Republic of Kazakhstan. Before appointment to the post of Vice-minister of Justice Mr Beketayev was adviser to the Prime Minister of the Republic of Kazakhstan.

Sir Paul Judge (Age 59)
Independent non-executive Director
Appointed 6 December 2007. Sir Paul Judge spent 13 years with Cadbury Schweppes plc, where he led the buyout of its food companies to form Premier Brands Ltd, which was successfully sold in 1989. He is currently the Chairman of Schroder Income Growth Fund plc, Teachers TV, the Enterprise Education Trust, Digital Links International and the British–North American Committee, President of the Association of MBAs and Deputy Chairman of the American Management Association. Sir Paul Judge is a director of the United Kingdom Accreditation Service, Standard Bank Group Ltd of South Africa and Tempur-Pedic International Inc. of Kentucky.

Sir Richard Sykes (Age 65)
Senior independent Director
Appointed 6 December 2007. Sir Richard Sykes is the Rector of Imperial College, London and is the senior independent non-executive Director of Rio Tinto plc. He has approximately 30 years of experience within the biotechnology and pharmaceutical industries, serving as Chief Executive and Chairman of GlaxoWellcome from 1995 to 2000 and then as Chairman of GlaxoSmithKline until 2002. Sir Richard Sykes is Chairman of the Remuneration Committee.

Mr Eduard Utepov (Age 54)
Non-executive Director and representative of the Government of Kazakhstan
Appointed 6 December 2007. Since 1994, Mr Utepov has held numerous leading positions within the State property authorities of the Republic of Kazkhstan. Between 1995 and 1997 he served as Chairman of the State Privatisation Committee of the Republic of Kazkhstan and since January 2006 has served as Chairman of the State Property and Privatisation Committee at the Ministry of Finance of the Republic of Kazakhstan.

Mr Kenneth Olisa (Age 56)
Independent non-executive Director
Appointed 6 December 2007. Mr Olisa is the founder and Chairman of Restoration Partners Ltd, a non-executive Director of Thomson Reuters PLC, and a non-executive Director of BioWisdom and Open Text Corporation. He currently serves on the Board of, or is an adviser to, several privately held and innovative companies, including Prevx, Independent Audit and Metapraxis.

Mr Roderick Thomson (Age 68)
Independent non-executive Director
Appointed 6 December 2007. Mr Thomson is an international financier, venture capitalist and philanthropist with over 40 years of international business experience. He has provided capital from his own private investment portfolios to numerous companies in the information technology, biotechnology, oil and gas, real estate and telecommunications sectors.

Mr Abdraman Yedilbayev (Age 48)
Non-executive Director appointed by Mr Ibragimov
Appointed 6 December 2007. Mr Yedilbayev has wide experience working in the mining industry, in both the public and private sector. For the past eight years Mr Yedilbayev has been at Gorneo Buro LLP, which provides a variety of technological and scientific services to the mining industry and is currently Chairman and Finance Director.

OUR LEADERSHIP TEAM

SENIOR MANAGEMENT

Ms Mounissa Chodieva
Head of Communications and Investor Relations
Ms Chodieva is Head of Communications and Investor Relations at ENRC. Ms Chodieva assumed this role in 2006, having previously held the position of Vice President of Corporate Finance. Ms Chodieva previously held the position of Vice President of Corporate Restructuring at CIM Global AG.

Mr Beat Ehrensberger
General Counsel
Mr Ehrensberger has been the General Counsel of ENRC since 2003. He began his career as an Associate in the Tax and Legal Department at Ernst & Young in Switzerland. He later worked at a Zurich-based law firm and was involved in projects covering corporate, commercial and contractual law, including litigation and arbitration.

Mr Paul Waters
Group Company Secretary
Mr Waters joined ENRC as Group Company Secretary in June 2007. Prior to joining ENRC, he acted as Company Secretary for RHM PLC. During his career Mr Waters has acted as Company Secretary at Benfield Group, Misys PLC and as Deputy Company Secretary at Bass PLC.

Mr Jim Cochrane
Head of Sales & Marketing
Mr Cochrane is Chief Executive Officer of ENRC Marketing AG. Prior to joining the Group in 2001, Mr Cochrane gained extensive experience in marketing and business development in the steel and mining industry, having spent 12 years with BHP Billiton. Mr Cochrane has been the President of the International Chromium Development Association since 2006.

Mr Felix Vulis
Chief Operating Officer Kazakhstan
Mr Vulis has been Chief Operating Officer of Kazakhstan since December 2006. Prior to joining the Group in 2001, Mr Vulis was President of UNICHEM K, LLC. Mr Vulis is Deputy Chairman of the Governing Board and Co-Chairman of the Operating Working Group of the Foreign Investors Council of Kazakhstan.

Ms Zaure Zaurbekova
Deputy CFO and CFO Kazakhstan
Ms Zaurbekova became Deputy CFO of ENRC in late 2007 and has been CFO Kazakhstan since 2001. From 1995 she was Finance Director and, later, first Vice-President of Kazchrome.

Mr Almaz Ibragimov
President of JSC Aluminium of Kazakhstan
Mr Ibragimov has been the President of JSC Aluminium of Kazakhstan since 2001. From 1994 until 2001 he held various positions at the JSC 'Pavlodar Alumina Plant'. Prior to that he was the Chief Engineer at the collective farm 'Pervoye Maya' in Kyrgyzstan.

Mr Bereke Mukhametkaliev
President of JSC Zharemsky GOK
Mr Mukhametkaliev started his career in the metals and mining industry as technical geologist at the JSC 'Karagaily' in 1994. He joined RU 'Kazamarganets' in 2000 as a geologist and by 2004 held the position of Chief Engineer. In 2004 he became the Chief Engineer at the JSC 'Zhairemsky GOK' and in 2005 was appointed as the President.

Mr Abduazim Rustambayev
President of JSC Eurasian Energy Corporation
Mr Rustambayev has been the President of the JSC Eurasian Energy Corporation since 1999. Prior to assuming this role Mr Rustambayev held the position of General Director of The Yermakovskaya GRESS (state district power plant in Kazakhstan) for three years. Mr Rustambayev previously worked at The Regional Consumer Cooperation Society of Frunze, Kyrgyzstan as the Deputy Chief Manager for seven years.

Mr Arif Shadiev
General Director of ENRC Logistics
Mr Shadiev held the position of Deputy General Director at LLP 'Transystema' from 1999–2006. He was appointed as General Director of ENRC Logistics in 2007.

Mr Viktor Til
General Director of OJSC Kazchrome
Mr Till started his career at one of the Kazchrome mines 'Mplpdejnaya' in 1977 and worked in various positions within Kazchrome. In 2004 he was appointed as the General Director of OJSC Kazchrome.

Mr Mukhamejan Turdakhunov
President of SSGPO
Mr Turdakhunov has held the position of President of SSGPO since 1999. He began his career in the metals and mining industry in 1995 as the Director of the Aksu Factory of the Ferroalloys Division in the Pavlodar Region in Kazakhstan. Mr Turdakhunov then spent two years as the General Director of the public corporation 'Khimfarm' in Shymkent City, Kazakhstan. He joined SSGPO as the First Vice President of SSGPO in 1997.

BUSINESS REVIEW

KEY PERFORMANCE INDICATORS

EBITDA (before exceptional items)

2007	2006
US$1,906m	US$1,256m

52% increase

EPS (before exceptional items)

2007	2006
US$0.97	US$0.56

73% increase

Return on Capital Employed (ROCE) (before exceptional items)

2007	2006
40%	32%

8 percentage point increase

DEFINITION

EBITDA before exceptional items is defined as profit before interest, taxation, depreciation and amortisation adjusted for exceptional items. Exceptional items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the Group. Exceptional items in 2007 and 2006 relate solely to the IPO.

EBITDA before exceptional items is a measure of the underlying profitability of the business and as such reflects the cash profits of the business. ENRC strives to achieve high margins by taking advantage of its low cost base and the advantages of its vertically integrated operations.

DEFINITION

Earnings per share ('EPS') before exceptional items is defined as EPS before exceptional items and their resulting tax and minority interest impacts.

EPS tells us how much attributable profit per share is available for distribution to shareholders through dividends.

Our dividend policy is for progressive payouts in line with our peers, taking into account the investment and growth opportunities that are available to us. There is no final dividend for 2007 because the IPO was so close to the year end.

DEFINITION

Return on Capital Employed is defined as profit before interest and taxation and exceptional items over average capital employed (borrowings and total equity, including minority interests) less IPO proceeds.

ROCE measures how efficiently the Group's capital is being used.

IPO proceeds were excluded as an exceptional item. With the IPO so close to the year end funds were mainly invested and had not yet been utilised in projects or in the businesses.

On all of these financial measures, ENRC had a record year in 2007.

Product cost per tonne

	2007	2006
Ferroalloy and chrome ore	US$313	US$281
Iron ore	US$26	US$22
Alumina	US$235	US$208

Safety

	2007	2006
LTIFR	0.58	0.77
Fatalities	15	11

Community Social Investment

2007	2006
US$34m	US$24m

DEFINITION

Product cost per tonne is defined as the total operating costs as presented in the income statement over the volume of product sold. The product cost per tonne measures the performance of ENRC in maintaining its low cost base.

The figures above are for the current three main product groups of our Divisions. The increases in costs over 2006 were 11.4% (Ferroalloy and Chrome Ore), 18.2% (Iron Ore) and 13.0% (Alumina). These increases were kept below the rate of inflation which was 19% in Kazakhstan in 2007.

DEFINITION

The safety indicators selected are the lost time injury frequency rate ('LTIFR') and the number of work related fatal injuries. The LTIFR is defined as the number of lost time injuries per million hours worked.

The LTIFR performance improved significantly over 2007 reflecting the start that has been made on our programme of safety training and other action plans.

ENRC aims for zero work-related fatal injuries. Our performance in 2007 deteriorated on this measure. This has already been commented upon by the Chairman and Chief Executive Officer in their statements along with our strategy and action plans in the health and safety area.

For further information refer to the Corporate Social Responsibility Report on pages 44 to 49.

DEFINITION

Community Social Investment is defined as the total value of donations and gifts in kind devoted to communities in which we operate and includes donations to public funds.

Our business is long term with investments and resources that may have lives of 30 years or more. Our operations may be remote and in a number of towns we are the principal employer. We recognise the key economic and social responsibilities we therefore have. The investment we make in community social projects is an indication of the balanced attitude that we have to the way we do business. For information please refer to the Corporate Social Responsibility Report on pages 44 to 49.

RISK FACTORS

The following describes the material risks that could most affect ENRC:

Fluctuations in commodity prices will impact our results

The Group generates most of its revenue from the sale of commodities, primarily ferrochrome, chrome ore, iron ore, alumina and in future aluminium. Historically, the prices for these products have been volatile and have fluctuated widely in response to relatively minor changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries that purchase these products. Prices may also be affected by Government actions, including the imposition of tariffs and import duties, speculative trades, the development of product substitutes or replacements, recycling practices, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices. The Group does not hedge its exposure to the risk of fluctuations in the prices of its commodity products. A substantial or extended decline in commodity prices would materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Our profits will be affected by currency exchange rate fluctuations

The Group produces commodities that typically are priced by reference to prices expressed in US dollars and, accordingly, payments to the Group are typically made in US dollars. The Group's principal expenses are incurred in Kazakhstani tenge. Whilst the Group has entered into KZT/US$ forward contracts to hedge part of its Kazakhstani tenge exchange rate exposure, any appreciation of the Kazakhstani tenge compared to the US dollar would increase the Group's costs, thereby affecting the profitability of the Group's operations in US dollar terms.

Cost pressures could negatively affect our operations and expansion plans

The strong commodity cycle and large numbers of projects being developed in the resources industry has led to increased demand for skilled personnel contractors, materials and supplies that are required as critical inputs to our existing operations and planned developments.

Continued pressure on costs could arise specifically in respect of: (i) labour, the cost of which has been adversely impacted by recent increases in the underlying inflation rate in Kazakhstan; (ii) price of key inputs consumed in our operations; (iii) transport costs, which are regulated within Kazakhstan by the Kazakhstani State Railways; and (iv) the cost of plant and machinery. These factors have led, and could continue to lead to, increased capital and operating costs at existing operations, as well as impacting the costs and schedules of projects under development.

Cost control is an area of focus for the Group and one where action plans have been reviewed and started. An external review of productivity is taking place in the Iron Ore Division with an expectation of 10% improvements. Depending upon the results this will be rolled out to other divisions.
In our project pipeline we have tactical investments in projects to replace imported or purchased material with our own manufacturing capability. We also plan a review of management structures for efficiencies and the spin-off of non-core businesses.

Health, safety and environmental exposures and related regulations may impact our operations and reputation negatively

The nature of the industry in which we operate means our activities are highly regulated by health, safety and environmental laws. As regulatory standards and expectations are constantly developing, we may be exposed to increased compliance costs and unforeseen environmental remediation expenses. For more information on how we manage this area refer to the Corporate Social Responsibility Report on pages 44 to 49.

We may not be able to successfully integrate acquired businesses

We expect that some of our future growth will stem from acquisitions. There are numerous risks encountered in business combinations, and we may not be able to successfully integrate acquired businesses which could negatively impact our financial condition and results of operations.

Our human resource talent pool may not be adequate to support the Group's growth

The Group's growth and future success depend significantly upon its continued ability to attract, retain and motivate key senior management. The strong commodity cycle and large numbers of projects being developed in the resources industry has led to increased demand for skilled personnel and contractors. The inability of the Group and industry to attract and retain such people may adversely impact our ability to adequately resource development projects and fill roles and vacancies in existing operations. It may also adversely impact the costs and schedule of development projects.

Action by the Kazakhstani Government or political events in Kazakhstan could have a negative impact on our business

Our business could be adversely affected by new Government regulation, such as controls on imports, exports and prices, new forms or rates of taxation and royalties. Increased requirements relating to regulatory, environmental and social approvals can potentially result in significant delays in construction, and may adversely impact the economics of new mining properties, the expansion of existing operations and the results of our operations.

The exposure to Russian and Chinese markets though currently a strength, may negatively impact our results of operations in the event of a slowdown in these economies

The Group's sales of products from some divisions are predominantly to customers based in Russia and China. In 2007, the Group sold in total 67% of its product to these regions (compared to 81% in 2006) and this equated to 59% of total revenues (2006 : 64%). The Group sold 60% of its products in the Ferroalloy Division, 93% of its products in the Iron Ore Division, 86% of its products in the Alumina and Aluminium Division and 32% of its products in the Energy Division to customers in Russia and China. The 2006 comparatives were 53%, 94%, 100% and 57% respectively. While these economies are currently experiencing high rates of growth that are anticipated to continue, there can be no assurance that this will be the case. An overall slowdown in the economies of these countries could bring about a decrease in demand for the Group's products.

Unexpected natural and operational catastrophes may impact our operations

Our operational processes and geographic locations may be subject to operational accidents. Our operations may also be subject to unexpected natural catastrophes such as earthquakes and flooding. Existing insurance arrangements may not provide cover for all of the costs that may arise from such events. The impact of these events could lead to disruptions in production and loss of facilities adversely affecting our financial results.

OPERATING REVIEW

OVERVIEW

ENRC is a leading diversified natural resources group with integrated mining, processing, energy, logistical and marketing operations. The Group's production assets are located in the Republic of Kazakhstan, where it employs over 64,000 people. In 2007, the Group accounted for approximately 4% of Kazakhstan's GDP. The Group currently sells its products around the world, including Russia, China, Japan, Western Europe and the United States. For the year ended 31 December 2007, the Group had revenue of US$4,106 million (2006 : US$3,256 million) and net profit of US$814 million (2006 : US$686 million).

DESCRIPTION OF ENRC'S BUSINESS

The Group has five operating Divisions:

Ferroalloy Division

The Ferroalloy Division produces and sells ferrochrome and other ferroalloys, primarily to steel producers, and sells chrome ore and manganese ore to third party ferroalloy producers and the chemical industry. The Ferroalloy Division's vertically integrated operations include chrome ore and manganese ore mines, two ferroalloy processing plants and a gas-fired power station. The Ferroalloy Division's chrome ore reserves are believed to be the largest in the CIS (166 million tonnes as at 31 December 2007) and are believed to have a higher grade (42.2%) than those of other large-scale producers.

In 2007, the Ferroalloy Division produced approximately 3.9 million tonnes of saleable chrome ore (2006 : 3.4 million tonnes), 0.9 million tonnes of manganese ore concentrate (2006 : 0.9 million tonnes) and approximately 1.5 million tonnes of ferroalloys (2006 : 1.4 million tonnes), including approximately 1.1 million tonnes of its primary product, high-carbon ferrochrome (2006 : 1.0 million tonnes). For the year ended 31 December 2007, the Ferroalloy Division had total third party revenue of US$2,178 million (2006 : US$1,473 million), which represented 53.0% of the consolidated revenue (2006 : 45.2%).

Competitive Position

The Ferroalloy Division has several strategic advantages over its major competitors. First Kazakhstan's geographic location provides the Group with access to the rapidly-growing Russian and Chinese markets at relatively low transportation costs. Secondly, based on 2006 data, the Ferroalloy Division is believed to be the largest producer of ferrochrome, on a chrome content basis, in the world. Thirdly, based on 2006 data, the Group is located at the bottom of the ferrochrome cost curve, on a chrome content basis. This cost advantage is driven, in part, by the relatively low cost of electricity consumed by the Group's ferroalloy plants, which results from the generation of a significant proportion of that electricity from within the Group and the relatively low cost of procuring energy in Kazakhstan. The higher chrome content of the Group's chrome ore reserves renders its ferrochrome more attractive to stainless steel producers that want to limit waste products and carbon content and they are believed to have a higher percentage of chrome content than those of other large-scale producers. Finally, the Group can manufacture a wide range of products and reach diverse customers because of its ability to produce high-, medium- and low-carbon ferrochrome and specialty grades of ferrochrome, such as low-phosphorus ferrochrome.

Production Summary

The following table sets out the production volumes for each of the Ferroalloy Division's principal saleable products for the years ended 31 December 2007 and 31 December 2006.

Product (in kilotonnes)	Years ended 31 December 2007	2006
Chrome ore*	**3,881**	3,410
Manganese ore	**927**	862
Ferromanganese	**338**	314
Ferroalloys:		
High-carbon ferrochrome	**1,070**	963
Medium- and low-carbon ferrochrome	**77**	77
Ferrosilicochrome	**126**	104
Ferrosilicomanganese	**160**	203
Ferrosilicon	**37**	51
Total ferroalloys	**1,470**	1,398

* A proportion of the Ferroalloy Division's chrome ore is consumed in the production of the Division's ferroalloys. For the year ended 31 December 2007 this proportion was 65.9% (2006 : 66.8%).

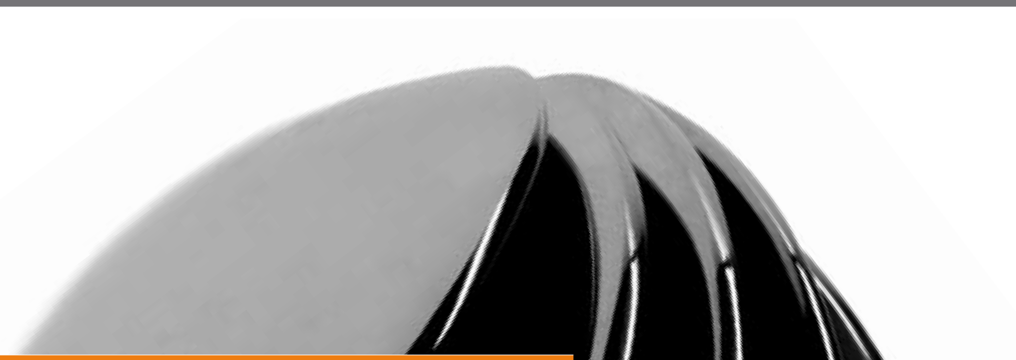
Supply and Demand

A majority of the Ferroalloy Division's revenue is derived from ferrochrome sales. Most ferrochrome is produced in South Africa (45.3% of 2006 global production) and Kazakhstan (13.6%). Kazakhstani high-carbon ferrochrome typically has a chrome content of approximately 68%, while South African 'charge chrome' typically has a chrome content of approximately 50% and relatively higher silicon and iron contents. Whilst the relative prices of Kazakhstani high-carbon ferrochrome and charge chrome are subject to fluctuation, over the last eight years, Kazakhstani high-carbon ferrochrome has consistently commanded a premium when compared to charge chrome.

Ferrochrome consumption is largely determined by stainless steel production. Typically, the demand for stainless steel follows overall economic growth. The rapid growth in stainless steel production in China and, to a lesser extent India, has driven the recent increase in demand for ferrochrome. Stainless steel production in China rose at a compound annual growth rate of 38.4% from 1996 to 2006.

It is anticipated that growth in global stainless steel production and demand for high-carbon ferrochrome are likely to average approximately 5.1% and 4.1% per annum, respectively, between 2008 and 2016. As a result of an anticipated rising demand for ferrochrome, it is estimated that ferrochrome producers will operate near full capacity over the next several years, and anticipated that global ferrochrome capacity utilisation will be over 90% between 2008 and 2010.

ENRC believes that the future supply demand balance of chrome ore will depend on two key factors. Firstly, India may reduce chrome ore exports to secure supply for its domestic ferrochrome producers. India, which historically has been the largest chrome ore supplier to China, recently imposed an export tax on chrome ore which is a move in this direction. Secondly, the amount of future South African chrome ore exports is uncertain. South Africa has cut back exports due to increased internal consumption, and lobbyists continue to urge the Government to promote the reduction of exports in furtherance of domestic production of ferrochrome and the consequent creation of jobs. In addition ENRC believes that the



limitation of electricity to South African ferrochrome producers announced earlier this year is likely to limit supply of ferrochrome in 2008 as well as prejudice the country's ability to expand production in the near term.

Sales and Pricing

The ferrochrome markets in Europe are predominantly negotiated markets, with prices agreed on a quarterly basis and generally under long-term contracts of one to five years. In the United States, prices tend to follow those published in either of the two major industry journals, *Ryan's Notes* and *Metals Week*. In Japan, prices tend to be negotiated with a quarterly time lag.

Demand in the high-carbon ferrochrome market was surprisingly strong in 2007 mainly as a result of the high nickel prices that made standard austenitic stainless steels less cost effective than higher chrome substitutes such as duplex steels or standard ferritic stainless steel. Total stainless steel production was estimated to be 28.3 million tonnes in 2007 versus 28.5 million tonnes in 2006. ENRC is confident that stainless steel production will continue to grow in 2008, hence high carbon ferrochrome demand is likely to remain strong. China is the world's largest producer of stainless steel and the largest consumer of ferrochrome and it is likely to remain so. Developments in the Chinese economy will ultimately have a significant impact on the ferrochrome market. Prices of low-carbon and medium-carbon ferrochrome performed well during the year as a result of increased demand, particularly from the alloy steel sector, and the tightness of supply resulting from an industry running close to capacity.

Chrome ore prices generally correlate to the price of ferrochrome.

In 2007, the Ferroalloy Division's top five customers accounted for 30.3% of total sales to third parties (2006 : 25.5%) and included Taiyuan Iron and Steel (Group) Co. Ltd (2007 : 10.3%; 2006 : 6.9%) in China, Pohang Iron and Steel Company (2007 : 6.1%; 2006 : 5.8%) in South Korea, JFE Steel Corporation (2007 : 5.7%; 2006 : 5.5%) in Japan, ChEMK (2007 : 4.1%; 2006 : 3.5%) and the Serov Ferroalloy plant (2007 4.1%; 2006 : 2.9%) in Russia.

The following table sets out the Ferroalloy Division's volume of third party sales by product for the years ended 31 December 2007 and 2006.

	Years ended 31 December	
Product (in kilotonnes)	**2007**	2006
Ferroalloys:		
High-carbon ferrochrome	**1,033**	899
Medium-carbon ferrochrome	**35**	37
Low-carbon ferrochrome	**35**	38
Ferrosilicochrome	**59**	54
Ferrosilicomanganese	**173**	188
Ferrosilicon	**33**	52
Total ferroalloys	**1,368**	1,268
Chrome ore	**1,177**	1,093
Manganese ore*	**880**	730

* Includes manganese concentrate and ferromanganese concentrate.

Of the Ferroalloy Division's third party sales in 2007, 23.8% were made in Europe (2006 : 27.2%), 19.6% in Russia (2006 : 18.5%), 18.4% in Japan (2006 : 19.3%), 17.9% in China (2006 : 12.7%), 10.8% in the United States (2006 : 10.8%) and 4.2% in South Korea and the Far East (2006 : 7.7%) and 5.3% in Kazakhstan, the Ukraine and the rest of the world (2006 : 3.8%).

Key Initiatives

The Ferroalloy Division's principal strategic objectives are to increase production of ferrochrome, the Ferroalloy Division's most significant product, and to continue to reduce operating costs. To pursue these objectives the Ferroalloy Division intends to:

- construct new furnaces at the Aksu processing plant at a cost of approximately US$160 million. This is expected to increase the Ferroalloy Division's annual ferrochrome production by more than 200,000 tonnes by 2011; and
- complete construction of a second pelletising plant which is expected to be commissioned by the end of 2009 and an enrichment plant at the Donskoy Unit at an aggregate cost of approximately US$110 million (of which approximately US$30 million is attributable to the enrichment plant) of which US$25 million has already been spent. The second pelletiser is expected to increase the Ferroalloy Division's supply of chrome pellets, increasing the productivity of its furnaces. Pellets, as compared to chrome ore, increase a furnace's ferroalloy

OPERATING REVIEW CONTINUED

production rate and reduce electricity consumption. The Ferroalloy Division also expects the pelletiser to increase operating efficiency by lowering electricity consumption and increasing production.

On 4 December 2007, ENRC entered into a conditional agreement to acquire a controlling interest in OAO Serov Ferrochrome Factory, OAO Saranovskaya Mine Rudnava, OAO Serov Metalconcentrate Works and certain related entities (the 'Serov group') for an aggregate consideration of US$210 million. This acquisition was completed on 3 April 2008. The Serov group owns a chrome ore mining facility and a ferroalloy smelter in eastern Russia. The acquisition of the smelter results in incremental production of 200,000 tonnes of low- and medium-carbon ferrochrome. The Group is Serov's largest supplier of chrome ore. ENRC believes that the operations of the Serov group will complement the Ferroalloy Division's existing business, including its ferroalloy product range and also provide the Group with an important asset base in Russia, which supports the Group's strategy to pursue both regional and international expansion opportunities in our core commodities.

Iron Ore Division

The Iron Ore Division which operates the largest iron ore mining and processing enterprise in Kazakhstan produces and sells iron ore concentrate and pellets primarily to steel producers. On the basis of 2006 data, it is believed to be the sixth largest iron ore exporter by volume in the world and to be in the lowest third of the industry cost curve for global iron ore pellet production. The Iron Ore Division's operations include iron ore mines, crushing, beneficiation and pelletising plants and a thermal power station.

In 2007, the Iron Ore Division mined approximately 40.2 million tonnes of iron ore (2006 : 38.8 million tonnes). This was processed into 16.8 million tonnes of iron ore concentrate (2006 : 16.1 million tonnes), of which 7.6 million tonnes were retained for sale (2006 : 7.0 million tonnes) and the balance was used to produce 8.5 million tonnes of iron ore pellets (2006 : 9.0 million tonnes). For the year ended 31 December 2007, the Iron Ore Division had total third party revenue of US$991 million (2006 : US$829 million), which represented 24.1% (2006 : 25.5%) of the Group's consolidated revenue.

Competitive Position

The Iron Ore Division has several significant strategic advantages over its major competitors. Firstly, the location of the Group's iron ore reserves in northern Kazakhstan provides access to the important customer base of steel production plants in Russia, China and Kazakhstan at relatively low logistics costs. In particular, the Group's facilities are located within 340km of its key customer, The Magnitogorsk Iron and Steel Works Open Joint Stock Company ('MMK'), and this proximity provides significant logistical advantages. Secondly, the Iron Ore Division operates large-scale iron ore mines and processing plants at relatively low production costs. Based on 2006 data, the Group is located in the lowest third of the industry cost curve for global iron ore pellet production. This cost advantage is driven, in part, by the relatively low cost of labour in Kazakhstan and the relatively low cost of electricity consumed by the Group's iron ore mining and processing operations, which results from the internal generation of a portion of that electricity within the Group and the relatively low cost of energy in Kazakhstan.

Supply and Demand

The market for iron ore is primarily regional, as iron ore is a bulk commodity and, relative to its value, is expensive to transport. China, Australia and Brazil are the largest producers of iron ore, each accounting for around 20% of global output in 2006 based on iron content. Other significant producers include the CIS and India. Global production of iron ore was 1,644 million tonnes in 2006 as compared to 972 million tonnes in 1998. This represents a compound annual growth rate of 6.8%.

Typically, steel production and, as a result, demand for iron ore, follow overall growth in industrial production. Global demand for iron ore has increased recently, primarily as a result of the significant growth in demand for iron ore in China that cannot be satisfied domestically. Other important sources of demand include India, the Middle East, South America and the CIS.

It is predicted that iron ore demand will remain strong in the medium term. ENRC expects Chinese economic growth to be between 7% and 10% per annum between 2008 and 2012, and that this will result in an average annual increase in domestic steel production of approximately 62 million tonnes. With the quality of domestic Chinese iron ore declining, it is anticipated that China will become more dependent on imported iron ore. We expect increasing demand for iron ore to continue in other parts of Asia as well.

It is anticipated that iron ore supply will struggle to meet rising demand until 2009. Thereafter, more significant increases in supply are expected as expansions planned by three major iron ore producers are completed in Brazil and Australia and new producers in these countries enter the iron ore market.

Sales and Pricing

In April 2007, the Group entered into a long-term contract with MMK – the Iron Ore Division's largest single customer accounting for 16.3% of total Group sales in 2007 (2006 : 12.5%) – which extends until 2017 and requires MMK to purchase specified quantities at prices determined by reference to published world price indices for iron ore concentrate and pellets. Prices are revised annually on 1 April by reference to the aforementioned world price indices.

Tightness in the iron ore market during 2007 was highlighted by the fact that spot prices traded significantly higher than contract prices for the duration of the year. The strong steel market, particularly in China, was the main factor. The long lead time in new iron ore projects has limited the industry's ability to respond quickly to rising prices. The 65% increase in prices announced by Vale for 2008 contracts represents an attempt to close the gap with the spot market.

Key Initiatives

The Iron Ore Division's principal strategic objectives are to increase mining, concentrating and pellitising capacities, and expand its customer base through diversification of its product portfolio. As disclosed at the time of the IPO, the Iron Ore Division plans to:

→ expand mining operations and increase iron ore concentrate capacity by approximately 4.0 million tonnes per annum by 2010, through an investment totalling US$320 million (US$45 million has already been spent); and

- construct a 1.8 million tonnes per annum DRI plant and 5.0 million tonnes per annum iron ore pelletiser for approximately US$800 million (on the basis of current estimates, which are subject to change depending on the process technology ultimately selected). DRI is a higher value product and has a broader customer base than the Group's existing iron ore products because, compared to concentrate or pellets, it is cheaper to transport long distances relative to its price and can be used in electric furnaces. Construction is planned to commence in 2008 and is currently scheduled to be completed by 2011.

In light of strong forecast demand, the Group is currently assessing the feasibility of extending the aforementioned expansion plans.

The Alumina and Aluminium Division

The Alumina and Aluminium Division produces and sells alumina to aluminium producers and from 2008, aluminium. Based on 2006 data, ENRC believes that the Alumina and Aluminium Division is the fifth largest supplier of traded alumina by volume in the world and is in the lowest quartile of the industry cost curve for alumina producers globally. The Alumina and Aluminium Division's vertically integrated operations include two bauxite mining units, a limestone mine, an alumina refinery and a power station. The new aluminium smelter allows the Alumina and Aluminium Division to process its alumina into aluminium. The smelter was commissioned on 12 December 2007 with an annual capacity of 62,500 tonnes and is expected to achieve a production capacity of 125,000 tonnes per annum by 31 December 2008. The Group has commenced construction of Phase 2 of the smelter which will increase production capacity to 250,000 tonnes per annum by 2011.

In 2007, the Alumina and Aluminium Division mined approximately 5.0 million tonnes of bauxite (2006 : 4.9 million tonnes) and produced approximately 1.5 million tonnes of alumina (2006 : 1.5 million tonnes). For the year ended 31 December 2007, the Alumina and Aluminium Division had revenue of US$608 million (2006 : US$612 million). US$607 million of this was derived from third party sales (2006 : US$602 million), representing 14.8% (2006 : 18.5%) of the Group's consolidated revenue.

Competitive Position

The Alumina and Aluminium Division has several strategic advantages over its major competitors. First, the Group's bauxite reserves provide a reliable supply of the principal raw material for the production of alumina and aluminium. Secondly, the Alumina and Aluminium Division has integrated energy operations that supply it with a reliable and cost-effective source of energy and additional needs of the aluminium smelter will be met from within the Group. Thirdly, the Group is a low-cost alumina producer being located in the lowest quartile of the alumina cost curve (based on 2006 data). This cost advantage is driven, in part, by the internal supply of bauxite, the relatively low cost of labour in Kazakhstan and the relatively low cost of electricity consumed by the Group's bauxite mining and alumina processing operations.

Supply and Demand

The majority of the world's alumina is manufactured by integrated producers for internal consumption in their own aluminium smelters. The former Eastern Bloc, Australasia, Latin America and China, are believed to be the largest producers of alumina, together accounting for approximately 92% of global alumina production in 2006. Global alumina production increased from 53.3 million tonnes in 2000 to 73.8 million tonnes in 2006. A large proportion of the new capacity has come from brownfield expansions. Forecasts show that global alumina production will rise to 91.6 million tonnes by 2011, primarily driven by new capacity at greenfield and brownfield sites in China.

Global alumina demand has increased significantly in recent years driven by increased aluminium production and the related demand for alumina in China. ENRC expects that global alumina demand will continue to grow, and will reach 84.5 million tonnes in 2011 (which is a compound annual growth rate of 5%), driven primarily by

OPERATING REVIEW CONTINUED

further growth in China. Demand for alumina is also expected to increase in the Middle East, Latin America and the CIS.

ENRC's view is that between 2008 and 2011, the global alumina market will remain oversupplied due to the volume of new alumina capacity outstripping the forecasted global demand. In contrast demand for alumina in the CIS is expected to continue to exceed supply. In 2006, CIS alumina production was insufficient to meet alumina demand from the local aluminium industry and the CIS had an alumina supply deficit of nearly 2 million tonnes. We expect the deficit in the CIS to rise to 4.3 million tonnes over the next five years because the pace of new aluminium smelting capacity expansion in the region, including the Group's new aluminium smelter, will outpace new alumina refining capacity.

Sales and Pricing

The Group has a long-term contract with UC RUSAL that extends until 2016 and provides for UC RUSAL to purchase specified quantities of alumina at prices determined by reference to a percentage of the London Metal Exchange (LME) prices for aluminium.

The global alumina market was very resilient in 2007 contrary to many predictions of gloom. The Chinese alumina industry, which was anticipated to cause a global oversupply, struggled to secure the bauxite it required mainly as a result of supply interruptions from West Africa. The spot alumina price increased from US$220 per tonne at the beginning of the year to US$400 per tonne at the end. Almost 100% of ENRC's sales are based on a percentage of the aluminium price and therefore ENRC has almost no exposure to spot alumina prices.

Going forward, ENRC has long-term contracts which provide for all sales of primary aluminium until 2018 to be made to Glencore International AG ('Glencore') and to be priced by reference to LME spot prices less sales commission.

Key Initiatives

The Alumina and Aluminium Division's principal strategic objectives are to maximise alumina capacity through brownfield expansion, to invest in aluminium production to exploit its surplus of low cost electricity, bauxite and alumina, and to diversify its customer base. The Alumina and Aluminium Division will pursue its objectives through:

- further increasing the production of alumina by approximately 300,000 tonnes per annum by 2010 through an investment of US$240 million of which US$80 million has already been spent. This should allow the Alumina and Aluminium Division to fulfil the aluminium smelter's needs for alumina, without reducing the alumina available for sale to third parties below one million tonnes per annum; and
- investing US$90 million in upgrading the quality of alumina produced from alumina flour to sandy alumina, which is more efficient in aluminium smelters and generally commands a higher price. US$20 million has already been spent.

Beginning in 2008, ENRC intends to spend a further US$330 million, approximately, on increasing the annual capacity of the aluminium smelter to 250,000 tonnes of aluminium by 2010. Also, as reported in the Chief Executive Officer's statement, the Board has recently approved a 400,000 tonnes caustic soda plant (investment approximately US$150 million) and a 150,000 tonnes anode production plant (investment approximately US$175 million). Both are expected to come on-stream by 2010.

Energy Division

The Energy Division is one of the largest electricity providers in Kazakhstan, accounting for approximately 16% of the country's recorded electricity production. The Energy Division provides a cost-effective energy supply to the Group's principal operating divisions as well as producing a surplus for sales to third parties in Kazakhstan. In 2007 the Energy Division produced 12.1 million KWh (2006 : 11.5 million KWh) of which 65.4% (2006 : 53.9%) was used internally within the Group.

Coal production increased 2.8% to 18.4 million tonnes (2006 : 17.9 million tonnes).

In addition to sales of surplus electricity, the Energy Division also sold 6.4 million tonnes of coal to third parties (2006 : 6.3 million tonnes) which represented 34.5% of total coal mined (2006 : 35.2%).

For the year ended 31 December 2007, the Energy Division had revenue of US$314 million (2006 : US$263 million), of which US$181 million was derived from third party sales (2006 : US$154 million), representing 4.4% (2006 : 4.7%) of the Group's consolidated revenue.

Sales and Pricing

Electricity

Spot electricity prices in Kazakhstan increased slightly during the year as a result of growing demand and supply tightness. The market grew approximately 6.5% in 2007 to a total of 76.5 million KWh. Supply constraints are likely to be heightened in 2008, as the new ENRC aluminium smelter ramps up, creating the single largest increase in demand in the country. Kazakhstan has a long-term electricity expansion plan and no shortages of the type experienced in South Africa are anticipated at this time.

Coal

Due to the limited number of producers in Kazakhstan, the domestic market is controlled by the Government. In 2007 the price was increased by 19% compared to 2006 and it is anticipated that the price will rise again in 2008. This increase may be limited however as the Government attempts to control inflation. In Russia, due to Russia's net export position, prices tend to respond to world market price increases. With FOB Russian port prices increasing from US$62 per tonne to US$100 per tonne during 2007, an increase in exports can be anticipated.

Key Initiatives
The primary aim of the Energy Division is the supply of low-priced electricity to the Group's mining, smelting and refining businesses. To pursue its primary aim, the Energy Division intends to:
- invest approximately US$200 million in the period up to 2011 to construct a new turbine and generator (US$10 million already spent). It is expected that the new generator will increase total installed electricity generating capacity by 325MW by 2012;
- install overburden stripping equipment at a cost of approximately US$85 million (US$5 million already spent) to increase efficiency; and
- complete refurbishment of certain existing generator blocks (Turbine 1) at a cost of approximately US$100 million (US$60 million already spent).

Logistics Division
The Logistics Division provides effective transportation and logistics services to the Group's principal operating Divisions and to third parties. The Logistics Division's operations include freight forwarding, wagon repair services and railway construction and repair services. The Logistics Division mitigates many of the risks associated with the supply of raw materials and delivery of products to customers, by providing the Group with reliable delivery services. In addition, the Logistics Division operates a railway transfer and reloading terminal on the Kazakhstan and China border, facilitating the Group's access to the growing market in China.

For the year ended 31 December 2007, the Logistics Division transported 60.9 million tonnes of goods (2006 : 61.7 million tonnes), of which approximately 87.7% (2006 : 87.3%) was intra Group. For the year ended 31 December 2007, the Logistics Division had revenue of US$232 million (2006 : US$277 million), of which US$149 million was derived from third party sales (2006 : US$198 million), representing 3.6% (2006 : 6.1%) of the Group's consolidated revenue.

Key Initiatives
On 21 March 2008, the Logistics Division won the State tender for the construction of some 300km of railway in South-East Kazakhstan (China gateway project). The new railway will facilitate the increase in cargo carried between Kazakhstan and China by 30 million tonnes per annum. It will provide ENRC's operations with a secure transportation route with increased capacity for products to be sold into the growing Chinese market. The construction period is estimated to be about four years and the required investment is expected to be approximately US$900 million.

Sales and Marketing
The Group's sales and marketing function provides ENRC's operating divisions with a fully integrated and centrally organised sales and marketing resource. This facilitates the efficient coordination of the Group's external sales, monitoring of key markets and general production strategy. The sales and marketing function performs the following key functions: strategy and planning; commercial contract terms and customer relations; market research; and coordinating logistics. The centralisation of this function provides significant operational advantages to the Group including the identification and exploitation of market synergies and improved operational efficiencies. In addition, as the markets in which the Group operates are geographically diverse and complex, the size, scope and expertise of the sales and marketing function enables it to gather significant market information that is not otherwise generally available.

KAZAKHSTAN ALUMINIUM SMELTER

A state-of-the-art electrolysis plant, officially launched on 12 December 2007, with initial capacity of 62,500 tonnes to be increased to the total capacity of 250,000 tonnes of primary aluminium by 2011.

On 12 December 2007, our new aluminium smelter located in the Pavlodar Region was formally opened by President Narzarbeyev of the Republic of Kazakhstan. This was the culminating moment of a journey that involved the efforts of many people. The aluminium smelter was not only the first large-scale project undertaken by the Group but also the first for the Republic of Kazakhstan and, as such, the opening ceremony was a moment of pride for both the Country and our Group. Our success demonstrated our ability to execute a complex plan and to deliver a large-scale, technical project working with international partners in a tight timescale and within the budget. Our Kazakhstan management team together with the skilled workforce rose to the challenge.

The journey started in 2001, when as part of tender obligations in the privatisation process of AoK, a commitment was made to build the smelter and in 2003 a formal agreement to this effect was signed with the State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan. The Group began construction in 2004 and had to commission the smelter by the end of 2007. The stakes were high for the Group as a condition of receiving legal title to the shares of AoK was to meet this objective.

The Group embarked on the project and committed to meet the challenging timescale set for initial production which was for commissioned capacity of 62,500 tonnes of aluminium per annum. Many employees of the Group were involved in this project but we also appointed experts to ensure the outcome, most notably the China Non-ferrous Engineering and Construction Company. The smelter is located within 10km of the alumina plant which provides it with both alumina and electricity with additional electricity needs met within the Group (by EEC). The first aluminium was produced in September 2007 with the smelter operational by the formal launch date. Our success was recognised by the Kazakhstan Government and legal title of the AoK shares was transferred to us on 29 January 2008.

By the end of 2008 the capacity of the smelter will have been increased to 125,000 tonnes per annum (the phase I target). The ultimate capacity of 250,000 tonnes per annum is scheduled to be in place by 2011. In August 2007 the Group entered into off-take agreements with Glencore, securing sales from the smelter at prices referenced to LME spot prices until 2018.

2007 › 2008

62,500^{t}

INITIAL.
aluminium production capacity

2008 › 2009

125,000^{t}

PHASE I TARGET.
aluminium production capacity

2010 › 2011

250,000^{t}

ULTIMATE.
aluminium production capacity

FINANCIAL REVIEW

SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

Key factors affecting the Group's results of operations are discussed below.

Commodity prices

Prices of the mineral commodities that the Group produces have a material impact on the Group's results of operations. Commodity prices are affected by changes in global economic conditions, supply and demand trends, technological changes and related industrial cycles. Prices of ferroalloys, iron ore, alumina and aluminium can vary significantly. Generally producers of commodities are unable to influence market commodity prices directly; however, events such as changes in production capacity, temporary price reductions or other attempts to capture market share by significant producers may have an effect on market prices. Additionally, the prices realised by producers on sales of their products can be affected by contractual arrangements, production levels, product quality and hedging strategies. Price variations, hedging policies and market cycles have historically influenced the financial results of the Group and are expected to continue to do so.

Production costs and efficiency

The Group's competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to maintain low-cost and efficient operations. Costs associated with mining and metal production can be broadly categorised into costs attributable to raw materials, direct labour and production overheads.

The Group is among the lowest cost producers in each of its segments. The scale of the Group's operations and its vertical integration contribute to the efficiency and profitability of the business.

The Group's production costs and efficiency are subject to fluctuations in the costs of the materials it purchases such as fuel, special coal, coke, materials used for repair and maintenance of facilities and other materials. The Group has embarked on a series of cost-control measures, including modernisation programmes and the restoration of repair parts in lieu of the purchase of new parts, which are aimed at reducing costs.

Exchange rates

The Group's principal products are commodities typically priced by reference to US dollars. A substantial portion of the Group's costs are incurred in Kazakhstani tenge (KZT). Accordingly, the Group may be materially affected by exchange rate fluctuations between the US dollar and the Kazakhstani tenge and, to a lesser extent, other currencies including the Swiss franc, Japanese yen, European euro and British pound. In 2007, the Group entered into a number of US$/KZT foreign exchange forward contracts to partially hedge against fluctuations in the exchange rate (see note 33 to the Consolidated Financial Statements on page 102). Hedge accounting has been applied for these instruments since 18 September 2007, with fair value movements since that date being held in equity.

The functional currency of all the significant operating entities is the Kazakhstani tenge, while for the sales and marketing entities it is the US dollar. The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. The results and financial position of all Group entities that have a functional currency different from US dollars, the Group's presentation currency, are translated into US dollars as follows:

- Assets and liabilities are translated at the closing rate as at each balance sheet date.
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- All resulting exchange differences are recognised as a separate component of equity.

The following table sets out, for the periods indicated, the relevant period-end and average exchange rates of the Kazakhstani tenge to the US dollar, as applied in the preparation of the Group's audited consolidated financial information for the relevant periods and expressed in Kazakhstani tenge per US dollar.

Period	Period end	Average
2007	**120.30**	**122.55**
2006	127.00	126.09
2005	133.77	

FACTORS AFFECTING COMPARABILITY

Key factors affecting comparability of the Group's results of operations and financial condition include:

Relationship with MMK

Historically, MMK has been one of the Group's principal customers. In 2006 and the first quarter of 2007, the results of operations of the Iron Ore Division were materially and adversely affected by protracted contractual negotiations with MMK, which resulted in reduced sales volumes and prices.

The Group and MMK reached agreement and signed a long-term supply contract that became effective in April 2007 and will expire in 2017. Under this agreement, MMK is required to purchase specified quantities of iron ore products at prices determined by reference to published world price indices for concentrates and pellets. Prices are revised each year on 1 April.

Initial public offering ('IPO')

The Group undertook an initial public offering in 2007. This resulted in the receipt of US$3.1 billion of cash proceeds in December 2007. In 2007 costs amounting to US$278 million were incurred in connection with the IPO. Of these, US$96 million were recorded in the share premium account as directly attributable to the equity cost and US$182 million were recorded within 'selling general and administrative expenses' in the income statement (2006 : US$6 million). Given the non-recurring nature of these costs, they have been classified in the income statement as 'exceptional items' and hence excluded from EBITDA before exceptional items.

Trade finance facility amounting to US$1.5 billion

The Group successfully borrowed US$1.4 billion under its US$1.5 billion trade finance loan facility. Part of the amount was used to refinance the US$1 billion promissory notes issued to shareholders in 2006, which had been treated as a pre-IPO distribution of retained earnings in 2006, with the remaining amount being used for general corporate purposes.

RESULTS OF OPERATIONS

The following table sets out information about the Group's results of operations for years the ended 31 December 2007 and 31 December 2006 respectively:

In millions of US$	2007	2006	2007 vs. 2006 +/–	2007 vs. 2006 %
Revenue	**4,106**	3,256	850	26.1%
Cost of sales	**(1,701)**	(1,542)	(159)	10.3%
Gross profit	**2,405**	1,714	691	40.3%
Gross margin, %	**58.6%**	52.6%	6.0%	–
Distribution costs	**(373)**	(407)	34	(8.4)%
Selling, general and administrative expenses	**(606)**	(290)	(316)	109.0%
Net other operating income/(expenses)	**(5)**	(20)	15	(75.0)%
Operating profit	**1,421**	997	424	42.5%
Operating profit margin, %	**34.6%**	30.6%	4.0%	–
Depreciation, amortisation and impairment	**(303)**	(253)	(50)	19.8%
Exceptional items	**(182)**	(6)	(176)	2933.3%
EBITDA before exceptional items	**1,906**	1,256	650	51.8%
EBITDA margin before exceptional items, %	**46.4%**	38.6%	7.8%	–
Finance income	**58**	24	34	141.7%
Finance costs	**(158)**	(50)	(108)	216.0%
Profit before income tax	**1,321**	971	350	36.0%
Profit before income tax margin, %	**32.2%**	29.8%	2.4%	–
Income tax expense	**(507)**	(285)	(222)	77.9%
Effective tax rate, %	**38.4%**	29.4%	9.0%	–
Profit for the year	**814**	686	128	18.7%
Profit margin, %	**19.8%**	21.1%	(1.3)%	–
Depreciation and amortisation in Cost of sales	**(271)**	(241)	(30)	12.4%
Depreciation and amortisation in Selling, general and administrative expenses	**(32)**	(12)	(20)	166.7%

The following table sets out selected financial information of the Group by division:

In millions of US$	Ferroalloy Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Corporate	Intra Group eliminations	**Total**
Segment revenue								
2007	**2,178**	**991**	**608**	**314**	**232**	**–**	**(217)**	**4,106**
2006	1,473	829	612	263	277	–	(198)	3,256
Segment operating profit								
2007	**1,038**	**359**	**159**	**71**	**27**	**(233)**	**–**	**1,421**
2006	476	244	226	41	38	(28)	–	997
Segment operating profit margin, %								
2007	**47.7%**	**36.2%**	**26.2%**	**22.6%**	**11.6%**	**–**	**–**	**34.6%**
2006	32.3%	29.4%	36.9%	15.6%	13.7%	–	–	30.6%
EBITDA before exceptional items								
2007	**1,138**	**448**	**220**	**107**	**44**	**(51)**	**–**	**1,906**
2006	547	323	277	77	54	(22)	–	1,256
EBITDA margin before exceptional items, %								
2007	**52.2%**	**45.2%**	**36.2%**	**34.1%**	**19.0%**	**–**	**–**	**46.4%**
2006	37.1%	39.0%	45.3%	29.3%	19.5%	–	–	38.6%

FINANCIAL REVIEW CONTINUED

Year ended 31 December 2007 compared to year ended 31 December 2006

Revenue

The Group

The Group's revenue increased by US$850 million, or 26.1%, from US$3,256 million for the year ended 31 December 2006 to US$4,106 million for the year ended 31 December 2007. The Ferroalloy Division accounted for 82.9% of the revenue increase. This reflects the benefit of higher ferroalloy prices which were the result of higher demand for ferroalloys. Demand was driven up by rapid growth in stainless steel production in China and, to a lesser extent, in India. The remaining 19.1% of the total revenue increase was attributable to the Iron Ore Division, primarily the result of higher iron ore prices following resolution of the Group's contractual negotiations with MMK in April 2007. Total revenue, however, was adversely affected by a reduction in railway-repair services volumes in the Logistics Division which had a 5.8% negative impact.

The Ferroalloy Division

The Ferroalloy Division's third party revenue increased by US$705 million, or 47.9%, from US$1,473 million for the year ended 31 December 2006 to US$2,178 million for the year ended 31 December 2007. This increase was primarily due to higher ferroalloy prices, which increased by US$331 per tonne, or 34.4%, from US$962 per tonne for the year ended 31 December 2006 to US$1,293 per tonne for the year ended 31 December 2007, and higher chrome ore prices, which increased by US$74 per tonne, or 42.0%, from US$176 per tonne for the year ended 31 December 2006 to US$250 per tonne for the year ended 31 December 2007. The above price increases led to a US$539 million increase in revenue. In addition, a 7.6% increase in ferroalloy sales volumes and a 7.6% increase in chrome ore sales volumes, accounted for US$108 million in revenue. The balance of the increase was attributable to an increase in sales of other products.

The Iron Ore Division

The Iron Ore Division's third party revenue increased by US$162 million, or 19.5%, from US$829 million for the year ended 31 December 2006 to US$991 million for the year ended 31 December 2007. This increase was primarily due to a US$11 per tonne, or 22.9%, rise in iron ore prices, from US$48 per tonne for the year ended 31 December 2006 to US$59 per tonne for the year ended 31 December 2007. This increase accounted for a rise of US$168 million in revenue. The key to the price increase was the resolution of the Group's contractual negotiations with MMK and the resulting 10-year supply agreement with MMK, which took effect for the last three quarters of the year ended 31 December 2007 and under which the price of iron ore sold to MMK is determined by reference to published world price indices. The price increase was partially offset by a 1.4% decline in volumes, which reduced revenue by US$11 million.

The Alumina and Aluminium Division

The Alumina and Aluminium Division's third party revenue increased by US$5 million, or 0.8%, from US$602 million for the year ended 31 December 2006 to US$607 million for the year ended 31 December 2007. A 3.4% decline in alumina prices, which are linked to the LME aluminium price, combined with a 0.6% fall in sales volumes resulted in US$23 million revenue reduction. This was offset by rising sales of by-products and sales of surplus heat and electrical energy. The Alumina and Aluminium Division's sales to other Group Divisions declined by US$9 million from US$10 million for the year ended 31 December 2006 to US$1 million for the year ended 31 December 2007.

The Energy Division

The Energy Division's third party revenue increased by US$27 million, or 17.5%, from US$154 million for the year ended 31 December 2006 to US$181 million for the year ended 31 December 2007. This increase was due to a US$19 million increase in revenue from sales of electricity to third parties, resulting from a 47.7% increase in the average electricity tariff. It was partially offset by a 12.3% reduction in the volume of electricity sold (as more electricity was consumed within the Group). Also an 8.8% increase in the average price of coal, driven by prices of exported coal, and 2.0% increase in volumes of coal sales, resulted in US$10 million increase in revenue from coal sales. The Energy Division's sales to other Group Divisions increased by US$24 million, or 22.0%, from US$109 million for the year ended 31 December 2006 to US$133 million for the year ended 31 December 2007.

The Logistics Division

The Logistics Division's third party revenue declined by US$49 million, or 24.7%, from US$198 million for the year ended 31 December 2006 to US$149 million for the year ended 31 December 2007. The decline was primarily driven by a reduction in volumes and in prices for railroad repair services. The Logistics Division's sales to other Group Divisions increased by US$4 million, or 5.1%, from US$79 million for the year ended 31 December 2006 to US$83 million for the year ended 31 December 2007.

Cost of Sales

The Group

The Group's cost of sales increased by US$159 million, or 10.3%, from US$1,542 million for the year ended 31 December 2006 to US$1,701 million for the year ended 31 December 2007. Driven by volume increases as well as increases in prices for materials and labour, the Ferroalloys and Iron Ore Divisions accounted for 57.2% and 34.6% respectively of the overall increase. Volumes increased due to stronger demand for ferroalloys. Rising material and labour costs resulted in the Alumina and Aluminium Division accounting for 29.6% of the Group's cost increase. Despite an underlying increase in costs, a significant fall in railroad repair volumes in the Logistics Division resulted in a 28.3% reduction in total cost of sales. Exchange rate fluctuations accounted for an increase of US$53 million in cost of sales.

The Ferroalloy Division

The Ferroalloy Division's cost of sales increased by US$91 million, or 13.7%, from US$663 million for the year ended 31 December 2006 to US$754 million for the year ended 31 December 2007.

On a per tonne basis, cost of sales increased by US$32 per tonne, or 11.4%, from US$281 per tonne for the year ended 31 December 2006 to US$313 per tonne for the year ended 31 December 2007. This increase was primarily driven by an US$11 per tonne increase in payroll expenses, and a US$37 per tonne rise in the cost of materials used in production. In addition, an increase in royalty costs paid by the Ferroalloy Division to the Republic of Kazakhstan, which are determined on either a flat rate or a sliding scale as a percentage of the volume of the extracted resource, resulted in a further increase of US$4 per tonne. Exchange rate fluctuations accounted for an increase of US$20 million in cost of sales.

The Iron Ore Division
The Iron Ore Division's cost of sales increased by US$55 million, or 15.2%, from US$362 million for the year ended 31 December 2006 to US$417 million for the year ended 31 December 2007. On a per tonne basis, cost of sales increased by US$4 per tonne, or 18.2%, from US$22 per tonne for the year ended 31 December 2006 to US$26 per tonne for the year ended 31 December 2007. This increase was primarily driven by a US$3 per tonne increase in the cost of materials and energy used in production with an increase in payroll expenses adding a further US$1 per tonne. Exchange rate fluctuations accounted for an increase of US$13 million in cost of sales.

The Alumina and Aluminium Division
The Alumina and Aluminium Division's cost of sales increased by US$38 million, or 12.1%, from US$314 million for the year ended 31 December 2006 to US$352 million for the year ended 31 December 2007. On a per tonne basis, cost of sales of alumina increased by US$27 per tonne, or 13.0%, from US$208 per tonne for the year ended 31 December 2006 to US$235 per tonne for the year ended 31 December 2007. This increase was primarily due to an increase in raw materials expenses of US$13 per tonne, an increase in payroll expenses of US$9 per tonne, and an increase in amortisation expenses of US$5 per tonne. Exchange rate fluctuations accounted for an increase of US$9 million in cost of sales.

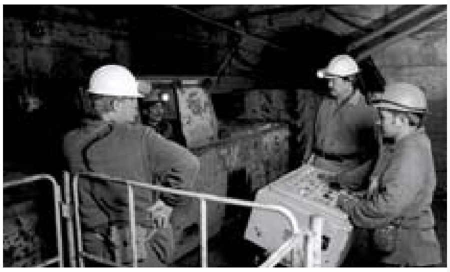
The Energy Division
The Energy Division's cost of sales declined by US$7 million, or 4.2%, from US$168 million for the year ended 31 December 2006 to US$161 million for the year ended 31 December 2007. The reduction was primarily driven by a decline of US$19 million in purchases of materials for resale. This was offset by US$9 million increase in payroll expenses and US$3 million increase in material costs. Exchange rate fluctuations accounted for an increase of US$5 million in cost of sales.

The Logistics Division
The Logistics Division's cost of sales declined by US$41 million, or 18.6%, from US$220 million for the year ended 31 December 2006 to US$179 million for the year ended 31 December 2007. The reduction was mainly driven by reduced volumes of railroad repair resulting in a US$32 million reduction in costs of materials, a US$3 million reduction in payroll and a US$14 million reduction in other costs. Exchange rate fluctuations accounted for an increase of US$6 million in cost of sales.

Distribution Costs

The Group
The Group's distribution costs declined by US$34 million, or 8.4%, from US$407 million for the year ended 31 December 2006 to US$373 million for the year ended 31 December 2007. This decline was principally due to a reduction in distribution costs in the Iron Ore Division which resulted from a greater proportion of iron ore sales being made to MMK. The decline was partially offset by increased distribution costs in the Ferroalloy and Energy Divisions due to higher per tonne transportation and related costs. Exchange rate fluctuations accounted for an increase of US$9 million in distribution costs.

The Ferroalloy Division
The Ferroalloy Division's distribution costs increased by US$33 million, or 15.3%, from US$215 million for the year ended 31 December 2006 to US$248 million for the year ended 31 December 2007. On a per tonne basis, distribution costs increased by US$12 per tonne, or 13.2%, from US$91 per tonne for the year ended 31 December 2006 to US$103 per tonne for the year ended 31 December 2007. This increase was primarily driven by an increase of US$8 per tonne in transportation and related costs principally relating to a rise in Kazakhstani railroad tariffs. Exchange rate fluctuations accounted for an increase of US$4 million in distribution costs.



FINANCIAL REVIEW CONTINUED

The Iron Ore Division
The Iron Ore Division's distribution costs declined by US$44 million, or 31.4%, from US$140 million for the year ended 31 December 2006 to US$96 million for the year ended 31 December 2007. On a per tonne basis, distribution costs declined by US$3 per tonne, or 33.3%, from US$9 per tonne for the year ended 31 December 2006 to US$6 per tonne for the year ended 31 December 2007. This decline primarily resulted from the resumption of sales volumes to MMK and the attendant reduction in sales to more distant customers in China. Transportation costs per tonne are significantly higher for deliveries to China compared to deliveries to MMK, which is located within 340km of the SSGPO processing plant. Exchange rate fluctuations increased distribution costs by US$3 million.

The Alumina and Aluminium Division
The Alumina and Aluminium Division's distribution costs declined by US$2 million, or 6.3%, from US$32 million for the year ended 31 December 2006 to US$30 million for the year ended 31 December 2007. Distribution costs declined by US$1 per tonne, or 4.8%, from US$21 per tonne for the year ended 31 December 2006 to US$20 per tonne for the year ended 31 December 2007. This decline was principally driven by a US$4 per tonne reduction in insurance expense, partially offset by an increase in transportation costs. Exchange rate fluctuations accounted for an increase of US$1 million in distribution costs.

The Energy Division
The Energy Division's distribution costs increased by US$22 million, or 66.7%, from US$33 million for the year ended 31 December 2006 to US$55 million for the year ended 31 December 2007. This increase was primarily due to an increase in transportation costs due to higher railroad tariffs imposed by the Kazakhstan state railroad monopoly. Exchange rate fluctuations accounted for an increase of US$1 million in distribution costs.

The Logistics Division
The Logistics Division's distribution costs were immaterial.

Selling, General and Administrative Expenses

The Group
The Group's selling, general and administrative expenses increased by US$316 million, or 109.0%, from US$290 million for the year ended 31 December 2006 to US$606 million for the year ended 31 December 2007. US$176 million of the increase was due to consulting expenses and employee bonuses associated with the IPO which were accounted for at Group level. Exchange rate fluctuations accounted for an increase of US$9 million in selling, general and administrative expenses.

The Ferroalloy Division
The Ferroalloy Division's selling, general and administrative expenses increased by US$28 million, or 24.8%, from US$113 million for the year ended 31 December 2006 to US$141 million for the year ended 31 December 2007. This increase was primarily in external consulting costs and payroll expenses. Included in the increase was a US$13 million fixed asset impairment charge for a non-operational coke processing plant. Exchange rate fluctuations accounted for an increase of US$3 million in selling, general and administrative expenses.

The Iron Ore Division
The Iron Ore Division's selling, general and administrative expenses increased by US$23 million, or 36.5%, from US$63 million for the year ended 31 December 2006 to US$86 million for the year ended 31 December 2007. This increase was primarily due to an increase in payroll and depreciation charges. Exchange rate fluctuations accounted for an increase of US$2 million in selling, general and administrative expenses.

The Alumina and Aluminium Division
The Alumina and Aluminium Division's selling, general and administrative expenses increased by US$36 million, or 94.7%, from US$38 million for the year ended 31 December 2006 to US$74 million for the year ended 31 December 2007. US$16 million of this increase was related to the construction and launch of the Group's new aluminium smelter. Increases in payroll expenses, sponsorship and other expenses also contributed to the overall increase. Exchange rate fluctuations accounted for an increase of US$2 million in selling, general and administrative expenses.

The Energy Division
The Energy Division's selling, general and administrative expenses increased by US$12 million, or 57.1%, from US$21 million for the year ended 31 December 2006 to US$33 million for the year ended 31 December 2007. The increase was driven by a rise in payroll expenses, consulting fees and tax and royalty penalties. Exchange rate fluctuations accounted for an increase of US$1 million in selling, general and administrative expenses.

The Logistics Division
The Logistics Division's selling, general and administrative expenses increased by US$6 million, or 26.1%, from US$23 million for the year ended 31 December 2006 to US$29 million for the year ended 31 December 2007. This increase was primarily due to an increase in payroll expenses. Exchange rate fluctuations accounted for an increase of US$1 million in selling, general and administrative expenses.

Operating Profit

The Group
The Group's operating profit increased by US$424 million, or 42.5%, from US$997 million for the year ended 31 December 2006 to US$1,421 million for the year ended 31 December 2007. This increase came primarily from the Ferroalloy and Iron Ore Divisions where increased revenues drove up operating profits (132.5% and 27.1% respectively of the total operating profit increase). The Alumina and Aluminium Division and the Logistics Division both had lower operating profit than in the prior year. Across the businesses, exchange rate fluctuations reduced operating profit by US$57 million. Corporate costs increased by US$205 million, of which US$176 million was the increase in exceptional items.

The Ferroalloy Division
The Ferroalloy Division's operating profit increased by US$562 million, or 118.1%, from US$476 million for the year ended 31 December 2006 to US$1,038 million for the year ended 31 December 2007. The increase was mainly driven by the rise in prices and volumes for ferroalloys,

and chrome ore. Exchange rate fluctuations reduced operating profit by US$25 million.

The Iron Ore Division

The Iron Ore Division's operating profit increased by US$115 million, or 47.1%, from US$244 million for the year ended 31 December 2006 to US$359 million for the year ended 31 December 2007. The increase was primarily driven by a rise in iron ore prices, mainly resulting from the resolution of a pricing dispute with MMK. Exchange rate fluctuations reduced operating profit by US$15 million.

The Alumina and Aluminium Division

The Alumina and Aluminium Division's operating profit declined by US$67 million, or 29.6%, from US$226 million for the year ended 31 December 2006 to US$159 million for the year ended 31 December 2007. Revenue was flat, reflecting stable alumina prices, but increases in operating costs adversely impacted profitability. Exchange rate fluctuations reduced operating profit by US$11 million.

The Energy Division

The Energy Division's operating profit increased by US$30 million, or 73.2%, from US$41 million for the year ended 31 December 2006 to US$71 million for the year ended 31 December 2007. The increase was mainly due to rising prices for exported coal and higher electricity tariffs. Exchange rate fluctuations reduced operating profit by US$4 million.

The Logistics Division

The Logistics Division's operating profit declined by US$11 million, or 28.9%, from US$38 million for the year ended 31 December 2006 to US$27 million for the year ended 31 December 2007. The reduction was mainly due to reduced volumes of railway repair services. Exchange rate fluctuations reduced operating profit by US$2 million.

Corporate

Corporate expenses, including administrative costs, costs of consultancy services and payroll expenses at the Group's head office, increased by US$205 million in the year ended 31 December 2007. The increase was caused primarily by IPO costs increasing by US$176 million, which were classified as exceptional items.

Foreign exchange analysis

In order to illustrate performance and facilitate an understanding of the underlying changes in the period, the table on page 38 sets out selected financial information of the Group by division for the years ended 31 December 2006 and 31 December 2007 assuming constant exchange rates. This represents growth calculated as if the exchange rates used to translate the results of operations from the functional currency to the presentation currency in US dollars had remained unchanged from those used in the previous year. Such amounts are shown as 'FX neutralised' in the table on page 38.

FINANCIAL REVIEW CONTINUED

	Ferroalloy Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Corporate	Group
Operating profit							
2007	**1,038**	**359**	**159**	**71**	**27**	**(233)**	**1,421**
2006	476	244	226	41	38	(28)	997
2007 FX neutralised	1,063	374	170	75	29	(233)	1,478
FX impact	(25)	(15)	(11)	(4)	(2)	–	(57)
Adjusted EBITDA before exceptional items							
2007	**1,138**	**448**	**220**	**107**	**44**	**(51)**	**1,906**
2006	547	323	277	77	54	(22)	1,256
2007 FX neutralised	1,160	461	229	110	46	(51)	1,955
FX impact	(22)	(13)	(9)	(3)	(2)	–	(49)

FINANCE INCOME AND FINANCE COSTS

Finance income and costs primarily relate to bank deposits, loans provided to related parties, such as the Eurasian Bank, and finance costs of the Group's external funding. In December 2006, the Group entered into a structured trade finance facility which in April 2007 was increased to US$1.5 billion. At the end of 2007 US$1.4 billion had been drawn down under this agreement.

In June 2007, the Group entered into a Shareholders' Settlement Agreement whereby loans receivable totalling US$200 million owed to the Group by related parties, controlled and beneficially owned by the Founder Shareholders, and loans payable totalling US$391 million owed by the Group to related parties, controlled and beneficially owned by the Founders, were re-assigned to CIM Global Investment NV, which is not a part of the Group but is controlled and beneficially owned by the Founder Shareholders. The net US$191 million has been settled.

As a part of the pre-IPO restructuring process the Group issued US$1 billion of promissory notes to related parties. The notes were fully repaid in 2007.

Year ended 31 December 2007 compared to year ended 31 December 2006

The Group's financial income increased by 141.7% (US$34 million), from US$24 million in the year ended 31 December 2006 to US$58 in the year ended 31 December 2007. The growth occurred because of income from investments (US$20 million), interest on loans granted to associated and third parties (US$10 million) and the interest on bank deposits increasing by US$4 million.

The Group's financial costs increased by 216.0% (US$108 million), from US$50 million for the year ended 31 December 2006 to US$158 million for the year ended 31 December 2007. The increase was caused primarily by the interest payments on borrowing rising by US$62 million, bank interest payments going up by US$41 million and interest payments of (other) financial obligations going up by US$10 million.

INCOME TAX EXPENSE

The Group's income tax expense for the year ended 31 December 2007 was US$507 million, an effective tax rate of 38.4%, compared with US$285 million, and an effective tax rate of 29.4%, for the year ended 31 December 2006.

The increase in the Group's effective tax rate is mainly due to costs relating to the IPO (4.3 percentage points) and UK head office costs on which deferred tax has not been recognised (2.9 percentage points).

Going forward, the Group expects the recurring effective rate of tax to be in excess of 30% due to excess profits tax arising in Kazakhstan on certain subsoil contracts.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Overview

The following table summarises the Group's cash flow during the years ended 31 December 2006 and 31 December 2007.

In millions of US$	2007	2006
Cash flow from operating activities	**1,079**	739
Net cash used for investing activities	**(1,351)**	(573)
Net cash generated from financing activities	**2,481**	–
Net increase in cash and cash equivalents	**2,209**	166
Cash and cash equivalents at beginning of the year	**336**	165
Exchange gains on cash and cash equivalents	**3**	5
Cash and cash equivalents at the end of the period	**2,548**	336

Cash flow from operating activities

The Group generated US$1,079 million as cash from operating activities for the year ended 31 December 2007 as against US$739 million for the year ended 31 December 2006; the cash increase being US$340 million or 46.0%. The profit after tax is US$814 million (2006 : US$686 million). Subject to adjustments for the depreciation and impairment of fixed assets, the operating cash flow increased by US$303 million (2006 : US$253 million) and, on account of the fair value adjustments on the derivative financial instruments, it increased by another US$46 million (2006 : US$nil). Due to changes in the working capital, the cash flow generated from operating activities decreased by US$130 million (2006 : US$221 million). The amount of interest paid exceeded interest received resulting in a net outflow of cash to the amount of US$99 million (2006 : US$37 million). Income tax payments resulted in an outflow of cash amounting to US$469 million (2006 : US$277 million).

Net cash used for investing activities

The Group used US$1,351 million for investing activities in 2007 as opposed to US$573 million in 2006; the increase being US$778 million or 135.8%. Most of these cash resources, US$1,042 million in 2007 (2006 : US$504 million), were directed to financing capital expenses, that is, for purchasing fixed assets. Of this amount, prepayments for fixed assets (included in other non-current assets) totalled US$208 million in 2007 (2006 : US$33 million). 40.0% of the Group's capital expenditure in 2007, amounting to US$365 million, consisted of payments for fixed assets for the Alumina and Aluminium Division, including US$201 million in 2007 (2006 : US$133 million) for the construction of the new aluminium smelter, and US$141 million for expanding alumina production. For the reconstruction and replacement of the Iron Ore Division's fixed assets the Group invested US$227 million in 2007 (2006 : US$107 million). In 2007, the Group spent US$279 million on capital repairs, compared with US$233 million invested in 2006 for this purpose.

The inflow of cash from the sale of fixed assets, intangible assets and investments amounted to US$70 million in 2007 (2006 : US$21 million). The outflow of cash on investments amounted to US$100 million in 2007 (2006 : US$17 million).

Net cash used for financing activities

The Group used cash resources to the net amount of US$2,481 million in its financing activities during the year ended 31 December 2007 (2006 : US$nil). The main sources of cash inflows were: issue of shares on the IPO, amounting to US$3,055 million excluding charges for the IPO; as well as proceeds from loans amounting to US$1,423 million in 2007 (2006 : US$328 million), of which none were with related parties (2006 : US$136 million). Cash outflows occurred as a result of making payments on loans to the amount of US$1,240 million (2006 : US$141 million), of which US$1,011 million was to related parties (2006 : US$140 million), from paying shareholders' dividends to the amount of US$500 million (2006 : US$nil) and paying minority interest dividends of US$66 million (2006 : US$4 million).

CAPITAL RESOURCES

Bank debt

Prior to 2006, the Group's principal source of liquidity for its operations was cash provided by its operating activities and the Group funded its working capital requirements through short-term financing facilities. As part of the legal restructuring initiative in 2006, the Group created a liability in favour of its shareholders through the issue of promissory notes amounting to US$1 billion.

In parallel to the restructuring, the Group secured a structured trade finance facility initially amounting to US$1,480 million in 2007. US$1,374 has been drawn on this facility as at 31 December 2007. The facility is denominated in US dollars, bears interest at a rate of LIBOR + 1.35% and is repayable in 48 equal monthly instalments beginning in January 2008. The loan is secured by grants of security over certain of the Ferroalloy Division's accounts and sales contracts backed by a guarantee given by Kazchrome, the Ferroalloy Division's principal operating company. The Group agreed to certain restrictive covenants in respect of Kazchrome, as guarantor of the loan, which prohibit Kazchrome from having total debt of greater than US$1,500 million outstanding at any time during the duration of the facility. In addition, the guarantee provides that Kazchrome may pay dividends only if the amount of a dividend in any financial year does not exceed Kazchrome's net income for the financial year. Kazchrome may still declare a dividend in excess of net income if immediately after payment of such dividend the ratio of Kazchrome's total equity to total debt would be equal to or greater than 0.4:1. The guarantee places certain restrictions on Kazchrome's activities including, inter alia, to make loans, give guarantees or indemnities, create security interests, or change its business, and requires Kazchrome to, inter alia, maintain all authorisations applicable to it, comply with all laws applicable to it, maintain

FINANCIAL REVIEW CONTINUED

certain insurance coverage and maintain full ownership of the ferroalloy production facilities.

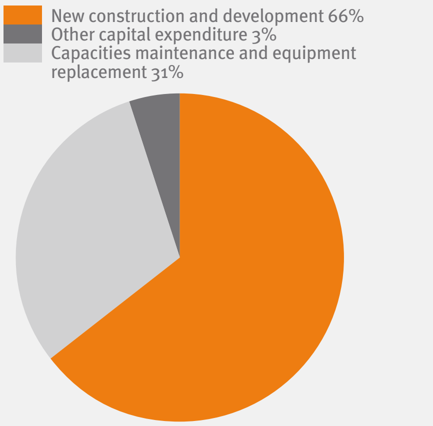
CAPITAL EXPENDITURES

During the year ended 31 December 2007 the Group's capital expenditure amounted to US$911 million as compared to US$563 million for the year ended 31 December 2006, an increase of US$348 million or 61.8%. The charts opposite show the purpose of the capital expenditure.

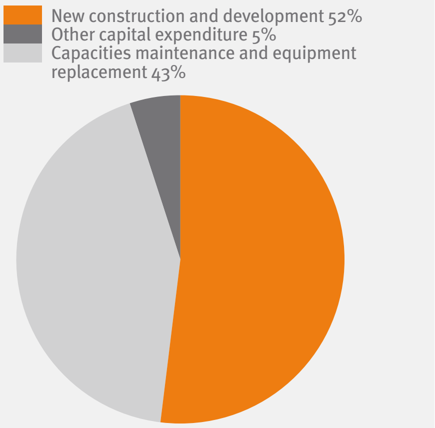
Almost two-thirds of capital expenditure in 2007 related to investment in new property construction and development, amounting to US$581 million, which was US$300 million higher than in 2006.

New construction and development was spread across the Divisions (see charts), however, costs of the new smelter were reflected in the Alumina and Aluminium Division's larger share of the capital expenditure US$342 million of this amount corresponded to investment in fixed assets for the Alumina and Aluminium Division, US$108 million for the Energy Division, US$60 million for the Ferroalloys Division, US$58 million for the Iron Ore Division and US$13 million for the Logistics Division.

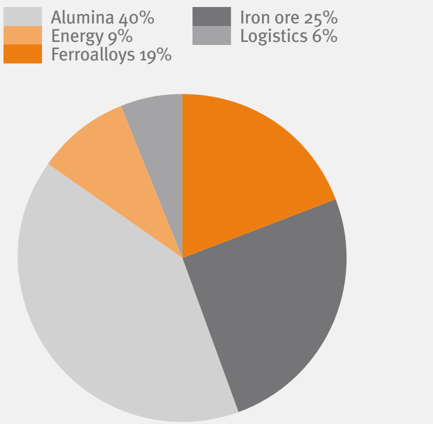
2007 Capex structure



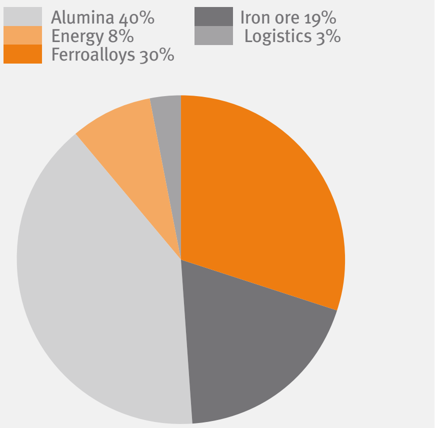
2006 Capex structure



2007 New construction and development



2006 New construction and development



A list of the largest Group investment projects is shown below:

In millions of US$	Estimated cost of completion	Capex budget 2008	Date of comm-issioning
Ferroalloys			
700k tonnes pelletiser	85	70	2009
200k tonnes expansion of ferroalloy smelting capacity (Aksu)	160	5	2010
Capital repairs and other projects	165	165	
Alumina and Aluminium			
Phase 2 – aluminium smelter (125k tonnes)	330	240	2010
Alumina production expansion by 300k tonnes	160	80	2010
Caustic soda plant	150	80	2010
Anode production plant	175	100	2010
Sandy alumina production	70	45	2010
Capital repairs and other projects	170	170	
Iron Ore			
Pelletiser (4 million tonnes) and DRI plant (1.8 million tonnes)	800	365	2011
Mine expansion by 4 million tonnes	275	30	2011
Capital repairs and other projects	145	145	
Energy			
Overburden stripping equipment	80	55	2010
Refurbishment of Turbine 1	40	40	2008
Construction of Turbine 2 – 325 megawatt	190	75	2011
Capital repairs and other projects	35	35	
Logistics			
China gateway project	910	–	2011
Capital repairs and other projects	20	20	
Total approved	**3,960**	**1,720**	

CONTRACTUAL OBLIGATIONS

The following table sets out the Group's material contractual obligations and their maturity as at 31 December 2007. See notes 26, 27 and 32 to the Consolidated Financial Statements on pages 96, 98 and 101 of this Annual Report for additional information about the Group's contractual obligations:

In millions of US$	Within one year	Between two and five years	More than five years	Total
Borrowings	359	1,033	32	1,424
Operating leases	15	24	87	126
Asset retirement obligations	–	–	86	86
Capital expenditures – committed	311	181	5	497

FINANCIAL REVIEW CONTINUED

Borrowings
On 31 December 2007, the balance of the structured trade finance facility was US$1.4 billion.

Asset retirement obligations
The Group has obligations under its subsurface use contracts and licences, calculated as a percentage of the revenue or expense associated with the contract or licence, to provide annual (or quarterly) amounts towards the cost of rehabilitating each mine or group of mines. This amount is generally from 0.1% to 1.0% of operational expenses for mines or from 0.1% to 1.0% of sales revenue. Certain of the subsurface use contracts and licences require that these amounts be held in a fixed account, while others require such amounts to be accrued.

In addition, abandonment programmes are developed by the Group in conjunction with the Kazakhstani Government to estimate the future liability of site restoration. As of 31 December 2007, the Group had a site restoration provision of US$43 million, reflecting the discounted value of the estimated cost of the abandonment programmes.

Long-term supply agreements
In addition to the contractual obligations listed above, the Group also has the following long-term supply agreements:

- Alumina – ENRC has entered into a contract with United Company RUSAL, a large aluminium producer, to supply a minimum of 1 million tonnes of alumina per annum. This contract expires on 31 December 2016. Pricing is determined by a formula linked to the LME aluminium price.
- Aluminium – ENRC has entered into a 10 year contract to sell 100% of aluminium produced by the Kazakhstan aluminium smelter to Glencore. Pricing is determined by reference to the LME aluminium price less sales commission.
- Iron ore – ENRC has entered into a contract with MMK, a large Russian steel producer, to supply up to 15 million tonnes of iron ore per annum. This contract expires in 2017. Pricing is determined by reference to published price indices for iron ore concentrates and pellets.

DISCLOSURES ABOUT MARKET RISK
The Group is exposed to changes in commodity prices, foreign exchange rates and interest rates through its operations.

Commodity price risk
The Group is exposed to the effect of fluctuations in commodity prices. The principal exposures are to the price of chrome ore, high-, medium- and low-carbon ferroalloys, ferrosilicomanganese, iron ore and primary aluminium from which the price of alumina is derived. Prices of these commodities are generally quoted in US dollars. Of the foregoing products, only the price of primary aluminium is determined by reference to a publicly traded price. Price variations and market cycles have historically influenced the financial results of the Group and are expected to continue to do so.

ENRC does not hedge its exposure to the risk of fluctuations in the price of its products and currently does not intend to do so in the future.

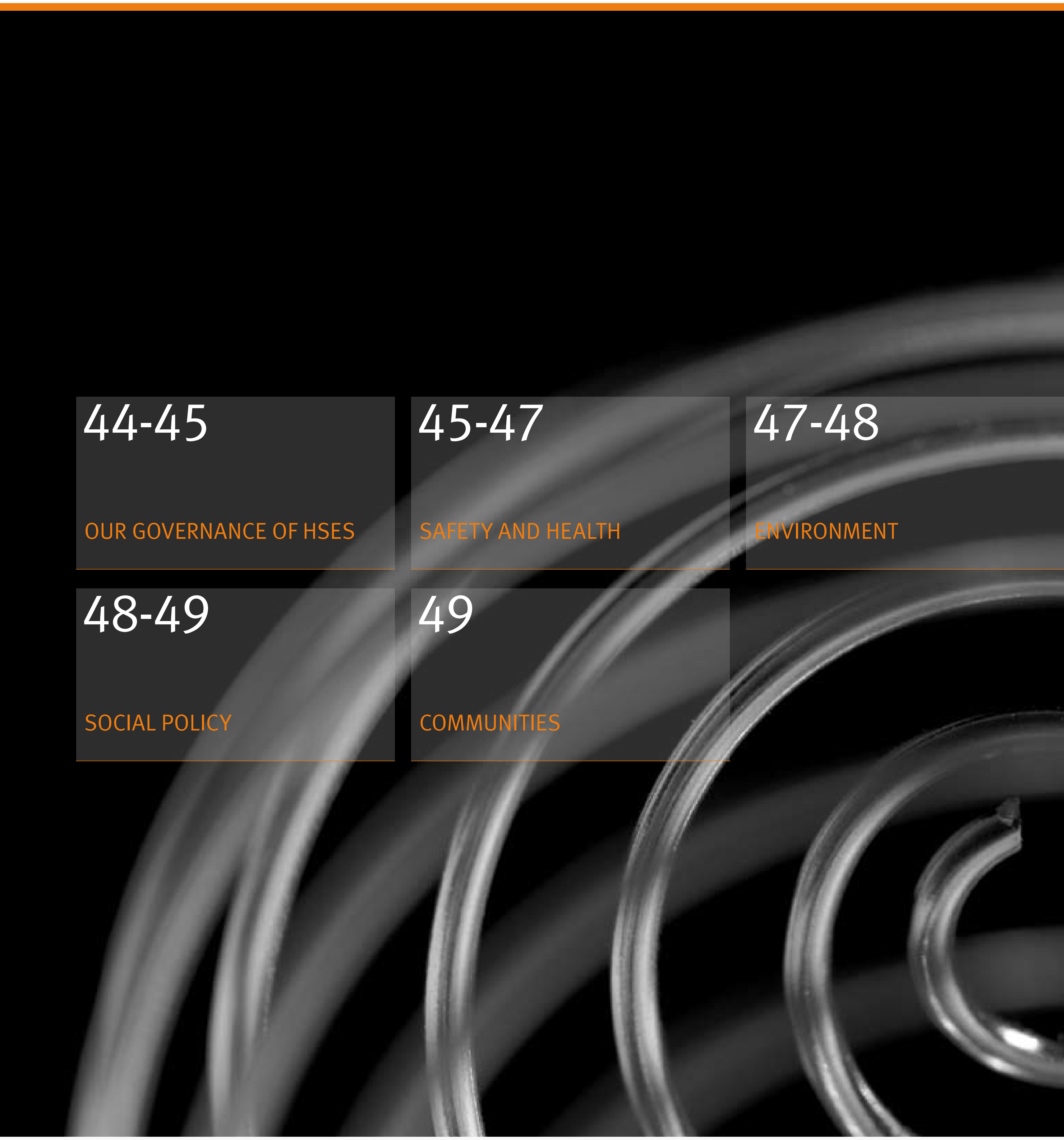
Foreign currency exchange rate risk
The Group has foreign currency exposures. Such exposures arise from sales or purchases by an operating subsidiary in currencies other than the subsidiary's functional currency. The currency giving rise to this risk is primarily the US dollar for revenue and certain cash deposits and loans. As at 31 December 2007, the Group had entered into a number of foreign exchange forward contracts to hedge part of this risk. Management estimates that those contracts effectively provide for an average rate of US$1/KZT120 over two years and represent approximately 25% of the Group's Kazakhstani tenge cost base. Any remaining amount remains unhedged.

Interest rate risk
The Group has financial assets and liabilities that are exposed to changes in market interest rates. Changes in variable interest rates impact primarily on deposits, loans and borrowings by changing their future cash flows. Management does not have a formal policy of determining how much of the Group's exposure should be at fixed or variable rates and the Group does not use hedging instruments to minimise its exposure. However, at the time of taking new loans or borrowings, management uses its judgement to determine whether it believes that a fixed or variable rate would be more favourable for the Group over the expected period until maturity. The Group's significant interest bearing assets are disclosed in notes 20, 21, 23, 24 and 26 of the Consolidated Financial Statements on pages 92 to 96 of this Annual Report. The majority of these assets and liabilities bear fixed interest and are thus exposed to fair value interest rate risk.

Off-balance sheet arrangements
The Group has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES
For a discussion of our critical accounting policies refer to note 2 of the financial statements on page 78 of this document.

CORPORATE SOCIAL RESPONSIBILITY



CORPORATE SOCIAL RESPONSIBILITY REPORT

Our strategic success depends on ensuring that we conduct all our business in a manner which delivers against our objectives of corporate responsibility and sustainable development. These objectives are already integral to the way we do business. They are especially evident in our business planning processes and in the development, in 2007, of our core values which provide a consistent and shared basis for all our business activities. However, we constantly strive to improve our corporate responsibility and sustainable development in particular as we grow our business and extend our influence and impact.

We routinely refer to 'corporate responsibility' and 'sustainable development' through this report. For us 'corporate responsibility' is about the way we operate as a business. Sustainable development is managing the total impact of our business for the longer term. Our Health, Safety, Environment and Sustainability (HSES) Committee is the Board level Committee accountable for managing and monitoring our ability and success in delivering these objectives.

This is our first formal report on corporate responsibility and sustainable development. It sets out our philosophy and governance approach and includes information on our priorities for 2008. It explains our activity and performance in 2007 in those areas which we consider to be fundamental to our delivery of the principles of corporate responsibility and sustainable development. We expect to extend our reporting on these matters in future years.

We aspire to extend and improve our governance and performance to operate in line with international expectations and practices for the mining industry in this area. In order to do this, we started a number of new programmes in 2007 to identify where we need to focus effort and resource. We are using the International Council for Mining and Metals (ICMM) to guide our plans. In 2008 we will begin to obtain more comprehensive data, in line with international standards where possible. We will then use this information to develop updated action plans and set targets. In line with ICMM guidelines and intent, we are committed to increasing transparency through providing relevant and reliable information that enables our external stakeholders to understand our current position and future plans and how these will support our overall business strategy.

We have demonstrated consistent commitment to corporate responsibility and sustainable development that places us among the best practice companies in Kazakhstan. However, becoming a FTSE 100 company, combined with our increasing international presence, puts new demands and expectations on us. It is a priority for us to achieve adherence to relevant international best practice and recognised standards and norms. We will commit the necessary capital funds and management time to this effort. We will also seek external support where required to help us prioritise areas for focus and to implement effective and efficient initiatives and programmes. Many of our investment and behavioural programmes will take a number of years to complete and show full results, however we hope that some improvements will be evident each year and our reporting will present our progress and results.

OUR GOVERNANCE OF HSES

Our governance structure is in a period of development and transition, reflecting the UK listing in 2007 as well as the change to more central governance and control. The Group HSES Committee (the 'Committee') is a delegated Committee of the Board. The Committee was established in late 2007. It is chaired by Dr Johannes Sittard, the Chief Executive Officer. Mr Eduard Utepov (non-executive Director), Mr Felix Vulis (Chief Operating Officer of Kazakhstan), and Mr Abdraman Yedilbayev (non-executive Director) are members of this Committee. The membership and operation of the Committee will be kept under review in 2008 during its first full year of operation to ensure that it is able to meet its governance objectives. We will identify, in particular, the manner in which the HSES Committee connects with other Committees to help ensure effective and complete integration of corporate responsibility and sustainable development into other business processes.

The Committee is responsible to the Board for formulating and recommending a policy on health, safety and environmental issues and sustainable development. It will meet at least twice a year and report to the Board on a bi-annual basis.

The HSES Committee will focus on:

- Understanding the requirements of the external environment and advising the Board on an appropriate policy response.
- Driving compliance with applicable norms and standards through the definition of Group policies and development of appropriate internal governance.
- Ensuring that an effective system of health and safety and environmental standards, procedures and practices is in place at each of the Group's operations through monitoring and oversight.
- Reviewing management's investigation of incidents or accidents that occur to assess whether policy improvements are required.

Whilst the Committee is expected to make recommendations, the ultimate responsibility for establishing the Group's health, safety and environment policy will remain with the Board.

The Committee is supported by an HSES Working Group which comprises the Group Heads of Environment, Health and Safety, Human Resources and Social Policy. The Working Group is responsible for monitoring of HSE programme implementation, development of action plans and providing proposals on operational improvements to the HSES Committee. The Working Group presents bi-annual reports to the HSES Committee.

The functional roles present in the Working Group are replicated at the operating sites. Divisional responsibilities are also in place but are currently being further formalised with the migration towards a Group structure. The Divisional changes are particularly evident in respect of health and safety management where, in order to comply with Kazakhstan legal requirements, each Division is required to have a health and safety department independent of operational management. These changes have been completed in the Ferroalloy Division, the Alumina and Aluminium Division and Iron Ore Division during 2007.

Development of a common corporate culture and consistent conduct is a priority for ENRC. The Board adopted a Code of Conduct in 2007, which expects each employee and Director to observe the highest ethical standards and to exercise good judgement in performing their duties. Presentations of the Code of Conduct were made at each operating site and Astana and London offices before the end of 2007. A whistleblowing policy was also established, which will be disseminated throughout the Group during 2008.

ENRC was the first organisation in Kazakhstan to become a signatory to the UN Global Compact. This role has provided opportunity for dialogue with other corporations in Kazakhstan. We have conducted a workshop for other Kazakhstani enterprises which are members of the Global Compact (Kazpochta – state postal company, Kazcommerce bank, Alliance Bank and others) to create a framework on reporting and monitoring. It is planned to create a Global Compact Network under the umbrella of the UN Programme in Kazakhstan and ENRC is directly involved in this process. ENRC is also an active member of the Kazakhstan Business Council for Sustainable Development (KBCSD) formed in line with the recognised World Business Council for Sustainable Development.

Key areas for HSES governance developments in 2008

Our goals for 2008 are to:

- take steps to further develop the governance structure including monitoring of the work of the HSES Committee, implementing common frameworks and strengthening the divisional role;
- review the scope of Group policy arrangements relevant to corporate responsibility and sustainable development to identify gaps and areas which require further development, including development of the Group Sustainable Development Policy;
- extend and formalise current arrangements for internal reporting of performance including divisional reporting to the HSES Committee and from the Committee to the Board;
- review our governance arrangements and reporting policies, in particular for safety, including increasing the responsibility of operating site Directors; and
- continue our work under the Global Compact Network and undertake more structured dialogue with our key stakeholders to assist us to determine areas for priority.

Key matters

As identified in Risk Factors, on pages 22 to 23 of this report, the continuing development of Kazakhstani environmental, health, safety and social regulations are identified as a key risk for the Group. We recognise that regulatory developments will demand increased investment in our equipment and infrastructure and may bring increased remediation and compensation costs. In 2007, the total annual costs of complying with existing legislation, including operating costs, capital expenditure and the obligatory environmental fees were US$92 million (2006 : US$48 million). As part of the listing process in 2007, the Group engaged a UK consulting group to assess the Group's environment status with respect to material, operational, environmental and key health and safety issues with anticipated cost implications exceeding €1 million. The exercise included work with 27 ENRC operating sites. It did not include attention to socio-economic impacts, greenhouse gas emissions, potential third party liabilities or end-of-life closure costs (asset retirement obligations). The work identified estimated costs of €100 million to achieve compliance with Kazakhstani standards and a further €100 million to meet international standards. These budgets have been allocated. Following from this work, 2008 priorities are to achieve improved standards in hazardous materials management.

We will be completing a Group-wide HSES evaluation in 2008 in order to identify key matters and risks on a more systematic basis.

SAFETY AND HEALTH

Safety

Safety is a matter in which we cannot afford to under deliver. We know, therefore, that we must constantly strive to improve safety standards. Safety has been an area of focus in 2007 and this emphasis will continue into 2008.

CORPORATE SOCIAL RESPONSIBILITY REPORT

In 2007 we completed an internal health and safety review and reported to the Executive Committee in August 2007. Our work identified that the primary factors leading to health and safety incidents are:

- Behaviours and mindsets.
- Working conditions.
- Condition of equipment and infrastructure.

The work shows that 80% of accidents at ENRC are the result of human behaviour and culture, with the remainder resulting from violations of safety rules. Our analysis shows that 70% of the accidents in 2007 involved employees with less than three years' experience. The behavioural element of safety improvement has been an area of attention. US$1 million was spent on health and safety training in both 2007 and 2006.

Action plans are being developed at the operating sites. A number of changes to infrastructure and investments have been taken in 2007 to reduce safety hazards including:

- investments in two plants to process fines and produce pellets to reduce metal spitting (Kazchrome);
- purchase of lifting equipment and an oxygen pipeline system in Aksu Ferroalloy plant to eliminate manual handling in some situations;
- installation of locator 'chips' into miners' equipment to monitor their location and enable early warning; and
- pneumatic guns installed on ore transportation equipment to reduce manual labour.

The due diligence performed as part of the listing process highlighted occupational health and safety as a major area needing management attention. Dedicated work programmes were identified to be necessary at some operating sites, including replacement of out-of-date equipment and purchasing of small-scale equipment to reduce manual handling. Further external safety review work is planned in 2008. This will involve use of the 'international health and safety consultancy' framework to understand and respond to health and safety risks.

Despite our efforts we must constantly strive to improve. As stated by both the Chairman and the Chief Executive Officer, we were very disappointed that we had 15 fatalities, through 14 separate incidents (2006 : 11 fatalities). Seven of these incidents occurred in SSGPO. Each fatal event is immediately reported to the Enforcing Authorities, insurers and to the Executive Director, Head of Communications and Chief Executive Officer via our incident notification system. A full enquiry is instigated including involvement of line managers from the department where the accident occurred, who are ultimately responsible for implementing recommendations, a health and safety representative, an employee experienced in the work activity and a representative of the trade union.

We achieved improvement in 2007 in safety performance in terms of accident frequency with the Group's Lost Time Injury Frequency Rate (LTIFR), measured per 1,000,000 hours worked, at 0.58 (2006 : 0.77). There were 63 reported work related injuries in 2007 (2006 : 85). Five of these accident events were disabling (2006 : 14). Kazakhstani legislation does not require recording of minor injuries, nor sub contractor injuries. Therefore our reporting definitions and procedures will need to be extended to align to international practice on safety reporting.

Analysis of the accident events, including the fatal events in 2007, show consistency in the primary causes which include, in order of occurrence:

- Struck by moving and falling objects.
- Falls from height.
- Electrical hazards.
- Road traffic accidents.
- Falls as a result of slips.
- Influence of extreme temperatures.

All these events cause us deep concern as management and we will remain diligent in investigating the causes and taking steps to achieve our goal of zero fatalities. In direct response to the accident and fatality events in 2007 we have:

- reviewed the register of out-of-date equipment to be replaced and changed that equipment presenting highest risk;
- conducted an investigation into changing mining and technical conditions and stability of rock in the mining divisions;
- conducted an internal audit of special guard equipment as well as the fire extinguishing equipment leading to plans to replace equipment;
- introduced the requirement for appropriate training of new starters and employees with less than three years experience and created a post for a specialist instructor; and
- implemented a new system of accident registration and analysis.

During 2007 we paid health and safety fines and penalties of US$20,000 (2006 : US$7,000). The number of compensation cases increased to 30 cases (2004–2006 : approximately 25 cases annually) and payments increased to US$29,000 per case (2004–2006 : annually approximately US$27,000 per case).

Looking ahead

We will strive to make further improvements in this area as a priority in 2008. Key areas of safety management focus in 2008 will include:

- US$95 million budgeted for the replacement of older equipment;
- Delivery of further training of chief engineers and chief technical managers (30 employees) on the international certification programme on occupational safety (UK standards);
- The introduction of Group-wide near-miss and no-blame reporting procedures;
- The initiation of the Safety Training Observation Programme (STOP) to provide a guideline for safe behaviour;
- Establish 'Experience Exchange Programmes' to share best practice for labour protection with relevant internal specialists; and
- Review our current reporting definitions and procedures against international norms with further development to improve alignment where required.

We will work to improve safety performance, both accidents and fatalities, compared with 2007 (when considered on the same basis). However with a potential broadening of reporting scope, deterioration in reported safety performance may occur in the short term.

Health

Prevention and monitoring of the health and welfare of our employees has been a core part of management programmes at ENRC for a number of years. Provision of employee health and medical surveillance programmes is an expected part of corporate duties in Kazakhstan. We believe our programmes are among best practice in Kazakhstan with provision of voluntary extended programmes to our employees and their families.

As a result of our own work and the due diligence completed in 2007, we have identified a number of areas where we need to make investments in plant and equipment to reduce the health risk to our employees. Whilst in compliance with local standards, in a number of areas the workplace environment would not comply with international occupational health standards and norms (see Looking Ahead, below).

We have already put in place a number of initiatives in 2007 including:

- Replacement of old equipment with equipment featuring enhanced health and safety design (for example, reduced vibration, better ergonomics).
- Purchase of small-scale equipment to eliminate manual handling in some situations.
- Purchase of new up-to-date personal protection equipment.

The Group has a special healthcare programme and spent US$10 million in 2007 (2006 : US$9 million) for employee medical treatment which covers in excess of 40% of all employees. Kazchrome and EEC expenditure on additional medical services, beyond those required by legislation, equates to an additional spend of $600 per employee per annum.

Looking ahead

Key goals for occupational health improvement in 2008 will include:

- extended attention to the proactive reduction of occupational health risks through changes in the working environment, working practices and behaviours;
- investment in improved preventative measures at a number of operations to reduce occupational health exposures and achieve international standards. These programmes will include those dealing with dust control, ventilation, noise control, vibration and machine guarding. The necessary improvements are expected to take a number of years to complete;
- implementation of a Group wide campaign to enforce improved use of personal protective equipment across all operating sites; and
- implementation of near-miss reporting in health performance including, for example, reporting of micro-traumatism events.

ENVIRONMENT

Environmental protection has been a focus for management attention for a number of years. In 2003, ENRC initiated a phased implementation of formal management systems. This included the implementation of ISO 9001 systems for all operations, including ISO 14001 environmental management systems for Ferroalloys, Iron Ore, Alumina and Aluminium, and Energy Divisions. The Group was the first organisation in Kazakhstan to implement an environmental management system certified for ISO 14001. The Group's operations have obtained all required material contracts, licences and permits. A new Environmental Code was adopted in Kazakhstan in January 2007 introducing changes to the regulatory mechanism, including the concept of Best Available Techniques (BAT). This should bring Kazakhstani environmental regulation closer to that of the EU. ENRC is involved in the development of the technical specifications for some of the new industry standards which are being prepared to support implementation of the new Code.

Although there are no current or anticipated regulatory obligations in Kazakhstan that require the Group to conform to best international practises, the Group is addressing a number of these issues. During 2007 we have undertaken a number of investment projects to reduce our environmental impact, for example:

- Completion of replacement of two turbines with more efficient equipment and the installation of four modern air emission filters at the EEC Power Plant to reduce air pollutants, such as dust and nitrogen oxides, from the facility.
- Completion of a BAT assessment for main

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operations by an international engineering and technical consulting firm.
- Emphasis on resource conservation objectives in business plans (see Looking Ahead below).

ENRC monitors or estimates its air emissions, wastewater discharges and the amount of waste it has generated; and tests the quality of ambient air, nearby surface water, soil and groundwater. Renewal of environmental permits requires the submission of an annual statistical report on the monitoring results to Kazakhstan's environmental authorities, compliance with the permits' provisions and the fulfilment of any environmental payment obligations, which include payments for routine operations and any non-compliance penalties.

Kazakhstan's environmental authorities have also conducted inspections of ENRC site operations. In 2007 the amount of state inspection penalties was US $42,000 (2006 : US$24,000) according to the registered claims of inspections.

Currently Kazakhstan does not have a regulatory or legal basis for calculating and reporting greenhouse gas emissions including carbon dioxide, methane and others. ENRC, working jointly with KBCSD, developed and applied a methodology for determining power plant emissions. Further work will be undertaken in this area.

We have begun automation of our collection and reporting of environmental information during 2007 with the introduction of the KIT web-based reporting system which will retain source entry data and consolidate through to Group level. This system will allow us to provide improved reporting on environmental performance.

Performance data for the Energy, Iron Ore and Ferroalloy Divisions show a general trend of reduced impact compared to 2006; in particular:
- A reduction in energy consumption per unit produced between 2% and 7% across the three divisions;
- A 4% reduction in waste generated per unit of chromium iron ore mined;
- A 15% decrease in wastewater discharge per unit of iron ore concentrate and pellets produced;
- A 5% reduction in water consumed per unit of electricity produced by the Energy Division;
- A 25% increase in the volume of waste processed and sold to third parties by the Energy Division for reuse; and
- Air emission improvements were achieved in the Energy Division with a decrease of 16% and 22% of sulphur dioxide and particulate matter respectively per unit of electricity produced.

No major environmental incidents occurred in 2007.

Looking ahead
During 2008 we will continue our environmental programmes. Key areas of attention will include:
- Technical upgrades including a US$2.3 million investment at the AoK power station to reduce water losses;
- Processing of slag wastes from ferroalloys production and ferrochromium slag expected to reduce slag disposal by approximately 300,000 tonnes and 1 million tonnes per annum respectively;
- Installation of a mine drainage collection system expected to reduce wastewater discharge by approximately 3.5 million m^3 per annum; and
- KAS improvements to two gas purification units in the smelting shop enabling reduced gaseous emissions.

SOCIAL POLICY
The Group has developed a reputation for being a socially oriented and responsible business. It is a party to all governmental agreements, programmes and initiatives related to implementation of the Law of the Republic of Kazakhstan 'On Social Partnership' and global social accountability principles.

ENRC is in the process of preparing a consistent Group-wide social framework to replace separate operating site policies. The social policy focuses on two overlapping areas: Employees and Communities.

Employees
During 2007 the Group employed 64,150 employees and used more than 400 individuals as contractors. This places ENRC as one of the largest employers in Kazakhstan. As identified in Risk Factors on pages 22 and 23 of this report our success depends significantly on our ability to attract, retain and motivate key senior management and employees. We have developed extensive human capital programmes which are outlined below. Further data on our human capital performance will be reported in 2008.

The Group benefits from good labour relations and since it acquired its operating assets, it has not experienced any material strikes or work stoppages at any of its operating sites. Over 95% of employees are members of trade unions. In 2007, due to new Kazakhstani Labour Code requirements, the Group carried out a series of negotiations with three major trade unions on remuneration policies, work conditions and social benefits to be provided to the employees. Following this, the Group has well-balanced industrial agreements, which serve as a basis for the collective agreements each Group company has signed with the employees. In addition to the social rights and benefits guaranteed by the Kazakhstani Labour Code, these agreements provide for free medical treatment, loans at favourable mortgage rates, training of employees and their children and preferential packages to sanatoriums, recreation centres, and children's recreation camps. Special social programmes are developed for both youths and pensioners.

All Group companies in good faith fulfil all requirements under sub-surface licence conditions. On a quarterly basis each Group company submits reports to the applicable government agencies on social responsibility and personnel training requirements.

The Group plans to continue its work on attraction and retention of required personnel by means of social package improvements.

ENRC has a number of employee programmes in place including:

- Housing development and transfer programme (2007 expenditure $20 million).
- Training programmes and professional skills upgrade programmes.
- Youth programmes.
- Health and disease prevention programmes.
- Recreational programmes.
- Sport programmes.
- Training programmes for workers' children.
- Programmes for veterans and pensioners.

In addition to the social programmes, the Talent Management Programme is a key priority for the Group. During 2007 US$4 million was spent on training and development related programmes. Our training and development programmes are focused on three major levels: managers, specialists and workers. In the year 2007 we trained 1,300 managers, 15,000 specialists and officers, and 17,000 workers.

The main training programmes comprise:

- Training and retraining of employees to perform their roles;
- Training in skills closely related to current responsibilities; and
- Skills upgrades.

In order to accelerate the development of our management team we implemented an 'ENRC Managers Training Programme' comprising ENRC Manager Standard for junior management, ENRC Mini-MBA for middle management and the MBA programme of Moscow State University Higher School of Business for senior management.

During 2007, we developed a succession plan for key positions in Kazakhstan. The Succession Plan includes 56 senior management positions, comprising 112 individuals, including general managers, their deputies, chief accountants and heads of operational units. The average age of those individuals included in the Succession Plan is 42.

Looking ahead

Key areas for focus in 2008 will include:

- Continuation of the Talent Management Programme.
- The 'One Stop Shop' Project will start to be implemented at each of the Group's site operations to optimise the social benefits package, enhance its efficiency and ensure transparency. This will allow each enterprise to create unified centres where an employee can receive all relevant information on social benefits and prepare necessary application documents with qualified assistance.

COMMUNITIES

Maintenance of a responsible social contract with the communities in which we operate is an established practice in ENRC. Often ENRC is the only industry operating in towns and some of the cities near ENRC operating sites depend on the infrastructure development pursued by ENRC. Each year the Group signs regional agreements with the Governors of Karaganda, Pavlodar, Aktubinsk and Kostanai regions. The main areas of sponsorship and charity under these agreements include:

- Development of the healthcare system.
- Vocational system of education.
- Support for small towns and villages.
- City improvement programmes.
- Assistance in the development of educational, cultural and sports facilities.
- Rendering assistance to vulnerable populations.
- Financing places of worship.

The Group expenditure for Community Social Investment in 2007 amounted to US$34 million) (2006 : US$24 million). This includes donations and gifts in kind to communities in which we operate and includes donations to public funds.

In October 2007, the Group received the Kazakhstani National Award 'Tanym' (Recognition) in the category 'Socially Responsible Business is a Competitive Business'.

In 2007, the Group:

- presented the public health services of Karaganda with 50 ambulances worth US$1 million. This contribution was made in accordance with a Memorandum of Mutual Cooperation between the Group and the government of the Karaganda region worth US$2 million. The Group was one of the General Sponsors of the 'Karaganda Invest – 2007' Forum;
- annually sponsors an International Eurasian Media Forum. In 2007 the Group allocated US$100,000; and
- provided $4 million of sponsorship to a number of sports clubs and teams including: hockey team Gornyak, football clubs Tobyl and Vityaz (Kostanay region), volleyball team Kazchrome and football team Gornyak (Aktubinsk region), football club Irtysh and tennis club Kazchrome (Pavlodar region).

Looking ahead

During 2008, we will continue our existing programmes. In addition we will focus on providing community support and sponsorship including the following areas in particular:

- Social housing construction in collaboration with local authorities.
- Programmes for vocational schools (development of electronic books and manuals).
- Support of talented youth.
- Put further attention to measuring our wider socio-economic contribution, in particular the payment of taxes and royalties.

DIRECTORS' REPORT

The Directors have pleasure in presenting the first Annual Report and Consolidated Financial Statements of Eurasian Natural Resources Corporation PLC (the 'Company' and, together with its subsidiaries, the 'Group') for the period from 8 December 2006 to 31 December 2007 and for the year ended 31 December 2007 for the Company and Group respectively.

PRINCIPAL ACTIVITIES

The Company is the holding company of a leading diversified natural resources group with integrated mining, processing, energy, logistical and marketing operations. The Group's production assets are located in the Republic of Kazakhstan where it employs approximately 64,000 people. The Group has five operating divisions: the Ferroalloy Division, which produces and sells ferrochrome and other ferroalloys; the Iron Ore Division, which produces and sells iron ore concentrate and pellets; the Alumina and Aluminium Division, which produces and sells alumina and aluminium; the Energy Division, which is one of the largest electricity providers in Kazakhstan; and the Logistics Division, which provides transportation and logistical services to the Group's principal operating divisions and third parties. For a history of the Group and IPO see note 1a on page 69.

BUSINESS REVIEW

A detailed review, prepared in accordance with the Companies Act 1985, of the Group, the operation and development of its business and its future prospects, along with details of key performance indicators and a description of the principal risks and uncertainties facing ENRC, is set out in the Chairman's Statement, Chief Executive Officer's Statement and the Business Review on pages 6 to 42.

DIVIDENDS

On 6 December 2007, the Company declared a pre-IPO interim dividend of US$500 million which was paid on 19 December 2007. The Directors do not intend to declare any further dividends in respect of the year ended 31 December 2007.

DIRECTORS

The names and biographies of the current Directors of the Company are set out on pages 14 and 15 of this Annual Report.

The following have resigned as Directors since the incorporation of the Company on 8 December 2006 : Mr M Timkin (resigned 19 December 2006). Pre IPO Board: Mr P Hamelink (resigned 7 November 2007), Messrs A R Ibragimov, A A Machkevitch and P K Chodiev (resigned 6 December 2007). Subsequent to the year end Mr D Yergozhin (resigned 20 February 2008), Mr Marat Beketayev was appointed in his place on 20 February 2008.

Directors' and officers' insurance is detailed in the Corporate Governance Report on page 54.

DIRECTORS' INTERESTS

The number of ordinary shares of the Company in which the Directors were beneficially interested were:

	31 December 2007
Dr Johannes Sittard	**1,850,000**
Mr Miguel Perry	**601,832**
Sir David Cooksey	**560,185**
Mr Gerhard Ammann	**22,222**
Mr Mehmet Dalman	**92,500**
Mr Michael Eggleton	–
Sir Paul Judge	–
Mr Kenneth Olisa	–
Sir Richard Sykes	**18,471**
Mr Roderick Thomson	–
Mr Eduard Utepov	–
Mr Abdraman Yedilbayev	–
Mr Daulet Yergozhin	–

No Director had any dealings in the shares of the Company between 31 December 2007 and 16 April 2008.

EMPLOYEES

Each of the Group's key employees has an employment agreement that covers, among other matters, base remuneration and benefits. In addition, the Group negotiates collective employment agreements, which cover primarily social benefits, with representatives of its employee labour unions.

Almost all of the Group's employees are members of one of three labour unions, which are each organised with reference to a particular industry. Since the Group acquired its operating assets, it has not experienced any material strikes or work stoppages at any of its operating sites as a result of work force disputes. The Group benefits from good labour relations.

With effect from 2008 the Group has adopted a long term incentive plan for management and senior employees which provides for share awards. Details of the incentive plan can be found in the Directors' Remuneration Report on pages 59 to 62.

Information relating to the Group's employees is given in note 28 of the Consolidated Financial Statements on page 99.

CREDITOR PAYMENT POLICY

It is the Group's policy to agree terms of trading, including payment terms, with all suppliers and to make payment in accordance with such terms, provided that the supplier has complied with all relevant terms and conditions.

Suppliers in Kazakhstan often require prepayment and as a result the average creditor days outstanding as at 31 December 2007 for the Group was 24 days (2006 : 22 days). The average creditor days outstanding as at 31 December 2007 for the Company was nil days.

POST BALANCE SHEET EVENTS

Post balance sheet events are set out in note 36 to the Audited Financial Statements on page 106.

VALUE OF LAND

The Group carries land on its balance sheet at cost in accordance with its accounting policies. It is not possible to estimate the market value of such interest in land, as this depends on product prices over the long term which will vary with market conditions.

POLITICAL AND CHARITABLE DONATIONS

Certain Kazakh operating entities of the Group made charitable donations to the 'Umit Oty' fund and the 'Kohzhiek' fund registered in Kazakhstan and controlled by the Founder Shareholders. The donations made by the Group are set out below:

		Charitable donations	
ENRC entity (in thousands of US$)	Fund	**2007**	2006
SSGPO	Umit Oty, Kohzhiek	**6,734**	1,725
Kazchrome	Umit Oty, Kohzhiek	**13,077**	3,161
AoK	Umit Oty	**2,106**	–
EEC	Kohzhiek	**166**	–
Total		**22,083**	4,886

The Group understands that Umit Oty and Kohzhiek, managed independently of the Group, provided support to local charities as well as to public funds, who fund inter alia local charities, social infrastructure projects and political parties. The Group will continue to provide charitable donations as an important part of its strategy to maintain good working relationships with local authorities, subject to approval and monitoring by the Board.

Other donations to charitable organisations in Kazakhstan amounted to US$12 million. A further description of donations is in the Corporate Social Responsibility Report on page 49.

FINANCIAL INSTRUMENTS

The Group's objectives and policies on financial risk management together with details of financial instruments are set out in notes 33 and 34 to the Consolidated Financial Statements on pages 102 and 103. Information on the Group's exposures to foreign currency, credit, commodity, price, liquidity and interest rate risks can also be found in these notes.

MAJOR INTERESTS IN SHARES

As at 16 April 2008, the Company had been advised, in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority, of the following notifiable interests (whether directly or indirectly held) in its voting rights:

	Number of voting rights	%
The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan	248,655,000	19.31
Mr Chodiev	187,836,250	14.59
Mr Ibragimov	187,836,250	14.59
Mr Machkevitch	187,836,250	14.59
Kazakhmys Eurasia BV	187,836,250	14.59

RELATIONSHIP AGREEMENTS

On 7 December 2007, Mr Chodiev, Mr Ibragimov and Mr Machkevitch each entered into a separate relationship agreement with the Company to regulate the ongoing relationship between each Founder Shareholder and the Company. The principal purpose of the relationship agreements is to ensure that transactions and relationships between the Group and the Founder Shareholders are at arm's length and on a normal commercial basis.

SHARE CAPITAL AND ADDITIONAL INFORMATION FOR SHAREHOLDERS

The Company has a single class of share capital that is divided into ordinary shares of $0.20 each. Full details of the Company's share capital are set out in note 25 to the Audited Financial Statements on page 95.

Rights and obligations attaching to shares

Any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine. The Directors intend, at the forthcoming Annual General Meeting to be held on 11 June 2008, to seek authority to allot up to 33.3 million ordinary shares (representing approximately 25.9% of the ordinary shares issued at the date of this report). If granted, the authority will expire no later than 15 months from the date on which the resolution is passed or at the conclusion of the Annual General Meeting to be held in 2009, whichever is sooner.

Voting

On a show of hands every shareholder has one vote; and on a poll every shareholder has one vote for every share of which he is the holder. Shareholders are entitled to appoint a proxy to attend, speak and vote on their behalf at a general meeting. A shareholder may appoint more than one proxy in relation to a general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A shareholder that is a corporation may appoint one or more individuals to act on its behalf at a general meeting as corporate representative.

DIRECTORS' REPORT CONTINUED

Restrictions on voting
Unless the Board decides otherwise, no shareholder may attend or vote at any meeting until he has paid all calls due and payable on every share held by him.

Deadlines for voting rights
Any appointment of a proxy, whether by an instrument of writing or in electronic form, must be received by the Company not less than 48 hours before the time set for the applicable meeting or adjourned meeting.

Dividends and distributions
The Company may by ordinary resolution, from time to time, declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends as appear to the Board to be justified by the profits of the Company available for distribution.

Variation of rights
Any of the rights attached to any class of shares may be varied, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or by special resolution passed at a separate meeting of the holders of shares of the class.

Repurchase of shares
The Company may purchase, or enter into a contract under which it will or may purchase, any of its shares of any class. The Company intends to seek shareholder authority at the forthcoming Annual General Meeting to be held on 11 June 2008, to purchase up to 128,775,000 ordinary shares. Such authority, if granted, will expire at the conclusion of the Annual General Meeting to be held in 2009 or 10 September 2009, whichever is sooner.

Amendments to the Articles of Association
Any amendments to the Articles of Association of the Company may be made by special resolution of the shareholders. The Directors intend, at the forthcoming Annual General Meeting to be held on 11 June 2008, to adopt new Articles of Association to include certain amendments required as a result of the Companies Act 2006.

Appointment and replacement of Directors
The number of Directors shall be not less than two. Each Director is subject to retirement by rotation in accordance with the Articles of Association of the Company. At each annual general meeting one-third of the Directors who are subject to retirement by rotation shall retire from office and offer themselves up for re-election. No Director is required to vacate his office because he has reached the age of 70 or another age. The Company may by ordinary resolution appoint a person to act as a Director, either to fill a vacancy or as an addition to the existing Directors. The Board may at any time appoint a person to act as a Director, either to fill a vacancy or as an addition to the existing Directors. Any Director so appointed will retire at the next annual general meeting after his appointment and be eligible to stand for re-election as a Director at such meeting. Under the terms of the Relationship Agreements, each Founder Shareholder has a right to appoint a Director to the Board as detailed in the Corporate Governance Report on pages 54 to 58.

Powers of the Directors
The business of the Company is managed by the Board, which may exercise all of the powers of the Company, whether relating to the management of the business or not.

Significant agreements
The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:

Article 71 of the Kazakhstan Surface Law: The Republic of Kazakhstan may be entitled to exercise pre-emptive rights over certain issuance or sales of ordinary shares or assets shared by the Group. Article 71 of the Kazakhstan Subsurface Law provides that the Republic of Kazakhstan has pre-emptive right to purchase certain subsurface use rights or indirect or direct interest in companies having subsurface use rights for sale. This pre-emptive right permits the Republic of Kazakhstan to purchase any such subsurface use rights or equity interests being offered for sale on terms no less favourable than those offered by other purchasers.

Structured Trade Finance Agreement: On 15 December 2006, ENRC Marketing AG entered into a Structured Trade Finance Facility (the 'Facility') with ABN AMRO Bank NV, Barclays Capital and Deutsche Bank AG Amsterdam Branch as Arrangers and Original lenders, Deutsche Bank AG Amsterdam Branch as Agent and Deutsche Bank AG Amsterdam as Security Trustee to borrow up to US$1,000 million from a syndicate of lenders ('Lenders'). By a Supplemental Agreement dated 12 April 2007 the Facility was increased to US$1,480 million.

If one of the following events occurs:

i) the Founder Shareholders together no longer have Shareholder Control or Effective Control; or

ii) a person or persons acting in concert had Effective Control or Shareholder Control or owns more shares in the relevant holding company of the Group than are held by the Founder Shareholders at the date of the Facility; or

iii) ENRC Marketing and Kazchrome cease to be subsidiaries of the same holding company,

then any Lender may decline to fund a drawdown and any Lender may cancel its commitment under the Facility and require its portion of any outstanding loans be due and payable in full at the end of the then current interest period.

For these purposes, 'Shareholder control' means holding directly or indirectly shares in the issued share capital of ENRC Marketing carrying the right to exercise more than 30% of the votes exercisable at a general meeting of the shareholders of ENRC Marketing, and 'Effective Control' means the ability to give directions with respect to the operating and financial policies of a company with which the directors or equivalent officers of such company are obliged to comply (ignoring, for the avoidance of doubt, the powers of any sub-committee of the board of directors or equivalent to which the board of directors have delegated certain of their powers).

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting to be held on 11 June 2008.

Each of the Directors at the date of the approval of this report confirms that:

1) so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
2) the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held at 2.30pm on 11 June 2008, at the Lanesborough Hotel. Details of the meeting venue and the resolutions to be proposed are set out in a separate Notice of Meeting which accompanies the Annual Report.

By order of the Board

Paul Waters

PAUL WATERS
Company Secretary
25 April 2008

CORPORATE GOVERNANCE REPORT

INTRODUCTION

ENRC listed its ordinary shares on the London Stock Exchange on 12 December 2007 and became a member of the FTSE 100 Index on 26 March 2008. The Listing Rules of the UK Financial Services Authority ('FSA') including the Combined Code on Corporate Governance 2006 (the 'Code') have only therefore applied to the Company since 12 December 2007. In the period leading up to the Listing, the Board implemented a number of changes to the corporate governance of the Company to ensure compliance with the Code, in particular, with those provisions of the Code relating to Board and Committee composition. In establishing a primary listing on the London Stock Exchange, ENRC committed itself to complying with the Code on exactly the same 'comply or explain' basis as all other members of the London Stock Exchange. Since the Company only listed on 12 December 2007 it is impracticable to expect the Company to comply with many of the Code's provisions. Accordingly, the report includes a description of how the Company has applied the principles and provisions of the Code since 12 December 2007 and how it intends to apply those principles throughout 2008.

THE BOARD

The Board is responsible for the good management of the Company and its principal aim is to enhance the Company's long-term value for the benefit of the shareholders. The Board intends to meet at least six times a year. At these meetings the Board will review the Company's long-term strategic direction and financial plans and monitor on a regular basis the Company's performance against an agreed strategy and business plan. In addition the Board will agree key objectives for the Chief Executive Officer on an annual basis and will monitor performance against these objectives. There is a formal schedule of matters reserved for the Board's decision at each meeting. All Directors have access to the advice and services of the Company Secretary, who is also responsible for ensuring that the Board procedures are followed. All Directors have the right to have their opposition or concerns to a resolution recorded in the minutes. The Board has adopted guidelines by which any Director may take independent professional advice in the performance of his duties.

The Board met on several occasions in the run up to the Listing. It did not, however, meet between the Listing and 31 December 2007. A full programme of Board meetings is planned for 2008. So far in 2008 the Board has met twice with full attendance at each meeting.

The Chairman and the non-executive Directors did not meet in the time between the Listing on 12 December 2007 and 31 December 2007. The Chairman fully intends, however, to meet regularly throughout the year with the non-executive Directors without the executives present. The Chairman was appointed on 12 November 2007 and, therefore, given the Chairman's short tenure so far the Board believes no meaningful evaluation of performance can take place until later in 2008.

The Articles of Association of the Company require it to indemnify officers of the Company, including officers of wholly owned subsidiaries, against liabilities arising from the conduct of the Group's business, to the extent permitted by law. The Group has therefore purchased directors' and officers' insurance during the year.

APPOINTMENTS TO THE BOARD

In preparation for the Listing the Company sought to recruit to its Board experienced non-executive Directors who are well known to and highly regarded by the market. The Directors believe that the presence of all the Directors will add considerably to the Board's ability to oversee and grow the Company's operations. Biographies of all the Board members appear on pages 14 and 15.

BOARD MEMBERSHIP

The Board consists of two Executive Directors – the Chief Executive Officer, Dr Johannes Sittard and the Chief Financial Officer, Mr Miguel Perry – and 11 non-executive Directors. Sir David Cooksey is Chairman and Sir Richard Sykes is the Senior Independent Director.
The other non-executive Directors are Mr Gerhard Ammann, Mr Marat Beketayev, Mr Mehmet Dalman, Mr Michael Eggleton, Sir Paul Judge, Mr Kenneth Olisa, Mr Roderick Thomson, Mr Eduard Utepov and Mr Abdraman Yedilbayev.

BOARD BALANCE AND INDEPENDENCE

The Code recommends that at least half the Board (excluding the Chairman) should be non-executive Directors who are independent. The Board has considered the independence of each non-executive Director in detail and in the opinion of the Board, seven of the non-executive Directors are independent in character and judgement. The Chairman was independent on appointment. A table of the Board balance is set out below:

Sir David Cooksey – Chairman (independent on appointment)

NON-INDEPENDENT	INDEPENDENT
Dr Johannes Sittard	Sir Richard Sykes
Marat Beketayev	Gerhard Ammann
Miguel Perry	Mehmet Dalman
Eduard Utepov	Michael Eggleton
Abdraman Yedilbayev	Sir Paul Judge
	Ken Olisa
	Roderick Thomson

Sir Richard Sykes has been appointed as Senior Independent Director and his principal duty in this capacity is to evaluate the performance of the Chairman and address shareholders' concerns that have not been resolved through the normal channels of communication with the Chairman, Chief Executive Officer or Chief Financial Officer, or in cases when such communications would be inappropriate.

Mr Beketayev and Mr Utepov are representatives of The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan, (the 'Committee') and as such are not considered by the Board to be independent under the provisions of the Combined Code.

As set out in the Directors' Report on pages 50 to 53, Mr Chodiev, Mr Ibragimov and Mr Machkevitch (the 'Founder Shareholders') each entered into a separate relationship agreement (the 'Relationship Agreements') with the Company to regulate the ongoing relationship between each individual Founder Shareholder and the Company. The principal purpose of the Relationship Agreements is to enable the Group to carry on its business independently, and to ensure that transactions and relationships between the Group and the Founder Shareholders are at arm's length and on a normal commercial basis. Under the terms of the Relationship Agreements, each of the Founder Shareholders has the right to appoint one Director to the Board, for so long as his shareholder group controls 10% or more of the voting rights exercisable at general meetings of the Company. Pursuant to this right, Mr Ibragimov has appointed Mr Yedilbayev to the Board. He is not considered to be independent under the Code.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of Chairman and Chief Executive Officer are clearly divided and their responsibilities have been set out in writing and agreed by the Board as follows:

The Chairman, Sir David Cooksey, is responsible for creating the conditions for the effective working of the Board.

The Chief Executive Officer, Dr Johannes Sittard, is responsible to the Board for the overall leadership and operational management of the Group's business.

INFORMATION AND PROFESSIONAL DEVELOPMENT OF THE BOARD

The Board has agreed with the Chief Executive Officer that it should receive accurate and timely information on the performance of the Company and the nature and scope of the information to be provided. The Chief Executive Officer is obliged to bring to the Board's attention all matters that materially affect, or are capable of materially affecting, the performance of the Company and the achievement of its strategy.

All Directors have received briefings from the Company's advisers including presentations to familiarise them with the Group. Overseas Directors have been briefed on the responsibilities of UK directors of a Public Listed Company.

Directors also have access to the advice and services of the Company Secretary and, in appropriate circumstances, may obtain independent professional advice at the Company's expense.

The Board intends to establish a formal induction training process for new Directors based on recommendations prepared by the Company Secretary.

Board evaluation

The majority of the Directors were only appointed between November 2007 and December 2007 and, in view of this, the Board believes that a meaningful evaluation of performance can only take place once the new Board has had a reasonable amount of time to work together. An evaluation policy will be developed and implemented before the end of 2008. The Senior Independent Director, Sir Richard Sykes, together with the other non-executive Directors, will undertake an evaluation of the Chairman.

Re-election of Directors

The Board can appoint Directors either to fill a vacancy or as an addition to the existing Board. The articles of association of the Company require that any Director so appointed shall retire at the Annual General Meeting following his appointment and may offer himself for election by shareholders. In addition, under the current articles of association, a minimum of one-third of the Directors retire by rotation each year. This ensures that each Director is re-elected at least every three years.

This is the first annual general meeting since incorporation. All the Directors will therefore be offering themselves for election at the forthcoming Annual General Meeting to be held at 2.30pm on 11 June 2008 full details of which are set out in a separate notice of meeting which accompanies the Annual Report.

As the Directors being proposed for election have only been in the post for a relatively short period, the Board remains satisfied that each Director proposed for election continues to be fully competent to carry out his responsibilities as a member of the Board.

BOARD COMMITTEES

The Board has delegated authority to a number of Board committees. The membership of each of these committees along with the duties of each Committee is set out on page 56.

CORPORATE GOVERNANCE REPORT CONTINUED

THE BOARD

AUDIT COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE	HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABILITY COMMITTEE
Gerhard Ammann (Chairman) Michael Eggleton Sir Paul Judge Kenneth Olisa Roderick Thomson	Sir Richard Sykes (Chairman) Mehmet Dalman Sir Paul Judge Kenneth Olisa	Sir David Cooksey (Chairman) Gerhard Ammann Mehmet Dalman Michael Eggleton Sir Paul Judge Kenneth Olisa Sir Richard Sykes Roderick Thomson	Dr Johannes Sittard (Chairman) Eduard Utepov Felix Vulis (COO Kazakhstan) Abdraman Yedilbayev

The Board and Committees of the Board did not meet between the IPO on 12 December 2007 and 31 December 2007. A full timetable of Board and Committee meetings is in place for 2008 and attendance of members at these Board and Committee meetings will be duly recorded.

Health, Safety, Environment and Sustainability Committee

Details of the roles of this Committee are set out in the Corporate Social Responsibility report on pages 44 to 49.

Nomination Committee

The role of the Nomination Committee is to identify and nominate candidates for the approval of the Board to fill Board vacancies and to keep under review the balance of skills, knowledge and experience on the Board to ensure the orderly evolution of the membership of the Board and to make recommendations to the Board on composition and balance. The Code recommends that a majority of the members of the Nomination Committee should be independent non-executive Directors. The Committee consists solely of independent non-executive Directors apart from the Chairman. The Nomination Committee shall meet at least twice a year and at such other times that the Chairman of the Committee shall require. The terms of reference of the Committee are available on the Company's website: www.enrc.com

A Nomination Committee consisting of all the Directors in position at that time met before the IPO to consider the appointments of new Directors in connection with the IPO. The Nomination Committee met on 20 February 2008 to consider the appointment of Mr Marat Beketayev.

Remuneration Committee

The role of the Remuneration Committee is to determine and recommend to the Board the broad policy for the remuneration of Executive Directors and senior management, as well as specific remuneration packages, including pension rights and any compensation payments. The remuneration of the Chairman and non-executive Directors is decided upon by the full Board.

The Remuneration Committee is chaired by Sir Richard Sykes and the other members are Mr Mehmet Dalman, Sir Paul Judge and Mr Kenneth Olisa all of whom are independent non-executive Directors. The Company complies with the Code recommendations regarding membership of the Remuneration Committee. The terms of reference of the Committee are available on the Company's website.

So far in 2008 the Remuneration Committee has met three times to consider the remuneration policy for the Executive Directors and senior management.

The Directors' Remuneration Report is set out on pages 59 to 62.

Audit Committee

The role of the Audit Committee is to monitor the integrity of the financial reporting by the Company, to review the Group's internal control and risk management systems, to monitor the effectiveness of the Group's internal audit function and to oversee the relationship with the Group's external auditors.

The Audit Committee is chaired by Mr Gerhard Ammann, an independent non-executive Director who was Chief Executive Officer of Deloitte in Switzerland until May 2007. Mr Ammann has over 30 years' experience as an auditor under IFRS and Swiss reporting standards, primarily in banking, finance and international trade and is therefore considered to have recent and relevant financial experience. The other members of the Audit Committee are Mr Michael Eggleton, Sir Paul Judge, Mr Kenneth Olisa and Mr Roderick Thomson, and all of whom are independent non-executive Directors. The Company complies with the Code recommendations regarding membership of the Audit Committee.

Under its terms of reference the Audit Committee is required to meet at least four times a year at appropriate times in the reporting and audit cycle. The Audit Committee reports on its activities to the next Board meeting following its meeting.

Prior to the IPO the Audit Committee membership comprised Mr Pieter Hamelink, Mr Alijan Ibragimov and Mr Daulet Yergozhin all of whom have resigned as directors of the Company. The Audit Committee met prior to the IPO to consider the financial information contained in the Prospectus produced in connection with the IPO.

So far in 2008 the Audit Committee has met twice and has carried out, inter alia, the activities described above in accordance with the responsibilities set out in its terms of reference (a copy of which is available on the Company's website).

Financial reporting
The Audit Committee reviewed the 2007 Annual Report and Accounts including the preliminary results announcement before recommending their approval by the Board. As part of this review, the Audit Committee reviewed accounting policies, estimates and judgements that had been applied in preparing the Report and Accounts.

Internal Audit
The Internal Audit department is currently at a developmental stage. To promote independence and objectivity, the Head of Internal Audit will report administratively to the Chief Executive Officer, Dr Sittard, and functionally to the Chairman of the Audit Committee, Mr Ammann. While the Internal Audit Team is being established, the duties of the department are currently being undertaken in a co-sourcing arrangement with Deloitte & Touche. A high level review of major risks faced by the Group was conducted for the IPO. These identified the areas on which risk management and internal audit should be focused and such risks have been incorporated into the initial annual internal audit plan. The Audit Committee has approved this initial internal audit plan.

External Audit
The Audit Committee oversees the relationship with the external auditors and considers the re-appointment of the Company's auditors before making a recommendation to the Board to be put to shareholders. As part of this responsibility, the Audit Committee has approved audit plans, reviewed the findings of the external auditor and reviewed management representation letters. Prior to recommending the appointment of PricewaterhouseCoopers LLP at the forthcoming AGM to the Board, the Audit Committee conducted a review of the independence of PricewaterhouseCoopers LLP. The Audit Committee has adopted policies designed to uphold the independence of the Group's auditors by prohibiting their engagement to provide a range of accounting and other professional services that might compromise their appointment as independent auditors. The engagement of the Group's auditors to provide statutory audit services, other services pursuant to legislation, taxation services and certain other services are pre-approved. Any engagement of the Group's auditors to provide other specific permitted services is subject to the specific approval of the Audit Committee or its Chairman.

Whistleblowing
The Audit Committee has established a policy and the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The policy and arrangement is to be disseminated throughout the Group during the course of 2008.

Internal Control
The Board is responsible for the Group's systems of Internal Control and for reviewing its effectiveness. Internal Control has a key role in the management of risks that are significant to the fulfilment of the Group's business objectives. A sound system of internal control contributes to safeguarding the shareholders' investment and the Group's assets. Internal control facilitates the effectiveness and efficiency of operations, helps ensure the reliability of internal and external reporting and assists compliance with laws and regulations.

The assessment of the risks to the achievement of the Group's objectives operates at both Group level and within all the Group companies. An initial assessment of the Key Business Risks of the Group was undertaken as part of the IPO process. As part of that initial assessment the Group adopted the following approach to be applied going forward.

The Senior Management will hold an annual meeting which may be facilitated by external advisers with risk management experience. The Senior Management will consider risks to the Group under the headings of:

- Strategic Objectives – that relate to high-level goals, aligned with and supporting the Group's mission.
- Operational Objectives – that relate to effectiveness and efficiency of the Group's operations, including performance and profitability goals and safeguarding resources against loss.
- Compliance Objectives – that relate to adherence to the laws and regulations to which Group companies are subject including Health, Safety and Environmental matters.
- Financial Objectives – that pertain to the financial status of the Group and Group companies and their arrangements for financial reporting, including the prevention of fraudulent public financial reporting.

The Senior Management will adopt an approach which is drawn from best practice in risk management. The approach considers the potential impact of each risk and the likelihood of the risk materialising at an 'inherent' level, i.e. before considering any controls which may be in place to manage or mitigate the risk. The definition of these terms is as follows:

- Impact – the extent to which the risk, if it materialised, would impact the Group. The factors that may help define the impact rating may include financial effect, reputational impact or the ability to achieve key objectives.
- Likelihood – the probability of a risk materialising over a predefined time period. For the Group this has been set at one year. In some cases frequency of occurrence may be considered as well.

The output of the meeting will be a list of Key Business Risks which are those which have a high overall risk rating and therefore most critically require Key Controls to be implemented to manage or mitigate those risks.

If one or more Key Business Risks exists within a Group company the management of that company assesses how these risks are currently managed or mitigated and the extent to which the relevant Key Controls are operating effectively. If controls are absent or are considered to be unlikely to be consistently effective in their operation the management team will prepare an action plan to remedy the situation.

CORPORATE GOVERNANCE REPORT CONTINUED

The Group are in the process of recruiting a Group Risk Management Co-ordinator to manage these processes and to report directly to the Deputy Group Chief Financial Officer. Each significant Group company will also appoint a Risk Management Co-ordinator who will be the principal point of contact on matters of risks and controls.

The Key Business Risks arising from the above reviews will be maintained in Company Risk Registers by the Risk Management Co-ordinators and in a Group Risk Register by the Group Chief Financial Officer.

The Group Risk Register will be tabled for review and adoption by the Audit Committee and forwarded to the Group Board. Once the register has been approved by the Group Board it is returned to the Audit Committee which will receive quarterly reports on the effective application of those Key Controls which were identified to manage or mitigate the Key Business Risks.

The Audit Committee, on the basis of delegated authority from the Board, will assess annually the effectiveness of the internal controls of the Group in accordance with the Code.

The Group Chief Financial Officer will provide an annual signed report to the Audit Committee noting that, to the best of his knowledge, the Key Controls for which the management of the Group companies are responsible are operating in a consistent and effective way.

The finance directors of Group companies, who have been delegated responsibility for monitoring the Key Controls in those companies, are required to provide an annual signed report to the Group Chief Financial Officer noting that, to the best of their knowledge, the Key Controls are operating in a consistent and effective way.

In addition the Group will appoint a Head of Internal Audit to manage an Annual Internal Audit Plan, which will be risk-based and be subject to review and approval by the Audit Committee. The Head of Internal Audit will report to the Audit Committee at each of its meetings and will provide annual assurance, independent of any assurance provided by the Executive Directors, that the Key Controls which have been subject to audit by his team, are operating effectively.

RELATIONS WITH SHAREHOLDERS

As part of the IPO roadshow in 2007 the Group met with a large number of investors in the United Kingdom, continental Europe, Russia and the United States of America. The meetings involved the Chief Executive Officer, the Chief Financial Officer, the Head of Marketing and the Chief Operating Officer, Kazakhstan, as well as other senior management.

As part of its investor relations programme going forward the Group will aim to provide a high level of transparency and communication to investors and analysts on a regular and timely basis, through announcements, meetings and seminars. The Group seeks to develop a regular dialogue with investors and analysts and to respond to their challenges and to understand their sentiment and concerns. The Group has a comprehensive investor relations website which has full up-to-date information available to all shareholders and investors. All shareholders have the opportunity to attend and raise questions at the Group's Annual General Meeting.

The Group aspires to have an investor relations programme that is ranked highly amongst its peers for its accessibility, responsiveness and disclosure. The Chief Executive Officer and Chief Financial Officer would aim to meet all major shareholders at least twice a year and, with other senior management, to meet with a wide range of shareholders and prospective investors in the United Kingdom, continental Europe, the United States of America and elsewhere in the world during the year. These discussions will focus on the results and businesses of the Group but will also seek to learn of any concerns amongst investors. The Group will also seek to meet with sell-side analysts to raise the Group's profile and to build the research coverage.

Investor relations activity and a review of the share register will be regular items on the agenda for Board meetings. Analysts' and brokers' reports are regularly circulated to the Board. The Chairman and non-executive Directors are free to attend investor relations meetings or to request meetings with investors or analysts independent of the Group's management.

The Company's first Annual General Meeting since incorporation will be held on 11 June 2008 and the Chairman and Chairmen of each of the Board committees welcome the opportunity to answer questions put forward to them by shareholders of the Company. The Annual Report and Accounts and the Notice of the Annual General Meeting will be sent to shareholders at least 20 working days prior to the date of the meeting.

GOING CONCERN

After making enquiries, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Richard B Sykes

SIR RICHARD SYKES
Senior Independent Director on behalf of the Board
25 April 2008

REMUNERATION REPORT

INTRODUCTION

The Remuneration Report sets out the remuneration policies and practices adopted by the Company during the year ended 31 December 2007 in respect of members of the Board.

The Remuneration Report has been prepared in accordance with Schedule 7A to the Companies Act 1985 introduced by the Directors' Remuneration Report Regulations 2002 and contains both auditable and non-auditable information. The information subject to audit is set out in the Directors' remuneration table and its notes on page 62. This report sets out the remuneration policy for the year ended 31 December 2007, the current year and, subject to ongoing review, future financial years.

The auditors are required to report on part of the Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985. The Report has therefore been divided into separate sections for audited and unaudited information.

Remuneration Committee (the 'Committee')

The Committee was established and its terms of reference approved on 1 March 2007 and amended by the Board on 3 April 2008. The terms of reference are designed to enable the Committee to comply with the requirements relating to remuneration policy set out in the Combined Code on Corporate Governance (the 'Code'). A copy of the terms of reference can be found on the Company's website. The members of the Committee, who are all independent non-executive Directors, are:

- Sir Richard Sykes (Chairman) – from 6 December 2007.
- Mehmet Dalman – from 6 December 2007.
- Sir Paul Judge – from 6 December 2007.
- Kenneth Olisa – from 6 December 2007.

The responsibilities of the Committee include recommending executive remuneration policy to the Board; reviewing and determining the remuneration packages of the Executive Directors, senior management and Company Secretary; monitoring the effectiveness and appropriateness of the executive remuneration policy and practice; and reviewing the Chairman's fees.

The Committee appointed New Bridge Street Consultants LLP ('NBSC'), following the Initial Public Offering, to advise on the benchmarking of remuneration of the Executive Directors and senior management, and Kepler Associates to advise on performance measures. Neither adviser provided any other service to the Group during the year. The terms of engagement between the Committee and NBSC and Kepler are available on request from the Company Secretary. The Head of Human Resources attended Committee meetings and provided advice to the Committee but not in respect of matters directly affecting his own remuneration. The Chairman of the Board also attended the Committee and provided advice.

The Company Secretary acts as Secretary to the Committee but is not present when issues relating to his own remuneration are discussed.

Remuneration policy

Going forward in line with ENRC's stated objectives of aligning total remuneration with personal and business performance, the composition of the total remuneration packages is designed to provide an appropriate balance between fixed and variable components. Specifically:

- Base salary: generally positioned around mid-market levels.
- Annual bonus: to incentivise and reward the achievement of demanding financial and non-financial corporate and individual objectives.
- Long Term Equity Incentives: annual grants under the Long Term Incentive Plan to incentivise and reward both long-term earnings and share price performance.

A significant proportion of the Executive Director's package is therefore performance-linked.

Details of each element of the package, which also includes pension and benefit provisions are described below.

Base salary

Base salaries will be reviewed annually by the Committee, taking account of relevant benchmark data (FTSE 100 Index companies, international companies of a similar size and complexity and the market generally), the performance of the individual concerned and pay quantum and structure more generally throughout the Group.

Executive Director base salaries, as at 1 January 2008 are as follows:

- Chief Executive Officer –£1,500,000
- Chief Financial Officer – £600,000

Pensions and benefits

A contribution of 10% of base salary is made to each Executive Director for his personal pension arrangements.

Benefits comprise life assurance, private healthcare, travel insurance and income protection insurance. The Chief Executive Officer receives benefits in kind which includes a fully funded car and a driver. The taxable value of these benefits is included in the Directors' remuneration table on page 62.

REMUNERATION REPORT CONTINUED

Bonuses

For 2008, Executive Directors are participating in an annual bonus arrangement with performance measures based on Group financial performance (80% of bonus potential), personal performance (10% of bonus potential) and health and safety performance (10% of bonus potential). Specific financial targets have not been disclosed as they are considered to be commercially confidential but they are deemed to be appropriately challenging by the Committee and will only pay out in full for exceptional performance.

The maximum bonus potential for 2008, which will be payable for exceptional levels of performance, is set at 100% of base salary for the Chief Executive Officer and for the Chief Financial Officer. Half of the maximum bonus potential will be paid at target performance levels.

For the year ended 31 December 2007, the Chief Executive Officer received an annual bonus of £1.0 million, all of which was guaranteed in his Service Agreement together with an IPO cash bonus of £1.125 million. The Chief Financial Officer received an annual bonus of £400,000, together with an IPO cash bonus of £400,000. Details of the actual amounts paid for 2007 are set out in the Directors' remuneration table on page 62.

Long Term Incentive Plan

The ENRC Long Term Incentive Plan ('LTIP') was adopted by the Board on 6 December 2007. The Plan has been designed to reward senior management for achieving the Group's strategic objectives and provide an appropriate level of long-term performance related pay.

Each year, participants will receive conditional awards of shares in the Company which will normally vest three years after they are awarded, subject to the satisfaction of performance conditions, measured over a three-year performance period, and continued service.

The maximum conditional award under the LTIP is set at twice base salary for the Chief Executive Officer and 1.5 times base salary for the Chief Financial Officer, both based on the market value of shares at the grant date.

Initial awards under the plan are expected to be made in the period following the announcement of the Company's preliminary results with the Chief Executive Officer due to receive an award over shares worth 200% of salary and the Chief Financial Officer due to receive an award over shares worth 150% of salary. Lower award levels, dependent upon seniority, will be granted to a number of senior executives below Board.

The performance measures for the initial awards will be based on the Company's total shareholder return ('TSR') against a comparator group of 22 other international mining companies. The comparator companies will be BHP Billiton, Rio Tinto, Xstrata, Alcoa, Freeport-McMoRan Copper & Gold, Teck Cominco, Vedanta Resources, Mount Gibson, Antofagasta, Cameca, Kazakhmys, Peabody Energy, Forescue Metals, CVRD, Grupo Mexico, Ferrexpo, Aricom, Portman, Aluminium Corp of China, Mitsubishi Materials Corp, Outokumpu OYJ and Cleveland-Cliffs Inc. The Committee considers that this performance metric is the most appropriate measure of long-term Company performance at this time, providing the alignment of interests between management and shareholders and ensuring that there is a strong link to share price in the senior executive remuneration packages.

For the initial awards, the performance condition will be measured over the three year period from 1 January 2008 to 31 December 2010. The final number of shares released to individuals will depend on the Company's TSR performance. 25% of the allocated shares will be released if the Company's TSR ranking against the comparator group is equal to the median ranked company. 100% of the allocated shares will be released if the ranking is equal to, or in excess of, the upper quartile. Between these levels of performance, vesting is based upon a pro rata basis. No shares will be released if the Company's TSR is below the median ranked company.

In addition to the above, the awards will not vest unless the Committee is satisfied that the Group's TSR performance during the performance period reflects the Group's underlying financial performance. The TSR condition will be independently monitored and reported to the Committee.

Awards are expected to be satisfied by the issue of new shares. There are no outstanding share awards.

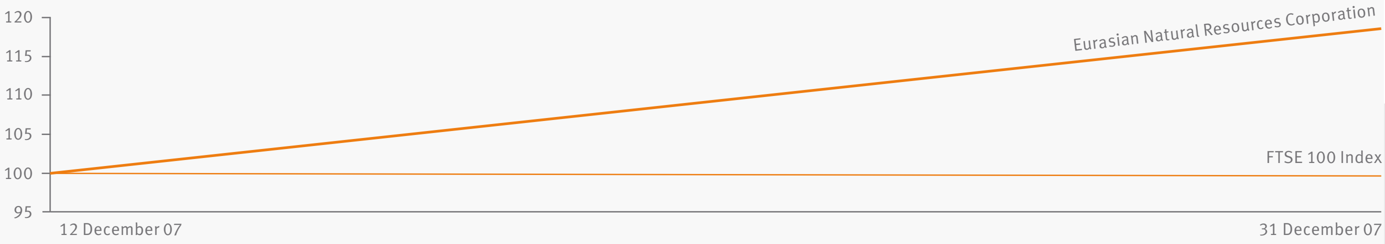
IPO Plan

The IPO Plan was approved by the pre-IPO Board to provide awards to Executive Directors and senior management of the Group in the form of cash and ordinary share awards, both of which were granted and vested on 12 December 2007. No further awards will be made under this Plan. Details of awards made to Directors are set out on page 62.

Performance graph

The following graph charts the total cumulative shareholder return of ENRC compared with the FTSE 100 Index since 12 December 2007 (being the first date of trading for Eurasian Natural Resources Corporation PLC shares). The FTSE 100 Index is thought to be the most appropriate index given that it is a widely used and understood index of leading UK listed companies.

Total Shareholder Return (£)



Source: Thomson Financial

Executive Directors' contracts

Both Executive Directors have a service agreement, unless the Director reaches the retirement age of 65 or any extension agreed by the Board. These contracts can be terminated by either the Company or the Executive Director giving 12 months' notice.

Under the terms of the contracts, the Group reserves the right, in its absolute discretion, to terminate an Executive Director's employment by making a payment in lieu of notice.

Both Executive Directors are subject to restrictive covenants which seek to prevent the solicitation of customers or employees and/or competing with the Company's business for six months following termination of employment.

Specific contract provisions, which entitled the Chief Executive Officer and Chief Financial Officer to receive specified payments on a change of control, which were designed to provide additional protection for the Executive Directors at the time of flotation and were fully explained in the listing particulars, were removed from the Executive Directors' contracts for no compensation.

Dates of the service contracts are:

Name	Position	Date of appointment
Dr Johannes Sittard*	Chief Executive Officer	1 May 2007
Miguel Perry*	Chief Financial Officer	12 March 2007

* Miguel Perry's contract is with ENRC Management UK Ltd and Dr Johannes Sittard's with the Company. Prior to the formation of the Company, Dr Sittard was previously employed by the pre-IPO group.

Subject to Board approval, Executive Directors are permitted to accept outside appointments on external boards or committees as long as these are not deemed to interfere with the business of the Company. Any fees in respect of those appointments are retained by the Executive Directors concerned. During 2007, the Chief Executive Officer received US$2,036,074, for external non-executive directorships.

Non-executive Directors' fees

The non-executive Directors have entered into Letters of Appointment with the Company, the details of which are summarised below. The remuneration of the non-executive Directors (other than the Chairman) is a matter for the Chairman and Executive members of the Board and will be reviewed from time to time with regard to time commitment and responsibility of roles and fees paid by comparable companies. Non-Executives are not eligible to participate in the annual bonus plan, long-term incentive plans or pension arrangements.

Name of Director	Position	Date of letter of appointment	Annual fee
Sir David Cooksey	Non-executive Chairman	15 November 2007	£500,000[a]
Gerhard Ammann	Independent non-executive Director and Chairman of the Audit Committee	9 November 2007	£120,000[b]
Mehmet Dalman	Independent non-executive Director	23 November 2007	£100,000
Michael Eggleton	Independent non-executive Director	15 November 2007	£100,000
Sir Paul Judge	Independent non-executive Director	14 November 2007	£100,000
Kenneth Olisa	Independent non-executive Director	14 November 2007	£100,000
Sir Richard Sykes	Senior Independent non-executive Director and Chairman of the Remuneration Committee	4 December 2007	£250,000[c]
Roderick Thomson	Independent non-executive Director	15 November 2007	£100,000
Eduard Utepov	Non-executive Director	9 November 2007	£100,000[d]
Adbraham Yedilbayev	Non-executive Director	21 November 2007	£100,000
Daulet Yergozhin	Non-executive Director	9 November 2007	£100,000[d]

All of the non-executive Directors' letters of appointment provide for no less than six months' written notice of termination and a sum equivalent to six months of the annual fee is payable in lieu of notice by the Company should it request his resignation as a Director with immediate effect.

a Sir David Cooksey's letter of appointment relates to the provision of services by him to the Company as the Chairman of the Company and Nomination Committees with effect from 7 November 2007.

b Mr Ammann's fee includes £20,000 in relation to his chairmanship of the Audit Committee.

c Sir Richard Sykes' fee includes £150,000 in relation to his chairmanship of the Remuneration Committee and his additional responsibility as Senior Independent Director.

d As Ministers of the Kazakhstan Government, neither Mr Utepov nor Mr Yergozhin are permitted to receive fees personally. Mr Yergozhin resigned as a Director of the Company on 20 February 2008.

REMUNERATION REPORT CONTINUED

No service contract exists or is proposed between the Company or any of its subsidiaries and any Director other than contracts of service expiring or determinable within one year without payment of contractual compensation to the Director.

Copies of the Executive Directors' service contracts and the Letters of Appointment of the non-executive Directors are available for inspection during normal business hours at the registered office of the Company.

Directors' remuneration for the period 1 January 2007 to 31 December 2007

The following table sets out an analysis of the pre-tax remuneration for the period 1 January 2007 to 31 December 2007 for individual Directors who held office in the Company during this period. The table is set out in £ sterling to reflect the currency in which the Directors are paid.

Directors' remuneration

Stated in £'000 sterling	Base salary	Annual performance bonus	Benefits in kind	Pension contributions	Value of IPO cash award	Value share awards	Directors' Fees	**Total 2007**	Total[7] 2006
Executive Directors									
Dr Johannes Sittard[1,2]	1,623	1,000	53	88	1,310	9,805		**13,879**	230
Miguel Perry (appointed 12 Nov 2007)[3]	82	68	5	8	460	3,180		**3,803**	
Non-executive Directors									
Sir David Cooksey (appointed 7 Nov 2007)[4]					37	1,988	83	**2,108**	
Gerhard Ammann (appointed 6 Dec 2007)							8	**8**	
Patokh Chodiev (resigned 6 Dec 2007)									2,048
Mehmet Dalman (appointed 6 Dec 2007)							7	**7**	
Michael Eggleton (appointed 6 Dec 2007)							7	**7**	
Pieter Hamelink (resigned 7 Nov 2007)[5]					50	2,650		**2,700**	1,336
Alijan Ibragimov (resigned 6 Dec 2007)			223					**223**	2,004
Sir Paul Judge (appointed 6 Dec 2007)							7	**7**	
Alexander Machkevitch (resigned 6 Dec 2007)			43					**43**	1,625
Kenneth Olisa (appointed 6 Dec 2007)							7	**7**	
Sir Richard Sykes (appointed 6 Dec 2007)							17	**17**	
Roderick Thomson (appointed 6 Dec 2007)							7	**7**	
Eduard Utepov (appointed 6 Dec 2007)[6]							7	**7**	
Adbraham Yedilbayev (appointed 6 Dec 2007)							7	**7**	
Daulet Yergozhin (resigned 20 Feb 2008)[6]							7	**7**	
Total	**1,705**	**1,068**	**324**	**96**	**1,857**	**17,623**	**164**	**22,837**	7,243

Notes:
1 The salary of Dr Sittard consists of US$1,249,000 for the period to 30 April 2007 and £1,000,000 for the period 1 May 2007 to 31 December 2007.
2 Dr Sittard received an annual performance bonus of £1,000,000 for the period in recognition of his efforts in the successful establishment of the Group Head Office in London and the configuration of the operating companies in Kazakhstan to deliver future results.
3 The base salary, annual performance bonus, benefits in kind and pension contributions of Miguel Perry were £403k, £332k, £22k and £40k respectively for the period 12 March to 11 November 2007. Mr Perry also received a cash bonus of £100k on joining the Company.
4 Sir David Cooksey received 375,000 shares in connection with his appointment as Chairman.
5 Pieter Hamelink received US$12.5 million consultancy fees and 500,000 shares in connection with preparing the Company for the IPO.
6 As ministers of the Kazakhstan Government, neither Mr Utepov nor Mr Yergozhin were permitted to receive fees personally.
7 These fees were earned by Directors throughout 2006 when they were Directors of both the Company and the pre-IPO group.

The following share awards were made under the IPO Plan at 540p. Awards were not subject to future performance or service conditions.

Name of Director	Share awards (number of shares)
Dr Johannes Sittard	1,850,000
Miguel Perry	600,000

Recipients of share awards under the IPO Plan are responsible for settling all taxes payable on the receipt of these shares. The mid-market price of the shares at 31 December 2007 was 640p and from the date of listing on 12 December 2007 to 31 December 2007, the share price varied between 540p and 645.5p.

ANNUAL GENERAL MEETING

Shareholders will be asked to vote on this Remuneration Report at the Company's forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors

SIR RICHARD SYKES
Chairman of the Remuneration Committee
25 April 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required under company law to prepare the Group financial statements under International Financial Reporting Standards ('IFRS') as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, Directors are also required to:

- properly select and apply consistently, accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enables them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Paul Waters

PAUL WATERS
Company Secretary
25 April 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EURASIAN NATURAL RESOURCES CORPORATION PLC ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes to the consolidated financial statements. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Eurasian Natural Resources Corporation PLC for the period ended 31 December 2007 and on the information in the Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the consolidated financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive Officer's Statement, Our Leadership Team, the Business Review and the Corporate Governance Report that is cross referenced from the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited consolidated financial statements. The other information comprises the Chairman's Statement, the Chief Executive Officer's Statement, the Business Review, the Directors' Report, the unaudited part of the Remuneration Report and all other information referred to on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

OPINION

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the consolidated financial statements.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Registered Auditors
London
29 April 2008

CONSOLIDATED INCOME STATEMENT

In millions of US$	Note	Years ended 31 December 2007	2006
Revenue	4,6	**4,106**	3,256
Cost of sales	7	**(1,701)**	(1,542)
Gross profit		**2,405**	1,714
Distribution costs	8	**(373)**	(407)
Selling, general and administrative expenses	9	**(606)**	(290)
Other operating expenses – net	10	**(5)**	(20)
Operating profit		**1,421**	997
Analysed as:			
EBITDA before exceptional items*	35	**1,906**	1,256
Depreciation and amortisation		**(303)**	(253)
Exceptional items	9	**(182)**	(6)
Finance income	13	**58**	24
Finance costs	14	**(158)**	(50)
Profit before income tax		**1,321**	971
Income tax expense	15	**(507)**	(285)
Profit for the year		**814**	686
Profit is attributable to:			
Equity shareholders of the Group		**798**	550
Minority interests		**16**	136
In US$			
Earnings per share – basic and diluted	16	**0.79**	0.55

* EBITDA before exceptional items is defined as profit before interest, taxation, depreciation and amortisation adjusted for exceptional items.

The notes on pages 69 to 107 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

In millions of US$	Note	As at 31 December 2007	2006
Assets			
Non-current assets			
Property, plant and equipment	17	**3,232**	2,543
Goodwill and intangible assets	18	**390**	389
Loans receivable	20	**7**	21
Deferred tax asset	15	**8**	12
Other non-current assets	21	**322**	43
Total non-current assets		**3,959**	3,008
Current assets			
Inventories	22	**438**	361
Trade and other receivables	23	**1,045**	637
Financial assets	19	**170**	21
Loans receivable	20	**28**	240
Cash and cash equivalents	24	**2,548**	336
Total current assets		**4,229**	1,595
Total assets		**8,188**	4,603
Equity			
Share capital and share premium	25	**3,257**	200
Reserves		**2,457**	2,011
Equity attributable to the Group's equity shareholders		**5,714**	2,211
Minority interests		**75**	61
Total equity		**5,789**	2,272
Liabilities			
Non-current liabilities			
Borrowings	26	**1,065**	876
Deferred tax liabilities	15	**295**	280
Asset retirement obligations	27	**86**	44
Employee benefit obligations	28	**52**	48
Derivative financial instruments	33	**51**	–
Total non-current liabilities		**1,549**	1, 248
Current liabilities			
Borrowings	26	**359**	608
Trade and other payables	29	**370**	393
Current income tax payable		**28**	20
Other taxes payable	30	**93**	62
Total current liabilities		**850**	1,083
Total liabilities		**2,399**	2,331
Total liabilities and equity		**8,188**	4,603

These Group consolidated financial statements, on pages 65 to 68 and the accompanying notes on pages 69 to 107, were authorised for issue by the Board of Directors on 25 April 2008 and were signed on its behalf by:

DR JOHANNES SITTARD
Chief Executive Officer

MIGUEL PERRY
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT

In millions of US$	Note	As at 31 December 2007	2006
Net cash generated from operating activities	31	**1,079**	739
Cash flow from investing activities			
Purchase of property, plant and equipment		**(1,042)**	(504)
Proceeds from sales of property, plant and equipment		**71**	19
Proceeds from sales (purchase) of intangible assets		**(1)**	2
Purchases of investments		**–**	(17)
Prepayments for acquisition of subsidiary	21	**(100)**	–
Proceeds from sale of investments		**24**	18
Loans and deposits granted to related parties		**(119)**	(91)
Other loans and deposits granted		**(243)**	–
Proceeds from repayment of loans and deposits to related parties		**21**	–
Proceeds from repayment of other loans and deposits		**38**	–
Net cash used for investing activities		**(1,351)**	(573)
Cash flow from financing activities			
Related party borrowings – proceeds		**–**	136
Bank borrowings – proceeds		**1,423**	192
Related party borrowings – repayments		**(1,011)**	(140)
Bank borrowings – repayments		**(229)**	(1)
Proceeds from issuance of shares	25	**3,055**	–
Shareholders' Settlement Agreement – repayment	5,31	**(191)**	–
Net withdrawal of invested capital		**–**	(183)
Dividends paid to equity shareholders		**(500)**	–
Dividends paid to minority interests		**(66)**	(4)
Net cash generated from financing activities		**2,481**	–
Net increase in cash and cash equivalents		**2,209**	166
Cash and cash equivalents at beginning of year		**336**	165
Exchange gains on cash and cash equivalents		**3**	5
Cash and cash equivalents at end of year	24	**2,548**	336

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Group							
In millions of US$	Note	Share capital	Share premium	Retained earnings*	Translation reserve	Hedge reserves	Total	Minority interests	Total equity
Balance as at 31 December 2005		**–**	**–**	**1,581**	**86**	**–**	**1,667**	**681**	**2,348**
Profit for the year		–	–	550	–	–	550	136	686
Currency translation differences		–	–	–	126	–	126	1	127
Total recognised income and expense for year ended 31 December 2006		**–**	**–**	**550**	**126**	**–**	**676**	**137**	**813**
Net withdrawal of invested capital and distributions	5	–	–	(276)	–	–	(276)	(79)	(355)
Change in minority interests attributable to Government shares	2e	–	–	1,144	–	–	1,144	(640)	504
Other changes in minority interests		–	–	–	–	–	–	(38)	(38)
Share issue pursuant to share exchange agreement	1a, 25	200	–	(200)	–	–	–	–	–
Promissory notes issued pursuant to share exchange agreement	1a 2e, 26	–	–	(1,000)	–	–	(1,000)	–	(1,000)
Balance as at 31 December 2006		**200**	**–**	**1,799**	**212**	**–**	**2, 211**	**61**	**2,272**
Profit for the year		**–**	**–**	**798**	**–**	**–**	**798**	**16**	**814**
Currency translation differences		–	–	–	165	–	165	3	168
Total recognised income and expense for year ended 31 December 2007		**–**	**–**	**79 8**	**165**	**–**	**963**	**19**	**982**
Dividends paid	5	–	–	(500)	–	–	(500)	–	(500)
Shares issued on initial public offering	25	58	2,999	–	–	–	3,057	–	3,057
Unrealised loss on cash flow hedge	33	–	–	–	–	(17)	(17)	–	(17)
Other changes in minority interest		–	–	–	–	–	–	(5)	(5)
Balance as at 31 December 2007		**258**	**2,999**	**2,097**	**377**	**(17)**	**5,714**	**75**	**5,789**

* At 31 December 2005, retained earnings represents invested capital (see note 1x).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

Eurasian Natural Resources Corporation PLC and its subsidiaries (the 'Group') is a leading diversified natural resources group with integrated mining, processing, energy, logistical and marketing operations. Eurasian Natural Resources Corporation PLC (the 'Company') was incorporated and registered under the laws of England and Wales on 8 December 2006.

Prior to 2006, the Group operated under common management and was jointly controlled and majority owned by three Founder Shareholders, Mr PK Chodiev, Mr AR Ibragimov and Mr AA Machkevitch (the 'Founder Shareholders'). The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan (the 'Committee') owned a minority interest in the majority of the mining and metals processing operations in Kazakhstan.

In preparation for the Initial Public Offering ('IPO'), significant legal restructuring was undertaken in 2006 to create a group of companies containing only those operations and entities which would form part of the Group; other operations owned by the Founder Shareholders (primarily Eurasian Bank JSC and Eurasian Insurance Company JSC) were left under their private ownership. In addition, with effect from early 2006, Mr VS Kim acquired 25.0% of each of the Founder Shareholders' interest in the new Group, and granted an option to Kazakhmys PLC for the purchase of this share of the Group (which was exercised in October 2007).

On 19 December 2006, the Founder Shareholders and Mr VS Kim, through their holding company, ENRC Kazakhstan Holding BV, and the Committee exchanged their shares in the various mining and metals processing operations for 75.1% and 24.9% respectively of the issued share capital of ENRC NV (the then holding company). Immediately thereafter, the Company entered into an agreement with the Committee, ENRC Kazakhstan Holding BV and ENRC NV to acquire the entire issued share capital of ENRC NV. Pursuant to the contract, ENRC Kazakhstan Holding BV and the Committee transferred their shareholdings in ENRC NV to the Company. The consideration was satisfied by: (i) the issuance by the Company of 15,026,900 ordinary shares of US$10.00 each in the capital of the Company credited as fully paid up to ENRC Kazakhstan Holding BV; (ii) the issuance by the Company of 4,973,100 ordinary shares of US$10.00 each in the capital of the Company credited as fully paid up to the Committee; and (iii) the issuance of promissory notes by the Company amounting to US$751,345,000 to ENRC Kazakhstan Holding BV and US$248,655,000 to the Committee.

The transactions undertaken to create the Group structure (including the issuance of the promissory notes) represent a business combination between entities under common control. IFRS 3 *Business Combinations* specifically does not cover transactions between entities under common control, and the Group has elected to use merger accounting principles. The Group, together with certain relevant entities and operations formerly under common control, has been consolidated as one continuing business throughout 2006. The issuance of promissory notes, amounting to US$1 billion, was recorded as a distribution of retained earnings in 2006.

Full details of the entities included in the consolidated financial statements are set out in note 37. The accounting for the transaction to exchange the Committee's minority interest for shares in ENRC NV is disclosed in note 2e.

On 12 December 2007, the Company successfully completed its IPO and is now listed on the main market of the London Stock Exchange.

The accounting policies used in preparing these consolidated financial statements are described below and are based on International Financial Reporting Standards, as adopted by the European Union (IFRS), and the Companies Act 1985 applicable to companies reporting under IFRS. These standards are subject to interpretations issued from time to time by the International Financial Reporting Interpretation Committee (IFRIC). These consolidated financial statements have also been prepared under the historical cost convention as modified for the revaluation of certain financial instruments.

b) Consolidated financial statements ('financial statements')

Subsidiaries are those companies and other entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

c) Minority interests

Minority interests are that part of the net results and of the net assets, including the fair value adjustments, which are attributable to interests which are not owned, directly or indirectly, by the parent. Minority interests form a separate component of the Group's equity.

The Group has adopted the 'parent company method' and applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Gains or losses arising from disposals of minority interests are recorded in the income statement. Goodwill arising from purchases of minority interests is recorded on the balance sheet. The excess of the fair value of the consideration paid over the book value of the minority interest represents goodwill.

The Group's acquisition of the Committee's minority interest on 19 December 2006 gave rise to goodwill of US$384 million (refer to notes 2e and 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

d) Functional and presentation currency

All amounts in these financial statements are presented in US$ millions, unless otherwise stated.

The functional currency of all the significant operating entities is the Kazakhstani tenge ('KZT'), whilst for the Sales and Marketing entities it is the US$. The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. The functional currency for the Company is the US$.

The following table shows, for the years indicated, the principal rates of exchange used for the Kazakhstani tenge, expressed in Kazakhstani tenge per US$1.00.

Years ended 31 December	Period end	Average rate
2007	**120.30**	**122.55**
2006	127.00	126.09

Exchange restrictions and controls exist relating to the conversion of Kazakhstani tenge into other currencies. At present, the Kazakhstani tenge is not a freely convertible currency.

e) Foreign currency translation

Transactions in currencies other than the local functional currency are translated to the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions and the translation of monetary assets and liabilities are taken to the income statement.

f) Translation from functional to presentation currency

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- All resulting exchange differences are recognised as a separate component of equity; and
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of acquisition. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in equity are recognised in the income statement.

g) Revenue recognition

A significant portion of production is sold under contract. Revenue is only recognised on individual shipments when persuasive evidence exists that the following criteria are satisfied:

- The significant risks and rewards of ownership of the product have been transferred to the buyer. If it is arranged that the goods are transported to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. The revenue from sales of many products is subject to adjustment based on an inspection of the product by the customer. In such cases, revenue is initially recognised on a provisional basis using the Group's best estimate of the quantity/quality of the product. Any subsequent adjustments to the initial estimate of quantity/quality of the product is recorded in revenue once they have been determined.
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold has been retained.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the sale will flow to the Group.

Revenues from sales of services are recognised in the accounting period in which the services are rendered by reference to the stage of completion of the specific transaction, assessed on the basis of the actual services provided, as a proportion of the total services to be provided. Revenues are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

h) Finance income and costs

Finance income comprises interest income on funds invested and gains and income on investment and trading securities. Finance costs comprise interest expense on borrowings, the accumulation of interest on provisions, interest expense from the unwinding of discount on provisions for asset retirement obligations and losses on the revaluation and disposal of investments designated at fair value through the income statement.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses, unless incurred on borrowings to finance the construction of property, plant and equipment which are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Interest income and expense is recognised on a time proportion basis, using the effective interest method.

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

i) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity. Kazakhstani excess profit tax, as defined in note 1j below, which is payable on super profits, is treated as an income tax and forms part of the income tax expense.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred excess profits tax is calculated with respect to temporary differences in respect of assets allocated to contracts for subsurface use at the expected rate of excess profits tax to be paid under the contract.

j) Excess profits tax

Excess profits tax is payable under subsurface use contracts where the internal rate of return during the year is in excess of 20%. Liabilities for excess profits tax are recorded in accordance with the Group's accounting policies for current and deferred tax and based on management's understanding of the provisions of the subsurface use contracts and tax regulations.

Where the Group's operations, within one production cycle, are divided into operations conducted under a subsurface use contract (subsurface use operations) and non-contractual operations (processing of products derived from subsurface use operations), for the purpose of the excess profits tax calculation, revenues from the internal transfer of product from the subsurface use operations to divisions operating the processing plants are recorded at the actual cost of extraction of the products. In all other cases, for the purposes of the excess profits tax calculation, revenue from external sales of product from subsurface use operations are recorded at the prices at which the products were actually sold.

k) Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they have been approved before or on the balance sheet date. Dividends are disclosed when they have been proposed before the balance sheet date or when declared after the balance sheet date but before the financial statements are authorised for issue.

l) Finance leases and hire purchase commitments

Finance leases, which transfer to the Group all the risks and rewards of ownership of the leased items, are capitalised at the inception of the lease. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The capital elements, net of finance charges, of future obligations under finance leases and hire purchase contracts are included as current- or long-term payables in the balance sheet, as appropriate. Lease payments are apportioned between the finance charge and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Capitalised lease assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

m) Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to the income statement on a straight-line basis over the period of the lease. For operating leases relating to the use of mining facilities, rental expense is recognised in cost of sales. For operating leases relating to the use of administrative facilities, rental expense is recognised in selling, general and administrative expenses in the income statement.

Where the Group is a lessor under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

n) Exploration and evaluation

Exploration and evaluation costs related to an area of interest are written off as incurred. At the time that it is considered probable that future costs will be recovered through successful development and exploitation of the area of interest, or alternatively through its sale, they are carried forward as an asset in the balance sheet and are included within mining assets.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. Selling, general and administrative expenses are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest. All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist.

Identifiable exploration assets acquired as part of a business combination are recognised as assets at their fair value, as determined by the requirements of IFRS 3 *Business Combinations*. Exploration and evaluation expenditure incurred subsequent to the acquisition is accounted for in accordance with the policy outlined above.

o) Property, plant and equipment

Property, plant and equipment is carried at cost (or deemed cost) less accumulated depreciation and any impairment charges. Depreciation is recorded over the useful life of the asset, or over the expected remaining life of the mine if shorter, as follows:

- Buildings and mining constructions: 20 to 50 years on a straight-line basis;
- Mining assets: on a units of production basis;
- Plant and equipment: 6 to 15 years on a straight-line basis;
- Motor vehicles: 5 to 15 years on a straight-line basis; and
- Land is not depreciated.

Estimates of residual values and useful lives are reassessed annually, and any change in estimate is taken into account in the determination of future depreciation charges.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the asset as a whole, are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. The cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Specialised spare parts and servicing equipment with a significant initial value and a useful life of more than one year are recognised as items of property, plant and equipment. Other spare parts and servicing-related equipment are recognised as inventories and accounted for in the income statement on utilisation.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement when the asset is retired.

Property, plant and equipment are tested for impairment if facts and circumstances indicate that impairment may exist, in accordance with the impairment policy below.

i) Mining assets

Once a project has been established as commercially viable, expenditure is capitalised under 'mining assets' together with amounts transferred from 'exploration and evaluation'. Mining assets include expenditure incurred to establish or expand productive capacity, costs to conduct mining-construction and mining-capital works, as well as costs arising from mining preparation works during the development or mine reconstruction phase.

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, including the cost of materials, direct labour and an appropriate proportion of production overheads.

When further development expenditure is incurred in respect of a mining asset after the commencement of production, such expenditure is carried forward as part of mining assets when it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is recognised as a cost of production.

Once a project has been fully commissioned, depreciation is charged using the units of production method, based on proved and probable reserves, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mining assets are included within the category 'Buildings and mining constructions' of property, plant and equipment.

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

ii) Assets under construction

Assets under construction are capitalised as a separate component of property, plant and equipment. Self-constructed assets include the cost of materials, direct labour and an appropriate proportion of production overheads.

On completion, the cost of construction is transferred to the appropriate category. Assets under construction are not depreciated. Depreciation commences on the earlier of the date when the assets are brought into service or the assets are available for use.

iii) Stripping costs

Stripping costs comprise the removal of overburden and other waste products from a mine. Stripping costs incurred in the development of mines and open pits before production commences are capitalised as part of the cost of constructing the mines and open pits, as part of mining assets, and are subsequently depreciated using the units-of-production method over the lives of the mines or open pits.

Stripping costs incurred during the production phase of operations are expensed as a production cost and included within the cost of inventory.

p) Impairment

Property, plant and equipment and all other non-financial assets are reviewed for impairment if facts and circumstances indicate that impairment may exist.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell' (the amount obtainable from the sale of an asset or cash generating unit in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal). Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arm's-length transaction. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The estimates used for impairment reviews are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of IAS 36 Impairment of Assets. Future cash flows are based on:

- estimates of the quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices (assuming the current market prices will revert to the Group's assessment of the long-term average price, generally over a period of three to five years); and
- future cash costs of production, capital expenditure, close down, restoration and environmental clean up.

The expected future cash flows of cash generating units reflect long-term mine and production plans which are based on detailed research, analysis and iterative modelling to optimise the level of return from investment, output and sequence of extraction. The plans take account of all relevant characteristics of the ore body, including waste-to-ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing and production equipment that can be used in extraction of ore and production of final products. The mine and production plans are therefore the basis for forecasting production output in each future year and the related production costs. Value in use represents discounted pre-tax cash flows discounted on the pre-tax long-term rate of capitalisation. Fair value less costs to sell is determined based on market information.

For impairment reviews, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36. IAS 36 includes a number of restrictions on the future cash flows that can be recognised in respect of future restructurings and improvement-related capital expenditure.

The pre-tax discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecast cash flows. If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the balance sheet to its recoverable amount. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

q) Goodwill

The purchase method of accounting is used to account for business combinations. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the fair value of the net assets of the acquiree at each exchange transaction represents goodwill. Any excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition ('excess of acquirer's interest' or 'negative goodwill') is recognised immediately in the income statement.

Goodwill is tested for impairment annually in accordance with the impairment policy described on page 73.

r) Intangible assets

Intangible assets, which are acquired by the Group and have finite useful lives, are stated at cost less accumulated amortisation and impairment losses. Intangible assets acquired as part of an acquisition of a business are capitalised at fair value when the fair value can be measured reliably on initial recognition. Intangible assets are tested for impairment if facts and circumstances indicate that impairment may exist, in accordance with the impairment policy described above.

s) Financial assets

Recognition

Purchases and sales of financial instruments are recognised on the relevant settlement date, which is the date that an asset is delivered to or by the Group. The change in value between the trade date and settlement date is not recognised for assets carried at cost or amortised cost. The change in value between the trade date and settlement date is recognised in the income statement for financial instruments held for trading or designated on initial recognition as 'at fair value through income statement'. Fair value at the trade date (initial recognition) is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

The Group derecognises financial assets when: (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired; (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets; or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Classification

The Group classifies its financial assets into the following measurement categories: loans and receivables, and fair value instruments through the income statement. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

i) Loans and receivables

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables are recognised initially at fair value plus transaction costs. Subsequently, loans and receivables are stated at amortised cost using the effective yield method. Where a loan is provided at interest rates different from market rates, the loan is re-measured at origination at its fair value, which is represented by future interest payments and principal repayments discounted at market interest rates for similar loans. The difference between the fair value of the loan at origination and its cost (fair value of the contribution to the borrower, net of transaction costs) represents an origination gain or loss.

The origination gain or loss is recorded in the income statement within finance income/costs unless it qualifies for recognition as an asset, liability or a charge to equity in accordance with the substance of the arrangement. Subsequently, the carrying amount of the loans is adjusted for amortisation of the origination gain or loss and the amortisation is recorded as finance income/costs using the effective yield method.

Loans and receivables are included in current assets in the balance sheet, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

ii) Assets designated at fair value through income statement

Financial assets at fair value through the income statement are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as financial assets at fair value through the income statement unless they are designated as hedges.

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Differences between fair value and carrying value are recognised in other operating income or expense in the income statement.

i) Financial instruments carried at fair value

Trading investments and financial derivatives recognised at fair value through the income statement and financial derivatives, including those classified as non-current assets held for sale, are carried on the consolidated balance sheets at their fair value.

Fair values are determined based on quoted market prices except for certain investment securities available-for-sale for which there are no available external independent market price quotations. These securities are fair valued by the Group on the basis of results of recent sales of equity interests in the investees between unrelated third parties, consideration of other relevant information such as discounted cash flows and financial data of the investees and application of other valuation methodologies. Valuation techniques require certain assumptions that were not supported by observable market data. Changing any such assumptions used to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

ii) Financial assets carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of trade receivables approximate fair values.

iii) Liabilities carried at amortised cost

The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ('demandable liabilities') is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Refer to note 26 for the estimated fair values of borrowings.

t) Derivative financial instruments and hedging activities

Within the ordinary course of business the Group routinely enters into sale and purchase transactions for commodities. These transactions take the form of contracts that are entered into and continue to be held for the purpose of receipt or delivery of the commodity in accordance with the Group's expected sale, purchase or usage requirements. Such contracts are not within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*. Any net-settled commodity contracts are measured at fair value with gains and losses taken to the income statement.

Derivative financial instruments are initially recognised at fair value as assets when the fair value is positive and as liabilities when the fair value is negative on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or firm commitment (fair value hedge);
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Management policy is to hedge a proportion of foreign exchange risk associated with highly probable forecast transactions denominated in foreign currencies, refer to note 34 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other operating expense – net'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward exchange contracts hedging export sales is recognised in the income statement within 'cost of sales'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Movements on derivatives not designated as hedge derivatives are taken to 'other operating expense – net' in the income statement.

Refer to notes 33 and 34 for disclosure of derivatives and financial risk management.

u) Inventories

Inventories are recorded at the lower of weighted average cost and net realisable value.

Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost for raw materials is purchase price or extraction cost and for work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation and overheads based on normal operating capacity.

Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

v) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest yield method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, which is the present value of expected cash flows, discounted at the original effective interest rate. The movement in the provision from the previous reporting period is recognised in the income statement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Subsequent recoveries of amounts previously written off are credited against 'selling, general and administration expenses' in the income statement.

w) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less for cash flow purposes. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date are included in other non-current assets, while balances restricted for more than three months but less than 12 months after the balance sheet date are included in trade and other receivables. Restricted balances are excluded from cash and cash equivalents for the purpose of the cash flow statement.

x) Invested capital

The Company did not exist until 8 December 2006, and did not become the parent company for the Group until 19 December 2006. Invested capital represents the difference between the cumulative investment in the entities and businesses which form part of the combined ENRC PLC Group and the minority interests.

y) Borrowings

Borrowings are initially recorded at fair value net of transaction costs, including facility fees, incurred and subsequently measured at amortised cost using the effective interest method.

Where a loan is obtained at interest rates different from market rates, the loan is re-measured at origination to its fair value, which is calculated as future interest payments and principal repayments discounted at market interest rates for similar loans. The difference between the fair value of the loan at origination and its cost (fair value of the contribution to the borrower, net of transaction costs) represents an origination gain or loss. The origination gain or loss is recorded in the income statement within finance income/costs unless it qualifies for recognition as an asset, liability or a charge to equity in accordance with the substance of the arrangement. Subsequently, the carrying amount of the borrowings is adjusted for amortisation of the origination gain or loss and the amortisation is recorded as finance income/cost using the effective interest yield method on the asset/liability.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

z) Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

aa) Asset retirement obligations and other environmental provisions

An obligation to incur asset retirement costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production. Costs are estimated on the basis of a formal closure plan and are subject to regular review.

Asset retirement costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalised into the cost of the related asset. These costs are charged against profits through depreciation of the asset and unwinding of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of environmental disturbance, which arise during production, are provided at their net present values and charged against operating profits as extraction progresses. A change in the measurement of a liability which arises during production is charged against operating profit.

The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

ab) Employee benefit obligations

Defined benefit plans

The Group provides long-term employee benefits to employees in Kazakhstan before, on and after retirement, in accordance with a labour union agreement. Such benefits are valued consistent with an unfunded defined benefit plan in accordance with IAS 19 *Employee Benefits*. There are no post retirement/long-term service benefits provided in any other country where the Group operates.

The future benefit that employees have earned is discounted to determine the present value. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the Group's benefit obligations. The calculation is performed annually by a qualified, independent actuary.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans. For defined benefit post-employment plans, the difference between the fair value of the plan assets (if any) and the present value of the defined liabilities obligations is recognised as an asset or liability on the balance sheet. Actuarial gains and losses arising in the year are taken to the income statement. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the income statement, including current service cost, any past service cost and the effect of any curtailments or settlements.

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post retirement/long-term service benefits

The entitlement to these benefits is usually conditional on the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

Payroll expense and related contributions

Wages, salaries, and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the countries in which it operates. These payments are expensed as incurred. Upon retirement of the employee, the financial obligations of the Group, in this regard, cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

Share-based bonus awards

The Group operates an equity settled share-based bonus award scheme in respect of the Directors, management, senior employees and professional advisers' contribution to the Group's preparations for admission to the London Stock Exchange. The fair value of the employee services received, measured by reference to the fair value of the shares granted at the grant date less nominal value, is recognised as initial public offering cost in the income statement.

ac) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

ad) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

ae) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value. Financial guarantees are recognised when premiums are paid or in the case of premium-free guarantees when the borrower received the money from the financing entity. When the Group issues premium-free guarantees or guarantees at a premium different form the market premium, the fair value is determined using valuation techniques (e.g. market prices of similar instruments, interest rate differentials, etc). Losses at initial recognition of financial guarantee liabilities are recognised in the income statement within other operating expenses. Financial guarantee liabilities are amortised on a straight-line basis over the life of the guarantee with the respective income presented within other operating income. At each balance sheet date, the guarantees are measured at the higher of: (i) the unamortised balance of the amount at initial recognition; and (ii) the best estimate of expenditure required to settle the obligation at the balance sheet date.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Ore reserve estimates

The Group's ore reserves are based on its best estimate of product that can be economically and legally extracted from the relevant mining properties. Estimates are developed after taking into account a range of factors including quantities, ore grades, production techniques and recovery rates, forecast commodity prices and production costs.

The Group's estimates are supported by geological studies and drilling samples to determine the quantity and grade of each ore body. Significant judgement is required to generate an estimate based on the geological data available.

Ore reserve estimates are calculated based on the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the JORC code) which requires the use of reasonable assumptions, including:

- future production estimates – which include proved and probable reserves, resource estimates and committed expansions;
- expected future commodity prices, based on current market price, forward prices and the Group's assessment of the long-term average price; and
- future cash costs of production, capital expenditure and rehabilitation obligations.

Ore reserve estimates may change from period to period. This may impact the Group's financial results. Such changes in reserves may impact depreciation charges, asset carrying values, and asset retirement obligation provisions.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

b) Life of mines

Contracts for subsurface use expire between 2017 and 2045. Management expects that the subsurface use contracts will be extended at nominal cost until the end of the lives of the related mines. Any change to this assumption may impact the Group's financial results by affecting depreciation charges, asset carrying values and asset retirement obligations, as these have been recorded on the assumption that the subsurface use contracts will be extended until the end of the mine life. During 2007, the Government of the Republic of Kazakhstan confirmed by letter, addressed to the Group, that the Group is entitled to prolong the contracts under the contractual terms and the subsurface use legislation. If the contracts are not renewed at their current expiry dates, the carrying amount of property, plant and equipment existing at the expiry date to be written off at the date of expiry is valued at US$450 million as at 31 December 2007 (2006 : US$330 million).

c) Provision for asset retirement obligations

Provision is made for asset retirement obligations when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs as outlined in note 1aa.

The provision recognised represents management's best estimate of the costs that will be incurred but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on management's interpretation of compliance with current environmental legislation in the Republic of Kazakhstan. Significant changes in environmental legislation, restoration techniques and estimates of contamination will result in changes to provisions from period to period.

The engineering estimates evaluated by management are reviewed annually by independent mining engineering consultants.

The inflation rate currently applied in the calculation is 8.3% as at 31 December 2007 (2006 : 7.4%) being the estimate of the rate of inflation over the mine lives. The discount rate currently applied in the calculation is 7.4% at 31 December 2007 (2006 : 8.0%) being the estimate of the risk-free pre-tax cost of borrowings over the life of mines. Rehabilitation expenditure is largely expected to take place at the end of the respective mine lives, which varies from 30 to 42 years, with an average, weighted by the estimated closure date, provision of 33 years.

d) Impairment

The Group considers internal and external indicators of impairment relating to its tangible and intangible assets. The Group considers internal and external indicators of impairment relating to its tangible and intangible assets. The effects of exchange rate and commodity price changes on the asset values of the businesses in the Group relative to their carrying values are monitored closely.

e) Valuation of the Government transaction

As described in note 1a, on 19 December 2006 the Committee exchanged its shares in the principal mining and metal processing subsidiaries for a 24.9% shareholding in ENRC NV; on the same day it exchanged its ENRC NV shares for 24.9% of the ordinary share capital of Eurasian Natural Resources Corporation PLC and a promissory note of US$249 million.

At 19 December 2006, Eurasian Natural Resources Corporation PLC was a privately held company whose shares were not publicly traded. Accordingly, it was necessary to establish an appropriate basis for determining the fair value of shares issued, as in the absence of an active market an alternative valuation technique had to be used.

Management determined that the transaction in 2006, whereby the three Founder Shareholders sold 25% of ENRC Kazakhstan Holding BV (the then parent company for the ENRC Group) for US$751 million to Mr V S Kim ('Kim transaction'), could be used as an appropriate reference value for the 24.9% Government shareholding. An additional 10.0% uplift was considered to reflect the additional value created during 2006 by ENRC following the completion of the legal restructuring and preparation for a 2007 IPO as well as movements in market indices in 2006. The deemed fair value of the 24.9% shareholding in Eurasian Natural Resources Corporation PLC amounted to US$1 billion which resulted in goodwill amounting to US$384 million.

f) Tax legislation

Kazakhstan tax legislation is subject to varying interpretations (refer to note 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. NEW ACCOUNTING PRONOUNCEMENTS

The Group has early adopted IFRS 7 *Financial Instruments* disclosures from 1 January 2006. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments.

The following new standards and interpretations have been published that are not mandatory for the Group's accounting year ended 31 December 2007 which the Group has not early adopted:

IFRS 8	Operating segments (effective from periods beginning on or after 1 January 2009).
IFRIC 11, IFRS 2 (Amendment)	Group and treasury share transactions (effective from annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for instance, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions.
IAS 23 (Revised)	Borrowing costs (effective from periods beginning on or after 1 January 2009 – not yet endorsed by the EU).
IAS 1 (Revised)	Presentation of financial statements (effective from 1 January 2009 – not yet endorsed by the EU).
IAS 27 (Revised)	Consolidated and separate financial statements (effective from periods beginning on or after 1 July 2009 – not yet endorsed by the EU).
IFRS 2 (Amendment)	Share-based payment and amendment vesting conditions and cancellations (effective from periods beginning on or after 1 January 2009 – not yet endorsed by the EU).
IFRS 3 (Revised)	Business combinations (effective for business combinations after 1 July 2009 – not yet endorsed by the EU).

These new standards and interpretations are not expected to significantly affect the Group's financial statements.

The following new standards and interpretations have been published that are not mandatory for the Group's accounting year ended 31 December 2007 and which will not be relevant for the Group (not yet endorsed by the EU):

IFRIC 12	Service concession arrangements (effective from periods beginning on or after 1 January 2008).
IFRIC 13	Customer loyalty programmes (effective from periods beginning on or after 1 July 2008).
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from periods beginning on or after 1 January 2008).

4. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and receivables and mainly exclude investments and income tax balances. Segment liabilities comprise primarily trade and other payables. Capital expenditure comprises additions to property, plant and equipment and intangible assets. Unallocated items comprise mainly investments and related income, interest-bearing loans, borrowings and finance income costs and taxation.

The Group is organised on the basis of five main business segments:
- Ferroalloys – Principal activity comprises the extraction and sale of chrome ore as well as the production of ferroalloys from chromium and manganese ores.
- Iron ore – Principal activity comprises extraction, processing and manufacturing of iron ore products.
- Alumina and Aluminium – Principal activity comprises extraction and processing of bauxite and limestone, and smelting of alumina and aluminium.
- Energy – Principal activity comprises coal production and power generation.
- Logistics – Kazakhstan's main freight forwarder and railroad operator, providing international logistics for all ENRC operations; also rail construction and repair services for the Kazakhstani state rail company.

Internal charges between segments have been reflected in the performance of each business segment. The Group has a number of activities that exist principally to support the mining operations including power generation, coal mining and transportation. Inter-segment transfers or transactions are entered into under a cost plus pricing structure.

4. SEGMENT INFORMATION CONTINUED

Segment information for the main reportable business segments of the Group for the years ended 31 December 2007 and 2006 is set out below:

2007 Segmental analysis

In millions of US$	Ferroalloys	Iron ore	Alumina and Aluminium	Energy	Logistics	Corporate	Eliminations	Group
Revenue	2,178	991	607	181	149	–	–	4,106
Inter-segment revenues	–	–	1	133	83	–	(217)	–
Segment revenue	**2,178**	**991**	**608**	**314**	**232**	**–**	**(217)**	**4,106**
Segment operating profit	**1,038**	**359**	**159**	**71**	**27**	**(233)**	–	**1,421**
Finance income								58
Finance costs								(158)
Profit before income tax								**1,321**
Income tax expense								(507)
Profit for the year								**814**
EBITDA before exceptional items	**1,138**	**448**	**220**	**107**	**44**	**(51)**	–	**1,906**
Depreciation and amortisation	(100)	(89)	(61)	(36)	(17)	–	–	(303)
Exceptional items	–	–	–	–	–	(182)	–	(182)
Segment operating profit	**1,038**	**359**	**159**	**71**	**27**	**(233)**	–	**1,421**
Capital expenditure	**168**	**227**	**365**	**89**	**57**	**5**	–	**911**
Segment assets	**1,962**	**1,222**	**1,396**	**514**	**245**	**52**	**(27)**	**5,364**
Segment liabilities	**(259)**	**(145)**	**(117)**	**(37)**	**(39)**	**(76)**	**27**	**(646)**
								4,718
Unallocated assets and liabilities (net)								**201**
Prepayment – Serov								**100**
IPO Proceeds								**2,461**
Loans receivable								**35**
Borrowings								**(1,424)**
Deferred and current income taxation (net)								**(302)**
Total equity								**5,789**
Average number of employees	**21,020**	**19,420**	**13,870**	**6,420**	**3,200**	**220**		**64,150**

Geographical segment information for the main reportable business segments of the Group for the year ended 31 December 2007 is set out below:

Geographical segmental analysis

In millions of US$	Eurasia*	Europe and Middle East	Asia Pacific*	Rest of World	Total
2007					
Revenue	2,167	566	1,114	259	**4,106**
Assets	4,655	609	47	53	**5,364**
Capital expenditure	907	4	–	–	**911**

* Eurasia comprises Kazakhstan, Russia and other countries of the former Soviet Union; Asia Pacific comprises China, Korea and Japan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. SEGMENT INFORMATION CONTINUED

2006 Segmental analysis

In millions of US$	Ferroalloys	Iron ore	Alumina and Aluminium	Energy	Logistics	Corporate	Eliminations	Group
Revenue	1,473	829	602	154	198	–	–	3,256
Inter-segment revenues	–	–	10	109	79	–	(198)	–
Segment revenue	1,473	829	612	263	277	–	(198)	3,256
Segment operating profit	476	244	226	41	38	(28)	–	997
Finance income								24
Finance costs								(50)
Profit before income tax								971
Income tax expense								(285)
Profit for the year								686
EBITDA before exceptional items	547	323	277	77	54	(22)	–	1,256
Depreciation and amortisation	(71)	(79)	(51)	(36)	(16)	–	–	(253)
Exceptional items	–	–	–	–	–	(6)	–	(6)
Segment operating profit	476	244	226	41	38	(28)	–	997
Capital expenditure	170	107	227	42	16	1		563
Segment assets	1,584	1,096	887	365	246	58		4,236
Segment liabilities	(243)	(146)	(69)	(24)	(72)	–		(554)
								3,682
Unallocated assets and liabilities (net)								73
Loans receivable								261
Borrowings								(1,484)
Deferred and current income taxation (net)								(260)
Total equity								2,272
Average number of employees	20,500	18,750	12,500	6,300	3,800	150		62,000

Geographical segment information for the main reportable business segments of the Group for the year ended 31 December 2006 is set out below:

Geographical segmental analysis

In millions of US$	Eurasia*	Europe and Middle East	Asia Pacific*	Rest of World	Total
2006					
Revenue	1,724	405	957	170	3,256
Assets	3,795	357	35	49	4,236
Capital expenditure	563	–	–	–	563

* Eurasia comprises Kazakhstan, Russia and other countries of the former Soviet Union; Asia Pacific comprises China, Korea and Japan.

External revenue is based on where the customer is located. Segment assets and capital expenditure are based on where the assets are located.

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below. All balances and transactions are with entities under common control or entities controlled by the Republic of Kazakhstan.

Founder Shareholders

As described in note 1a, the Group has been formed from a collection of entities jointly controlled by the three Founder Shareholders, Mr PK Chodiev, Mr AR Ibragimov and Mr AA Machkevitch. During the reporting periods, the Group undertook significant related party transactions with entities controlled by the three Founder Shareholders. These transactions were undertaken at contracted rates, which were not necessarily on an arm's length basis pre-IPO. The principal activities conducted with related parties were as follows:

- Surplus cash in the plants in Kazakhstan was lent to Eurasian Bank JSC at below market interest rates. Loans were also drawn from Eurasian Bank JSC. A summary is provided below.
- Insurance cover was provided by Eurasian insurance company JSC at the regulated rates.
- Coal purchases were made from Shubarkol Komir JSC and Mugotecs Coal Mining JSC, at below market rates.

Post IPO, all transactions with related parties will be approved by the Board and be on an arm's length basis.

The tables below summarise the related party transactions and balances with entities under common control:

	Years ended 31 December	
In millions of US$	2007	2006
Revenue from sale of goods		
Ferroalloys*	**95**	52
Iron ore	**5**	–
Energy	**8**	–
Other income		
Insurance, commission and other income	**23**	31
Expenses		
Purchase of raw materials	**(79)**	(25)
Insurance	**(45)**	(76)
Selling, general and administrative expenses	**(38)**	(37)
Finance income	**28**	19
Finance costs	**(36)**	(26)
Bank charges	**(8)**	(9)

* Mainly to Serov.

The outstanding balances with entities under common control at 31 December 2007 and 31 December 2006 are as follows:

		As at 31 December	
In millions of US$	Note	2007	2006
Non-current assets			
Loans receivable	20	**7**	21
Other non-current assets	21	**114**	8
Current assets			
Trade and other receivables	23	**107**	88
Loans receivable	20	**26**	208
Term deposits	23	**138**	38
Cash and cash equivalents		**76**	221
Non-current liabilities			
Borrowings:			
Promissory note		**–**	601
Other	26	**–**	42
Current liabilities			
Borrowings:			
Promissory note		**–**	150
Other	26	**1**	215
Trade and other payables	29	**6**	65

Other non-current assets include an initial payment of US$100 million made on 16 July 2007 as part of the acquisition of Serov Group. Refer to note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES CONTINUED

Promissory notes

During December 2006, promissory notes for US$1 billion were issued by the Group (recorded as distribution of Retained Earnings) in which the Group promised to pay the principal sums of US$751 million and US$249 million to ENRC Kazakhstan Holding BV and to the Ministry of Finance of the Republic of Kazakhstan, respectively, refer to note 1a.

In the year ended 31 December 2007, the promissory notes were fully repaid. The repayment was financed through an increase in the structured trade finance facility referred to in note 26 and from the IPO proceeds. During the year ended 31 December 2007 US$24 million (2006 : US$2 million) and US$8 million (2006 : US$1 million) of interest were incurred in relation to the promissory notes, to ENRC Kazakhstan Holding BV and the Committee, respectively.

Other rights and obligations with related parties at 31 December 2007 and 31 December 2006 are set out below:

In millions of US$	Note	As at 31 December 2007	As at 31 December 2006
Guarantees issued by the Group	32	**19**	50

The table below summarises the outstanding balances with Eurasian Bank JSC at:

In millions of US$	Note	As at 31 December 2007	As at 31 December 2006
Long-term deposits and restricted cash	21	**5**	6
Term deposits	23	**138**	38
Other receivables		**–**	6
Cash and cash equivalents		**76**	221
Letters of credit	21,23	**16**	1
Borrowings – non current		**–**	(12)
Borrowings – current		**–**	(1)
Other payables		**–**	(2)
Net position		**235**	257

The effective interest rate for short-term deposits for the year ended 31 December 2007 is 8.4% (2006 : 5.9%).

In 2007, the Group agreed to maintain until October 2008 certain existing term deposits with Eurasian Bank amounting to US$123 million.

Shareholders' Settlement Agreement

During June 2007, the Group undertook a series of transactions to consolidate a number of assets and liabilities outstanding with various companies under the control of the Founder Shareholders. There was a settlement of the overall outstanding balance to eliminate amounts owing from Eurasian Natural Resources Corporation PLC subsidiaries to the shareholder group.

As a result of the above transactions, the inter-company balances within the ENRC Group were significantly reduced. The inter-company balances (excluding certain balances, which existed with the immediate shareholders of Eurasian Natural Resources Corporation PLC on formation of the Group) now exist entirely between the subsidiaries of Eurasian Natural Resources Corporation PLC as opposed to being in place between the Founder Shareholders of Eurasian Natural Resources Corporation PLC and its subsidiaries.

The following loans have been settled as part of the Shareholders' Settlement Agreement:

Kherson Holding BV

The Group received financing loans from Kherson Holding BV, a related party, for the amount of US$54 million. The loan agreements specified an interest rate of 0% and that the principal was to be repaid by 2010. The carrying amount of these loans at 31 December 2006 was US$28 million. As at 31 December 2007, these loans had been reassigned to ENRC NV as a part of the reassignment process resulting from the Shareholders' Settlement Agreement.

CIM Global Investments BV

During December 2006, CIM Global Investments BV provided a short-term loan of US$47 million to the Group for the purpose of financing the construction of the aluminium smelter. The loan bore interest at the rate of 5.0% per annum and as at 31 December 2007 had been settled in full as part of the Shareholders' Settlement Agreement.

ENRC Kazakhstan Holding BV

During December 2006, ENRC Kazakhstan Holding BV provided a short-term loan of US$139 million to the Group for the purpose of financing the construction of the aluminium smelter. The loan bore interest at the rate of LIBOR plus 1.0% and as at 31 December 2007 had been settled in full as part of the Shareholders' Settlement Agreement.

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES CONTINUED

Kazakhstan Minerals Resource Corporation ('KMRC')

The Eurasian Energy Corporation JSC ('EEC') concluded an Investment Agreement with KMRC according to which KMRC had committed to invest US$5 million annually from 2000 until 2009 and US$20 million annually from 2010 until 2024. The total amount to be invested was equal to US$344 million. The carrying amount of this loan at the year ended 31 December 2006 was US$13 million. In light of the legal restructuring, the Committee agreed to annul KMRC's obligation, during 2007, on condition that Eurasian Natural Resources Corporation PLC committed in writing to the planned capital expenditure investment programme at EEC. Refer to note 32.

Republic of Kazakhstan

In addition to conducting transactions with entities controlled by the Founder Shareholders, the Group conducted transactions with entities controlled by the Republic of Kazakhstan. The principal activities were as follows:

- Provision of railway repair services through Remput LLP and Company Zhol zhondeushi LLP;
- Supply of electricity through Eurasian Energy Corporation JSC; and
- Operating costs, including appropriate taxes.

All revenue-generating transactions between the Group and government departments and agencies are considered to be related party transactions. Costs of transactions between the Group and government departments and agencies are also considered to be related party transactions unless they meet all of the following criteria:

- They were done in the normal course of the government departments and agencies dealings;
- There is no choice of suppliers; and
- They have terms and conditions (including prices, privileges, credit terms, regulations etc.) that are consistently applied to all entities, public or private.

The related party transactions with government departments and agencies of the Republic of Kazakhstan are set out below:

In millions of US$	Years ended 31 December 2007	2006
Revenue from the provision of services	**134**	173
Revenue from the sale of goods	**6**	3

The Group did not have any non-standard or privileged transactions with entities controlled by the Republic of Kazakhstan.

Other transactions

Balances outstanding with pre-IPO shareholders were as follows:

In millions of US$	Note	Years ended 31 December 2007	2006
Distributions payable	29	**4**	133

Transactions with Founder Shareholders are summarised below:

In millions of US$	Years ended 31 December 2007	2006
Distributions paid	**282**	246
Other movements in invested capital (net)	**–**	30

Distributions paid represent declared dividends. A total amount of US$500 million interim dividend was paid in 2007, of which US$282 million pertains to the Founder Shareholders.

Other movements in invested capital (net) represent earnings of entities or businesses previously held under common control, retained directly by the Founder Shareholders and the residual profits of the Russian Trading Structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. BALANCES AND TRANSACTIONS WITH RELATED PARTIES CONTINUED

Key management compensation

Key management compensation is summarised below:

In thousands of US$	Years ended 31 December 2007	2006
Salaries and other short-term employee benefits, including bonuses	**29,349**	25,782
IPO bonus	**85,899**	–
Total	**115,248**	25,782

Balances outstanding with key management arising from key management compensation were as follows:

In thousands of US$	Years ended 31 December 2007	2006
Receivables from key management	**5,388**	–
Payables to key management	**(13,887)**	–

Board compensation

Compensation payable to directors of the Company (including individuals acting in the capacity of Director during the period presented) is for the services performed for the Group.

Directors' detailed emoluments are disclosed in the Remuneration Report on pages 59 to 62.

IPO bonus

The Company has granted US$150 million cash and share awards to Directors, management, senior employees and other advisers in respect of their contribution to the Group's preparations for Admission. US$41 million cash awards and US$109 million worth of ordinary shares, (10,000,000 shares with a nominal value of US$0.20 each) were awarded.

6. REVENUE

In millions of US$	Years ended 31 December 2007	2006
Sales of goods	**3,861**	2,965
Logistics	**149**	198
Sales of by-products and other income	**96**	93
Total revenue	**4,106**	3,256

7. COST OF SALES

In millions of US$	Years ended 31 December 2007	2006
Materials and components used	**(835)**	(721)
Staff costs	**(354)**	(295)
Depreciation and amortisation	**(271)**	(241)
Power and energy	**(65)**	(54)
Royalties and other taxes	**(52)**	(24)
Repairs and maintenance	**(35)**	(24)
Commission	**(24)**	(34)
Insurance	**(28)**	(48)
In-plant carriage costs	**(11)**	(5)
Changes in inventories of finished goods and work-in-progress	**38**	(4)
Realised gain on the cash flow hedge	**4**	–
Other	**(68)**	(92)
Total cost of sales	**(1,701)**	(1,542)

8. DISTRIBUTION COSTS

In millions of US$	Years ended 31 December 2007	2006
Transportation costs	**(269)**	(309)
Insurance	**(19)**	(28)
Taxes and duties	**(18)**	(3)
Agency fees	**(17)**	(13)
Other	**(50)**	(54)
Total distribution costs	**(373)**	(407)

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In millions of US$	Years ended 31 December 2007	2006
Staff costs	**(290)**	(96)
Professional and other services	**(74)**	(35)
Sponsorship and donations	**(34)**	(24)
Depreciation, amortisation and impairment	**(32)**	(12)
Taxes other than on income	**(47)**	(29)
Travel and entertainment	**(20)**	(18)
Rent	**(12)**	(9)
Bank charges	**(11)**	(12)
Impairment loss provision	**(5)**	(4)
Utilities	**(5)**	(5)
Repairs and maintenance	**(4)**	(7)
Insurance	**(4)**	(2)
Other	**(68)**	(37)
Total selling, general and administrative expenses	**(606)**	(290)
Costs incurred in relation to the initial public offering (exceptional items)	**(182)**	(6)

Exceptional item

Costs related directly to the new issue of shares have been deducted from equity. Attributable IPO costs are allocated between the share premium account and income statement in proportion to the number of new shares issued compared to the existing number of shares. Other costs attributable to the Listing have been expensed.

Costs expensed for the year ended 31 December 2007, in relation to the initial public offering, are US$182 million of which US$150 million IPO bonuses are included in staff costs in the table above. The remaining US$32 million is in professional and other services. Refer to note 5. Costs of US$96 million have been taken to equity. Refer to note 15 for the tax effect.

10. OTHER OPERATING EXPENSES – NET

In millions of US$	Years ended 31 December 2007	2006
Net foreign exchange losses	**(8)**	(16)
Net (losses)/gains on financial instruments and derivatives	**(32)**	3
Loss on disposal of property, plant and equipment	**(1)**	(9)
Net income/(expense) from sale of other assets	**7**	(3)
Insurance income	**13**	7
Other income/(expense)	**16**	(2)
Total other operating expenses – net	**(5)**	(20)

11. AUDITORS' REMUNERATION

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor as detailed below:

In millions of US$	Years ended 31 December 2007	2006
Audit services		
Fees payable to Company auditor for the audit of parent company and consolidated financial statements[1]	**1.4**	–
Non-audit services		
Fees payable to the Company's auditor and its associates for other services:		
The audit of Company's subsidiaries pursuant to legislation	**2.6**	2.7
Other services pursuant to legislation[2]	**20.5**	4.2
Other services related to taxation	**4.3**	1.5
All other services	**1.4**	0.5

1 The first set of statutory accounts have been prepared for the year ended 31 December 2007.
2 Comprises primarily services in relation to the preparation for the Listing of the Company.

12. EMPLOYEE BENEFIT EXPENSE

In millions of US$	Note	Years ended 31 December 2007	2006
Wages and salaries		**(587)**	(351)
Social security costs		**(57)**	(42)
Pensions costs		**(1)**	(1)
Total employee benefit expense		**(645)**	(394)
Average number of employees	4	**64,150**	62,000

Included in the total employee benefit expense for 2007 is US$150 million relating to costs expensed in relation to the IPO of which US$145 million is included in wages and salaries and US$5 million is in social security costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. FINANCE INCOME

In millions of US$	Years ended 31 December 2007	2006
Interest income from loans and receivables	**45**	15
Bank interest income	**13**	9
Total finance income	**58**	24

14. FINANCE COST

In millions of US$	Note	Years ended 31 December 2007	2006
Interest expense on bank borrowings		**(54)**	(13)
Interest expense on promissory notes	5	**(32)**	(2)
Amortisation of financial instruments discount		**(22)**	(9)
Amortisation of financial instruments discount-related parties	5	**(5)**	(7)
Other finance costs		**(27)**	–
Other interest expense		**(9)**	(3)
Other interest expense-related parties	5	**(7)**	(17)
Finance lease costs		**–**	(2)
Unwinding of asset retirement obligation discount	27	**(4)**	(3)
Less capitalised borrowing costs	17	**2**	6
Total finance cost		**(158)**	(50)

The capitalised borrowing costs arose principally on financing directly attributable to the construction of the aluminium smelter plant in Kazakhstan Aluminium Smelter JSC. The average capitalisation rate was 9.0% for the year ended 31 December 2007 (2006 : 9.0%).

15. INCOME TAXES

Income tax expense comprises the following:

In millions of US$	Years ended 31 December 2007	2006
Corporate income tax – current year	**(474)**	(250)
Corporate income tax – prior periods	**(22)**	–
Deferred tax expense – current year	**(11)**	(35)
Income tax expense for the year	**(507)**	(285)

Taxation has been provided at current rates on the profits earned in the period. The effective tax rate is higher than the statutory rate due primarily to costs incurred in relation to the Listing on the London Stock Exchange which are not tax deductible and interest costs incurred in the UK which are not available to offset against current year profits. All taxation in the table above is overseas taxation.

The effective rate of tax, excluding the costs relating to the Listing which are non-recurring, is 34%.

Factors affecting future tax charges

Future tax charges are affected by the mix of profits in the various tax jurisdictions in which the Group operates, and by the level of excess profits tax payable in Kazakhstan.

Reconciliation between the expected and the actual taxation charge is provided below.

In millions of US$	Years ended 31 December 2007	2006
Profit before tax	**1,321**	971
Notional tax charge at UK corporation tax rate 30% (2006 : 30%)	**396**	291
Items not deductible for tax purposes	**62**	39
Effects of different tax rates in other countries	**(78)**	(48)
Income not chargeable for tax purposes	**(12)**	(7)
Excess profits tax – current year	**33**	–
– prior periods	**5**	–
Utilisation of previously unrecognised tax loss carry forwards	**–**	7
Unrecognised deferred tax asset	**89**	–
Prior year adjustment	**17**	–
Other	**(5)**	3
Income tax expense for the year, an effective rate of 38% (2006 : 29%)	**507**	285

During 2007, the Group incurred non-recurring costs, which have been treated as not tax deductible, of US$38 million, a tax effect of US$11.3 million, as a consequence of seeking a Listing on the London Stock Exchange.

15. INCOME TAXES CONTINUED

Deferred taxation

The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 30% at 31 December 2007 (2006 : 30%).

Temporary timing differences comprise of deferred tax on provisions against receivables, employee bonuses, benefits and pensions, and other similar short-term deposits.

The Group has not recorded a deferred tax liability in respect of taxable temporary differences of US$2,164 million (2006 : US$1,799 million) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

In millions of US$	31 December 2006	Charged/ (credited) to Income Statement	Charged/ (credited) to Equity	Translation to presentation currency	**31 December 2007**
Gross deferred tax asset					
Temporary timing differences	(62)	(43)	–	(3)	**(108)**
Less offsetting with deferred tax liabilities	50	46	–	4	**100**
Recognised deferred tax asset	(12)	3	–	1	**(8)**
US$38 million of the gross deferred tax asset is expected to reverse within 12 months.					
Tax effect of taxable temporary differences					
Property, plant and equipment	315	48	–	18	**381**
Other temporary timing differences	15	6	(9)	2	**14**
Gross deferred tax liability	330	54	(9)	20	**395**
Less offsetting with deferred tax assets	(50)	(46)	–	(4)	**(100)**
Deferred tax liability	280	8	(9)	16	**295**

US$31 million of the gross deferred tax liability is expected to reverse within 12 months.

In millions of US$	1 January 2006	Charged/ (credited) to income statement	Translation to presentation currency	31 December 2006
Tax effect of deductible temporary differences and tax loss carry forwards	(57)	(3)	(2)	(62)
Gross deferred tax asset	(57)	(3)	(2)	(62)
Less offsetting with deferred tax liabilities	43	5	2	50
Recognised deferred tax asset	(14)	2	–	(12)
Tax effect of taxable temporary differences				
Property, plant and equipment	268	34	13	315
Other temporary timing differences	10	4	1	15
Gross deferred tax liability	278	38	14	330
Less offsetting with deferred tax assets	(43)	(5)	(2)	(50)
Recognised deferred tax liability	235	33	12	280

The Group has unrecognised deferred tax assets in respect of deductible temporary differences of US$89 million for the year ended 31 December 2007 (2006 : US$nil). It is probable that future taxable profit will not be available to utilise the benefits of these temporary differences.

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. EARNINGS PER SHARE AND DIVIDENDS PER SHARE

Basic earnings per share ('EPS') is calculated by dividing net profit for the year attributable to ordinary equity shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. The Group has no dilutive potential ordinary shares.

The following reflects the income and adjusted share data used in the EPS computations:

In millions of US$	Note	2007	As at 31 December 2006
Net profit attributable to equity shareholders of the Group		**798**	550
Exceptional items attributable to equity shareholders of the Group	9	**182**	6
Net profit before exceptional items		**980**	556
Number of shares:			pro-forma
Weighted average number of ordinary shares*		**1,015,767,123**	1,000,000,000
EPS – basic and diluted (US$)		**0.79**	0.55
EPS before exceptional items (US$)		**0.97**	0.56

* For 2006, the EPS calculation has assumed that the ordinary shares in issue pursuant to share exchange agreements in relation to the acquisition of the Group have been in issue throughout the period, and is calculated after taking into account the share split which occurred on 8 November 2007.

The dividends paid in 2007 and 2006 were pre-IPO dividends amounting to US$500 million (US$0.49 per share) and US$187 million (US$0.19 per share) respectively.

17. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment are as follows:

Year ended 31 December 2007 In millions of US$	Freehold land	Buildings and mining construction	Plant and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2007	46	896	1,393	456	493	3,284
Additions	1	39	101	52	718	911
Transfers	–	246	443	38	(727)	–
Disposals	(4)	(13)	(47)	(6)	(15)	(85)
Exchange differences	2	56	88	27	27	200
At 31 December 2007	**45**	**1,224**	**1,978**	**567**	**496**	**4,310**
Accumulated depreciation at 1 January 2007	–	(172)	(400)	(160)	(9)	(741)
Disposals	–	3	2	8	–	13
Depreciation charge	–	(57)	(163)	(58)	–	(278)
Impairment charge	–	(2)	(11)	–	(12)	(25)
Exchange differences	–	(11)	(26)	(10)	–	(47)
At 31 December 2007	**–**	**(239)**	**(598)**	**(220)**	**(21)**	**(1,078)**
Net balance sheet amount at 31 December 2007	**45**	**985**	**1,380**	**347**	**475**	**3,232**
Held under finance leases (refer to note 26)	–	–	2	–	–	2
Other property, plant and equipment pledged as security (refer to note 32)	–	–	13	4	–	17

17. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Year ended 31 December 2006 In millions of US$	Freehold land	Buildings and mining construction	Plant and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2006	42	790	1,133	394	271	2,630
Additions	4	23	54	37	445	563
Transfers	–	63	162	11	(236)	–
Disposals	(3)	(23)	(15)	(6)	(1)	(48)
Exchange differences	3	43	59	20	14	139
At 31 December 2006	46	896	1,393	456	493	3,284
Accumulated depreciation						
At 1 January 2006	–	(108)	(260)	(105)	(3)	(476)
Disposals	–	2	9	4	–	15
Depreciation charge	–	(60)	(134)	(53)	–	(247)
Impairment charge	–	–	–	–	(6)	(6)
Exchange differences	–	(6)	(15)	(6)	–	(27)
At 31 December 2006	–	(172)	(400)	(160)	(9)	(741)
Net balance sheet amount at 31 December 2006	46	724	993	296	484	2,543
Held under finance leases (refer to note 26)	–	–	7	–	–	7
Other property, plant and equipment pledged as security (refer to note 32)	–	13	–	–	–	13

Additions to assets under construction include US$2 million for the year ended 31 December 2007 (2006 : US$6 million) of capitalised borrowing costs.

18. GOODWILL AND INTANGIBLE ASSETS

In millions of US$	Note	Goodwill	Other	Total
Cost at 1 January 2006		–	5	5
Goodwill created on restructuring of government interest	2	384	–	384
Carrying amount at 31 December 2006		384	5	389
Cost at 1 January 2007		384	5	389
Addition		–	1	1
Carrying amount at 31 December 2007		**384**	**6**	**390**

Goodwill arose in 2006 on the exchange by the Committee of its minority interests in various operating subsidiaries for a 24.9% interest in the Company (refer to note 1a).

Goodwill is allocated to the Group's cash-generating units ('CGUs') identified according to country of operation and business segments.

Goodwill is tested for impairment on an annual basis in accordance with the policy disclosed in note 1p. The recoverable amounts of goodwill have been assessed by reference to 'value in use'. The discount rate used is 7.4%.

As at 31 December 2007 there is no impairment of goodwill.

The carrying amount of goodwill is allocated to cash-generating units as follows:

In millions of US$	As at 31 December 2007	 2006
EEC	**31**	31
SSGPO JSC	**170**	170
TNC Kazchrome JSC	**183**	183
Total carrying amount of goodwill	**384**	384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

In millions of US$	As at 31 December 2007	2006
Current		
Commercial paper	**170**	–
Equity investments	**–**	21
Total financial assets	**170**	21

At 31 December 2007, Commercial paper of US$170 million consists of IPO proceeds invested in money market securities with a maturity of greater than three months and less than one year.

Equity investments at 31 December 2006 comprised 290,200 shares of ATF Bank JSC ('ATF Bank') and were designated as financial assets at fair value through the income statement. In October 2006, the Group purchased 580,400 shares of ATF Bank at a price of US$59.48 (the 'purchase price') per share for US$35 million to invest surplus funds and gain income from favourable movement of share prices. In accordance with the verbal agreement between the Group and the shareholders of ATF Bank (the 'Seller'), should share market price fall below the purchase price, the Seller is obliged to purchase back all the shares from the Group at purchase price; should the share market price exceed the purchase price, the Group is obliged to sell 50% of the shares back to the Seller at the purchase price, the other 50% of the shares to be managed by the Group at its own discretion.

As, according to the verbal agreement, 50% of the shares were to be repurchased by the Seller, at purchase price, regardless of market price movement, the Group treated the amount of US$17 million, a carrying amount of 50% of the shares at 31 December 2006, as receivable secured by the shares and recorded at amortised cost (refer to note 20).

The remaining 50% of the shares were treated as equity investments at fair value through the income statement. The fair value of the ATF Bank shares was based on their current bid prices in an active market. At 31 December 2006 the shares had a fair value of US$73.62 per share. Accordingly, the Group recognised a fair value gain of US$3 million for the year ended 31 December 2007 (2006 : US$4 million gain). The Group sold its 50% of the shares for US$24 million during May 2007.

20. LOANS RECEIVABLE

In millions of US$	Note	As at 31 December 2007	2006
Non-current			
Loans receivable from related parties	5	**7**	21
		7	21
Current			
Loans receivable from related parties	5	**26**	208
Other loans receivable		**2**	32
		28	240
Total loans receivable		**35**	261

Other loans receivable at 31 December 2006 include 290,200 shares of ATF Bank JSC ('ATF Bank'). The shares were sold in May 2007. Refer to note 19.

The Group's loans mature as follows:

In millions of US$	As at 31 December 2007	2006
Less than 1 year	**28**	240
Between 1 and 2 years	**4**	14
Between 2 and 5 years	**3**	7
Total loans receivable	**35**	261

Eurasian Financial Industrial Company JSC
As at 31 December 2007, all amounts due from Eurasian Financial Industrial Company JSC, equalling US$19 million, have been reassigned to ENRC NV as part of the Shareholders' Settlement Agreement.

International Mineral Resources AG
During 2006, US$21 million was loaned to International Mineral Resources AG. Interest was charged on the loan at six months LIBOR plus 1.0%. As at 31 December 2007, this facility has been settled fully.

20. LOANS RECEIVABLE CONTINUED

IMR Marketing AG

During 2006, the Group entered into two loan agreements with IMR Marketing AG for the amount of US$8 million. An additional loan agreement was made in 2007 for the amount of US$6 million. Interest was charged on the loan at three months LIBOR plus 1.5%. As of 31 December 2007, the amount receivable by the Group equalled US$14 million.

Promyshlennoye Zhilishnoye Stroitelstvo LLP ('PZS')

During 2006, the Group entered into three agreements with PZS under which the Group agreed to provide a total of US$20 million without collateral as interest-free financial support. During 2007 two loans were settled. As at 31 December 2007, the amount receivable equalled US$3 million (2006 : US$14 million).

Sary-Arka SpetsKoks LLP

To purchase production equipment, Sary-Arka SpetsKoks LLP received 19 loans amounting to US$11 million, for a period of five years at the contractual annual rate of 12%. The effective interest rate for this loan was 12% as at 31 December 2006. Pursuant to the Shareholders' Settlement Agreement all outstanding amounts have been settled in full to the Group as at 31 December 2007.

CIM Global Investments NV

During 2006, a US$16 million credit facility was made available to CIM Global Investments NV. CIM Global Investments NV is controlled and beneficially owned by the Founder Shareholders. Interest is charged on the credit facility at a rate of three months LIBOR plus 2%. As at 31 December 2007, this facility had been settled.

ENRC Kazakhstan Holding BV

Loan amounts outstanding with ENRC Kazakhstan Holding BV totalled US$115 million at the end of 2006. Interest was charged at LIBOR plus 1.0%. The loan was settled in full during 2007.

The fair value of loans and receivables equals their carrying amount, as the impact of discounting is not significant. The fair values of current and non-current loans and receivables are determined using discounted cash flows at the interest rates prevailing on the balance sheet date.

The Group's loans receivable are denominated in currencies as follows:

In millions of US$	As at 31 December 2007	As at 31 December 2006
US dollars	**31**	189
Kazakhstani tenge	**4**	72
Total loans receivable	**35**	261

21. OTHER NON-CURRENT ASSETS

In millions of US$	Note	As at 31 December 2007	As at 31 December 2006
Prepayments for property, plant and equipment and related services		**208**	33
Long-term deposits and restricted cash held by related parties	5	**5**	6
Prepayment for Serov acquisition	5	**100**	–
Other advances and non-current assets		**8**	2
Other advances and non-current assets – related parties		**1**	2
Total other non-current assets		**322**	43

Long-term deposits and restricted cash mainly represent bank guarantee deposits in the amount of US$3 million at 31 December 2007 (2006 : US$3 million) with maturity dates on 28 August 2020 and 31 March 2021, securing the mortgage liabilities of certain Group employees. The bank guarantee deposits are interest free and carried at amortised cost. In addition, the balance of restricted cash includes bank deposits for special funds for the retirement of assets in accordance with the requirements of contracts on subsurface use (refer to note 27). The fair value of restricted cash is not significantly different from its carrying value.

Prepayments for property, plant and equipment and related services are for machinery and equipment, in particular vehicles and power generating units required by the plants. US$8 million of the balance relates to letters of credit with Eurasian Bank JSC pertaining to purchases of property, plant and equipment, refer to note 5 (2006 : US$ nil).

In July 2007, the Group transferred US$100 million to a subsidiary of International Mineral Resources BV, a company controlled by the Founder Shareholders, as a partial prepayment for the Group's acquisition (refer to note 36) of the Serov Group. The Serov Group's principal activity comprises the mining of chrome ore, processing and sale of ferroalloys.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. INVENTORIES

In millions of US$	As at 31 December 2007	2006
Finished goods	**166**	117
Raw materials	**149**	133
Consumable stores	**88**	81
Work in progress	**40**	34
Other inventory	**1**	–
	444	365
Less provision for obsolete and slow-moving inventory	**(6)**	(4)
Total inventories	**438**	361

There are no inventories pledged as security as at 31 December 2007 and 2006.

23. TRADE AND OTHER RECEIVABLES

In millions of US$	Note	As at 31 December 2007	2006
Trade receivables		**412**	313
Trade receivables from related parties	5	**41**	21
Term deposits		**65**	–
Term deposits with related parties	5	**138**	38
VAT recoverable		**135**	117
Advances to suppliers		**70**	25
Prepayments		**58**	17
Restricted cash	32	**34**	–
Income tax prepayment		**13**	28
Advances to related parties	5	**11**	34
Prepayments to related parties	5	**9**	11
Letters of credit from related parties	5	**8**	1
Other receivables		**17**	19
Other amounts due from related parties	5	**38**	21
		1,049	645
Less provision for impairment of trade and other receivables		**(4)**	(8)
Total trade and other receivables		**1,045**	637

The fair value of trade and other receivables approximates the carrying value.

As at 31 December 2007, trade and other receivables of US$99 million (2006 : US$88 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

In millions of US$	As at 31 December 2007	2006
Less than 3 months	**91**	83
Between 3 to 6 months	**2**	2
Between 6 to 12 months	**6**	3
Total trade receivables	**99**	88

The Group's trade and other receivables are denominated in currencies as follows:

In millions of US$	As at 31 December 2007	2006
US dollars	**618**	236
Kazakhstani tenge	**326**	326
Russian roubles	**58**	52
British pounds	**26**	1
European euros	**17**	16
Swiss francs	**–**	6
Total trade and other receivables	**1,045**	637

24. CASH AND CASH EQUIVALENTS

In millions of US$	As at 31 December 2007	2006
Cash at bank and in hand	**529**	137
Short-term deposits	**2,019**	199
Total cash and cash equivalents	**2,548**	336

Of the remaining IPO proceeds amounting to US$2,461 million as at 31 December, US$2,291 million is included in cash and cash equivalents and US$170 million is included in 'commercial paper' in financial assets at fair value through income statement (refer to note 19).

The Group's cash and cash equivalents are denominated in currencies as follows:

In millions of US$	As at 31 December 2007	2006
US dollars	**1,982**	274
European euros	**299**	5
British pounds	**162**	1
Kazakhstani tenge	**89**	46
Russian roubles	**16**	9
Swiss francs	**–**	1
Total cash and cash equivalents	**2,548**	336

25. SHARE CAPITAL

	Number (allotted and called up)	Share capital £000	Share capital US$000	Share premium US$000
As at 8 December 2006	50,000	13		
Issuance of ordinary shares of US$10 each	20,000,000	–	200,000	–
Reverse share split of 50,000 ordinary shares to one special share of £50,000 (one-quarter paid)	(49,999)	–	–	–
As at 31 December 2006	20,000,001	13	200,000	–
Share split	980,000,000	–	–	–
Redemption of special share	(1)	(13)	–	–
Issuance of shares on IPO	287,750,000	–	57,550	2,999,023
As at 31 December 2007	**1,287,750,000**	**–**	**257,550**	**2,999,023**

The Company was incorporated and registered in England and Wales on 8 December 2006 as a public limited company with a share capital of £50,000 divided into two ordinary shares of £1 each and 49,998 non-cumulative redeemable preference shares of £1 each. The share capital was one-quarter paid. On 19 December 2006, the Board resolved to effect the transfer of the two ordinary shares and 49,998 redeemable preference shares to the Committee. On the same day the authorised share capital of the Company was increased from £50,000 to £50,000 and US$200,000,000 by the creation and issuance of 20,000,000 new ordinary shares of US$10 each as part of the acquisition of ENRC NV. refer to note 1a. In addition, the 49,998 non-cumulative redeemable preference shares of £1 each held by the Committee, were re-designated as ordinary shares of £1 each, the resulting 50,000 ordinary shares of £1 each were consolidated into one ordinary share of £50,000 and then the ordinary share was re-designated as a special share.

Share split

At an Extraordinary General Meeting of the Company held on 8 November 2007, each of the issued, and each of the authorised but unissued, ordinary shares of US$10.00 par value each in the capital of the Company was subdivided into 50 ordinary shares of US$0.20 par value each. On the same day, the total authorised number of shares was increased to 2,000,000,000.

As at 31 December 2007, the total authorised number of shares is 2,000,000,000.

Issuance of shares on IPO

On 12 December 2007, the Company successfully completed its IPO and Listed on the London Stock Exchange. A total number of 277,750,000 shares with a par value of US$0.20 each were issued at £5.40 for total proceeds of £1.5 billion. Costs related to the issuance of new shares and attributable IPO costs taken against share premium amounted to US$96 million.

A further 10,000,000 ordinary shares with a par value of US$0.20 each were awarded to Directors, management, senior employees and professional advisers as part of the IPO Plan. The share awards are subject to a restriction period of one year from the date of the IPO, during which any dealings are prohibited. Refer to note 5.

Redemption of special share

Pursuant to the Company's articles of association, the one special share of nominal value of £50,000 held by the Committee was cancelled upon admission of the Company's shares to the London Stock Exchange. As the share was only one-quarter paid up, £12,500 was paid to the Committee upon cancellation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. BORROWINGS

In millions of US$	Note	As at 31 December 2007	2006
Non-current			
Bank borrowings		**1,030**	–
Bank borrowings from related parties	5	**–**	12
Bonds		**32**	31
Term loans		**2**	–
Term loans from related parties	5	**–**	25
Promissory notes issued to related parties	5	**–**	800
Preference shares		**–**	2
Finance lease liabilities	17	**1**	1
Finance lease liabilities with related parties	5, 17	**–**	5
		1,065	876
Current			
Bank borrowings		**357**	162
Bank borrowings from related parties	5	**–**	1
Term loans		**–**	31
Term loans from related parties	5	**–**	213
Bonds		**1**	–
Promissory notes issued to related parties	5	**–**	200
Finance lease liabilities with related parties	5, 17	**1**	1
		359	608
Total borrowings		**1,424**	1,484

Total borrowings include secured liabilities (bank and collateralised borrowings) of US$4 million at 31 December 2007 (2006 : US$83 million).

The Group's borrowings mature as follows:

In millions of US$	As at 31 December 2007	2006
Less than 1 year	**359**	608
Between 2 and 5 years	**1,033**	840
After 5 years	**32**	36
Total borrowings	**1,424**	1,484

The Group's borrowings are denominated in currencies as follows:

In millions of US$	As at 31 December 2007	2006
US dollars	**1,374**	1,354
European euros	**–**	6
Kazakhstani tenge	**50**	124
Total borrowings	**1,424**	1,484

The effective interest rates at balance sheet date were as follows:

	Floating interest rates			Fixed interest rates		
In % p.a.	KZT	US$	EUR	KZT	US$	EUR
As at 31 December 2007						
Bank loans	–	LIBOR plus 1.35%	–	11.0%–14.0%	–	–
Term loans	–	–	–	13.7%	–	–
Finance lease liabilities	–	–	–	13.9%	–	–
Bonds	9.5%–9.8%	–	–	–	–	–
As at 31 December 2006						
Bank loans	–	LIBOR plus 1.5% 13.7%–14.9%	–	11.0%–13.0%	–	–
Term loans	–	–	–	13.3%	5.0%–16.8%	12.6%
Promissory notes issued	–	LIBOR plus 2.0%	–	–	–	–
Finance lease liabilities	–	–	–	–	–	10.0%
Bonds	9.7%	–	–	–	–	–

26. BORROWINGS CONTINUED

The carrying values and fair values are as follows:

In millions of US$	Note	Carrying values 2007	Carrying values 2006	Fair values 2007	Fair values 2006
Bank borrowings		**1,387**	162	**1,389**	162
Bank borrowings from related parties	5	**–**	13	**–**	13
Bonds		**33**	31	**33**	30
Term loans		**2**	31	**2**	31
Term loans from related parties		**–**	238	**–**	244
Promissory note issued to related parties	5	**–**	751	**–**	751
Promissory note issued		**–**	249	**–**	249
Preference shares		**–**	2	**–**	2
Finance lease liabilities		**1**	1	**1**	–
Finance lease liabilities with related parties	5	**1**	6	**1**	2
Total borrowings		**1,424**	1,484	**1,426**	1,484

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values of current and non-current borrowings are determined using discounted cash flows at the interest rates 5.0%–14.4% prevailing as at 31 December 2007 (2006 : 5.0%–16.1%).

Bank borrowings from related parties

Turan Alem Bank

During 2007 Company Zhol zhondeushi LLP, SSGPO JSC ('SSGPO'), TNC Kazchrome JSC ('Kazchrome') signed various short-term loan agreements with Turan Alem Bank Kazakhstan and Bank Centre Credit Kazakhstan for a total of US$13 million, denominated in Kazakhstani tenge. The majority of the loans bore annual interest at the rate of 13.0% on inception.

Bonds

In April 2006, a subsidiary of the Group issued US$31 million 8.0% non-convertible bonds, due on 5 April 2013, which are listed on the Kazakhstan Stock Exchange. Interest is payable semi-annually on 5 April and 5 October each year. From 5 October 2006, the coupon has changed to a floating rate equal to the official inflation rate plus 1.0% mark-up with lower and upper limits being fixed at 2.0% and 10.0% per annum. At 31 December 2007 the coupon rate was 9.5%–9.8% per annum (2006 : 9.7% per annum).

Structured Trade Finance Facility

On 15 December 2006, ENRC Marketing AG entered into a US$1,000 million structured trade finance facility (the 'Facility'). By Supplemental Agreement dated 12 April 2007, the Facility was increased to US$1,480 million. As at 31 December 2007, US$1,374 million of the Facility was drawn down (2006 : US$nil).

The Facility is secured principally by grants of security over certain sales contracts entered into by ENRC Marketing AG and third party buyers (and all receivables thereunder). The associated accounts receivable balance at 31 December 2007 was US$261 million. All monies payable by the end purchasers under the sales contracts are required to be paid into bank accounts which are also used to secure the Facility. Withdrawals from these bank accounts are subject to restrictions imposed under the terms of the Facility Agreement. The Group agreed to certain restrictive covenants in respect of Kazchrome, as guarantor of the loan, which prohibit Kazchrome from having total debt of greater than US$100 million outstanding at any time during the duration of the Facility. In addition, the guarantee provides for other restrictions on Kazchrome including on payment of dividends, giving guarantees or indemnities, creating security interests or changing its business.

The Facility has a term of five years. Following a grace period of 12 months, the Facility will be repaid in 48 equal and consecutive monthly instalments beginning in January 2008.

The interest rate applicable to the loan is one month LIBOR plus 1.35% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. ASSET RETIREMENT OBLIGATIONS

The Group has a legal obligation to landfill site restoration during the mining operations and decommissioning of its mining property after its expected closure. The timing of decommissioning activity is subject to reassessment at the same time as the revision of the Group's proved and probable reserves.

In millions of US$	As at 31 December 2007	2006
Current portion of provisions for asset retirement obligations	–	1
Non-current portion of provisions for asset retirement obligations	**86**	43
Total provisions for asset retirement obligations	**86**	44

Movements in asset retirement obligations are as follows:

In millions of US$	Note	Site restoration	Landfill decommis-sioning	Total
At 1 January 2006		19	15	34
Capitalisation of additional closure costs		3	2	5
Unwinding of discount	14	2	1	3
Exchange differences on currency translation		1	1	2
At 31 December 2006		25	19	44
At 1 January 2007		25	19	44
Capitalisation of additional closure costs		16	22	38
Unwinding of discount	14	2	2	4
Production costs		1	–	1
Utilised during the year		(1)	–	(1)
At 31 December 2007		**43**	**43**	**86**

In accordance with the Contracts on Subsurface Use, the Group makes annual obligatory contributions to form a deposit fund for the closure costs which will take effect upon exhaustion of the mineral deposits between 2045 and 2074 (refer to note 21).

The amount of the provision for asset retirement obligations is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected period of the life of the mines. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the level of discount and inflation rates.

Principal assumptions made in calculations of asset retirement obligations are presented below:

	As at 31 December 2007	2006
Discount rate	**7.4%**	8.0%
Inflation rate	**8.3%**	7.4%

28. EMPLOYEE BENEFIT OBLIGATIONS

The amounts recognised in the balance sheet are determined as follows:

In millions of US$	Years ended 31 December 2007	2006
Present value of unfunded defined benefit obligation at beginning of the year	**48**	32
Interest cost	**1**	2
Benefits paid	**(1)**	(1)
Current service cost	**6**	1
Actuarial (gains)/losses	**(2)**	12
Currency translation differences	–	2
Present value of unfunded defined benefit obligation at end of the year	**52**	48
Net liability	**52**	48

The present value of unfunded defined benefit obligation as at 31 December 2005 and 2004 was US$32 million and US$29 million respectively.

28. EMPLOYEE BENEFIT OBLIGATIONS CONTINUED

Amounts recognised in the income statement are as follows:

In millions of US$	Years ended 31 December 2007	2006
Interest cost	1	2
Current service cost	6	1
Actuarial (gains)/losses	(2)	12
Expense recognised in income statement	**5**	**15**

For the year ended 31 December 2007, actuarial losses and current service costs are included in the income statement as part of cost of sales in the amount of US$2 million (2006 : US$10 million), part of selling, general and administration expense in the amount of US$2 million (2006 : US$2 million) and part of other expenses and capitalised costs in the amount of nil (2006 : US$1 million).

In millions of US$	As at 31 December 2007	2006
Cumulative amount of actuarial gains and losses recognised in the income statement	**15**	**17**

The cumulative amount of actuarial gains and losses recognised in the income statement for the years ended 31 December 2005 and 2004 was US$5 million and US$5 million respectively.

Principal actuarial assumptions used at the balance sheet date were as follows:

In % p.a.	Years ended 31 December 2007	2006
Discount rate at 31 December	5.0%–8.0%	5.0%
Future salary increases	7.0%–13.0%	5.5%–10.0%
Average labour turnover rate of production personnel	6.0%–21.0%	4.1%–18.5%
Average labour turnover rate of administrative personnel	1.0%–12.0%	1.9%–14.8%

Assumptions regarding future mortality are based upon advice in accordance with published statistics and experience in Kazakhstan.

The future average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date are as follows:

	As at 31 December 2007	2006
Male	11	11
Female	15	15

The future average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	As at 31 December 2007	2006
Male	12	12
Female	16	16

29. TRADE AND OTHER PAYABLES

In millions of US$	Note	Years ended 31 December 2007	2006
Trade payables		107	90
Accruals relating to employee entitlements		106	51
Advances received from customers		91	28
Derivative financial instruments	33	19	–
Payable to related parties	5	6	65
Distributions payable	5	4	133
Accruals and deferred income		3	3
Other payables		34	23
Trade and other payables		**370**	**393**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. OTHER TAXES PAYABLE

In millions of US$	Years ended 31 December 2007	2006
Withholding taxes	**42**	39
Property and other taxes	**15**	9
VAT payable	**26**	11
Social taxes	**10**	3
Total other taxes payable	**93**	62

31. CASH GENERATED FROM OPERATIONS

In millions of US$	Note	Years ended 31 December 2007	2006
Profit after tax		**814**	686
Adjustment for			
Depreciation of property, plant and equipment	17	**278**	247
Loss from disposal of property, plant and equipment	10	**1**	9
Impairment of property, plant and equipment	17	**25**	6
Provisions for impairment on inventory		**1**	–
Actuarial movements in employee benefit obligations		**5**	15
Income tax expense		**507**	285
Finance costs (net)		**100**	26
Fair value losses on derivative financial assets		**46**	–
Changes in operating working capital:			
Trade and other receivables		**(241)**	(147)
Employee related liabilities		**46**	–
Inventories		**(64)**	–
Other taxes payable		**25**	33
Trade and other payables		**104**	(107)
Cash flows from operating activities		**1,647**	1,053
Interest paid		**(155)**	(45)
Interest received		**56**	8
Income tax paid		**(469)**	(277)
Net cash generated from operating activities		**1,079**	739

Non-cash transactions

Investing and financing transactions that did not require the use of cash and cash equivalents were excluded from the cash flow statement. Non-cash transactions consisted of:

- The acquisition of property, plant and equipment in exchange for inventory, and heat and power engineering services of US$3 million for the year ended 31 December 2007 (2006 : nil).
- As described in note 1a, the Group acquired minority interest shareholdings in its subsidiaries from the Kazakhstani Government in exchange for 24.9% of shares in the Company. The value attributed to the Plc shares exchanged amounted to US$1,094 million.
- In June 2007, the Group undertook a series of transactions to consolidate a number of assets and liabilities outstanding with various companies under the control of the Founder Shareholders. A total amount of borrowings from related parties of US$391 million and receivables from those parties of US$200 million were offset, with the balance of US$191 million settled in cash. Refer to Shareholders' Settlement Agreement in note 5.

32. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received, including those arising from tax inquiries. On the basis of management estimates and both internal and external professional advice, it is not anticipated that any material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Tax legislation

Kazakhstani tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and frequent changes which may be applied retroactively. The interpretation of tax, transfer pricing and excess profit tax legislation by the Kazakhstani tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group may be assessed additional taxes, penalties and fines. Tax periods remain open to review by the Kazakhstani tax authorities for five years.

32. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS CONTINUED

As stated above, there is a risk that the Kazakhstani tax authorities may challenge the methods applied to transfer pricing and excess profits tax. An audit of the tax affairs of the Group for the three years ended 31 December 2006 was commenced in February 2008 by the Kazakhstani tax authorities. Whilst any challenge may result in material claims being made against the Group, management believes that, based on recent clarifications obtained from the relevant authorities, they would be successful in defending any such challenge.

Accordingly, at 31 December 2007, no provision for potential additional tax liabilities had been recorded (2006 : nil).

Capital expenditure commitments

	As at 31 December	
In millions of US$	**2007**	2006
Property, plant and equipment	**497**	343
Intangible assets	**–**	5
Total capital expenditure commitments	**497**	348

Refer to note 5 for the details of the committed capital expenditure investment programme at EEC.

Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The Group has guaranteed the following obligations:

	As at 31 December	
In millions of US$	**2007**	2006
SSGPO	**22**	35
Kazchrome	**12**	14
EEC	**1**	1
Aluminium of Kazakhstan JSC	**–**	1
Remput LLP	**–**	24
Company Zhol zhondeushi LLP	**–**	24
Other	**–**	4
Total guarantees	**35**	103

Assets pledged and restricted

The Group has the following assets pledged as collateral:

		As at 31 December			
		2007		2006	
In millions of US$	Note	**Asset pledged**	**Related liability**	Asset pledged	Related liability
Property, plant and equipment	17	**17**	**–**	13	1
Long-term deposits and restricted cash – related party	5, 21	**5**	**–**	6	–
Restricted cash	23	**34**	**1,374**	–	–
Accounts receivable	23, 26	**261**			
Total assets pledged and restricted		**317**	**1,374**	19	1

Operating leases

	As at 31 December							
	2007				2006			
In millions of US$	**Due less than 1 year**	**Due between 2 and 5 years**	**Due after 5 years**	**Total**	Due less than 1 year	Due between 2 and 5 years	Due after 5 years	Total
Minimum lease payments	**15**	**24**	**87**	**126**	11	18	20	49

Rental expenses relating to the operating leases of mining facilities and administrative facilities are recognised in 'cost of sales' and 'selling, general and administrative expenses', respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS CONTINUED

Insurance policies
The Kazakhstan entities within the Group purchased a primary insurance programme which is placed with a local insurance company in Kazakhstan, as required by Kazakhstani law. ENRC do not utilise the services of an insurance broker. Facultative reinsurance cover is then placed into the European insurance market via Marsh Insurance Brokers in Kazakhstan.

The primary insurance programme covers such risks including:
- property damage, business interruption and machinery breakdown;
- medical expenses;
- employers' liability; and
- various logistics cover.

Supply commitments
ENRC Marketing AG has a contract with UC RUSAL to supply a minimum 1 million tonnes of alumina per annum, within 2.0%, plus an option to supply an additional 200 thousand tonnes. The contract expires on 31 December 2016. Pricing is determined by a formula related to the LME aluminium price.

ENRC Marketing AG entered into a 10 year contract from 1 April 2007 to supply up to 15 million tonnes of iron ore per annum to MMK in Russia. The contract selling price will be determined by a formula based on published price indices for iron ore concentrates and pellets.

In August 2007, ENRC Marketing AG entered into a 10 year contract commencing 1 January 2008 to sell 100% of aluminium produced by Kazchrome to Glencore. Sales of primary aluminium will be made by reference to LME aluminium spot prices less sales commission.

Environmental matters
The enforcement of environmental regulation is evolving and the enforcement posture of Kazakhstan Government authorities is continually being reconsidered in Kazakhstan. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

33. DERIVATIVE FINANCIAL INSTRUMENTS
All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative.

The table below analyses the Group's derivative financial instruments. The amounts disclosed in the table are the carrying balances of the liabilities and assets as at balance sheet date.

		As at 31 December 2007	
In millions of US$	Note	Assets	Liabilities
Current portion:			
Forward foreign exchange contracts – cash flow hedge	29	–	19
Non-current portion:			
Forward foreign exchange contracts – cash flow hedge		–	51
		–	70

In April 2007, Kazchrome entered into forward foreign exchange contracts with Morgan Stanley & Co. International Limited ('Morgan Stanley') to hedge part of its foreign currency risk. Under the terms of the contract, Kazchrome was required to pay Morgan Stanley amounts of US$33 million on a monthly basis up to December 2007. Morgan Stanley was required to pay Kazchrome on a monthly basis, Kazakhstani tenge at fixed forward rates up to December 2007. As of 31 December 2007, the contract was fully settled.

In June 2007, SSGPO JSC ('SSGPO') and Aluminium of Kazakhstan JSC ('AoK') entered into forward foreign exchange contracts with Deutsche Bank AG London ('Deutsche Bank') to hedge part of their foreign currency risks. Under the terms of the contracts, SSGPO and AoK are required to pay Deutsche Bank amounts of US$25 million and US$15 million, respectively, on a monthly basis up to December 2009. Deutsche Bank is required to pay SSGPO and AoK on a monthly basis, Kazakhstani tenge at fixed forward rates up to December 2009. The average forward rate on these contracts is 120.88 KZT/US$.

In September 2007, these forward foreign exchange contracts were formally designated as hedge instruments to hedge the foreign exchange currency risk arising from related highly probable forecast transactions expected to occur on a monthly basis up to December 2009.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedge item is less than 12 months.

The current portion of the hedge is included in trade and other payables (refer to note 29). The non-current portion of the hedge is included in other non-current liabilities.

33. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

The amount of net unrealised loss on the hedges taken to equity is US$17 million as of 31 December 2007. The net unrealised loss taken to equity on the forward foreign exchange contracts is recognised in the income statement in the period or periods during which the actual cash flows occur and the hedged forecast transaction affects the income statement. The total amount of realised gain on cash flow hedges recognised in the income statement is US$4 million for the year ended 31 December 2007. This is included in cost of sales (refer to note 7).

There were no ineffective cash flow hedges.

The Group had no forward foreign exchange contracts as of 31 December 2006.

34. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group uses derivative financial instruments to partially hedge foreign exchange exposure.

Financial risk management is the responsibility of the treasury function which identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Treasury Policy outlines principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

The Group does not require collateral in respect of financial assets. The Group has credit insurance for the majority of its sales and credit limits are set by the credit insurance company for each customer. For those sales where credit insurance is not available, the Group operates a policy of 'cash on delivery' and 'letters of credit'. The Group regularly monitors its exposure to bad debts in order to minimise their exposure.

At the balance sheet date, there was significant concentration of credit risk principally in respect of cash and deposits held by Eurasian Bank JSC, a related party. Of the total amount (US$235 million) held by Eurasian Bank, the Group is committed to holding US$123 million as part of the transitional arrangement until October 2008. Management has implemented a policy of diversifying its credit risk exposure by establishing relationships with a number of international and domestic banks in Kazakhstan.

The Group also generates a significant portion of its revenue from key customers and in particular UC RUSAL and MMK (refer to note 32).

The Group considers its maximum exposure to credit risk related to the uncollateralised balances to be as follows:

		As at 31 December	
In millions of US$	Note	**2007**	2006
Cash and cash equivalents	24	**2,548**	336
Trade and other receivables (excluding prepayments and advances)	23	**880**	529
Long-term deposits and restricted cash held by related parties	21	**5**	6
Financial assets at fair value through the income statement	19	**170**	21
Loans receivable	20	**35**	261

Foreign currency risk

The production costs are denominated in Kazakhstani tenge (KZT) while sales are denominated in US dollars (US$). The Group is therefore exposed to the risk that movements in exchange rates will affect both its net income and cash flows.

The Group's foreign currency exposure arises from:
- highly probable forecast transactions (sales/purchases) denominated in foreign currencies; and
- monetary items (mainly intercompany receivables, payables and borrowings) denominated in foreign currencies.

The Group is mainly exposed to KZT/US$ exchange rate risks. The Board of Directors sets limits on the amount of hedging to limit the level of exposure by currency and in total. Compliance with limits is monitored monthly. The Group's policy is to hedge a portion of foreign exchange risk associated with highly probable forecast transactions and monetary items denominated in foreign currencies. The Group uses forward contracts to hedge foreign forward contracts to hedge part of the aforementioned exchange rate risk. Management estimates that those contracts effectively provide for an average rate of US$1/KZT 120 over the next two years and represents approximately 25% of the Group's Kazakhstani tenge cost base. Any remaining amount remains unhedged.

The forward exchange contracts entered into during 2007 were formally designated as hedges at 18 September 2007 and accordingly hedge accounting has been applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. FINANCIAL RISK MANAGEMENT CONTINUED

The table below summarises the foreign currency exposure on the net monetary position of each Group entity against its respective functional currency, expressed in the Group's presentation currency.

In millions of US$	KZT	US$	CHF	EUR	GBP	RUB
At 31 December 2007						
Kazakhstan entities (KZT)	n/a	(233)	–	2	–	1
Marketing entities (US$)	–	n/a	–	295	159	50
Swiss entities (CHF)	–	–	n/a	–	–	–
Netherlands entities (EUR)	–	–	–	n/a	–	–
UK Management entities (GBP)	–	11	–	1	n/a	–
	–	**(222)**	**–**	**298**	**159**	**51**
At 31 December 2006						
Kazakhstan entities (KZT)	n/a	484	–	(9)	–	2
Marketing entities (US$)	–	n/a	(93)	18	4	52
Swiss entities (CHF)	1	(38)	n/a	–	–	–
Netherlands entities (EUR)	–	30	–	n/a	–	–
UK Management entities (GBP)	–	18	–	–	n/a	–
	1	494	(93)	9	4	54

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax.

In millions of US$	KZT	US$	CHF	EUR	GBP	RUB
At 31 December 2007						
Total in the consolidated financial statements	–	(222)	–	298	159	51
Shift in the US exchange rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Increase in profit due to depreciation of US rate	–	n/a	–	14.91	7.97	2.55
Increase in profit due to appreciation of US rate	–	n/a	–	(14.91)	(7.97)	(2.55)
At 31 December 2006						
Total in the consolidated financial statements	1	494	(93)	9	4	54
Shift in the US exchange rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Increase in profit due to depreciation of US rate	0.05	n/a	(4.65)	0.45	0.20	2.70
Increase in profit due to appreciation of US rate	(0.05)	n/a	4.65	(0.45)	(0.20)	(2.70)

* The above tables exclude the impact of forward foreign exchange contracts which have been hedged.

Commodity price risk

The Group is exposed to the effect of fluctuations in commodity prices. The principal exposures are to the price of chrome ore, high, medium and low carbon ferroalloys, ferrosilicon manganese, iron ore and primary aluminium from which the price of alumina is derived. Prices of the aforementioned commodities are generally quoted in US dollars. Of the aforementioned products, only primary aluminium is determined by reference to a publicly traded price.

ENRC does not hedge its exposure to the risk of fluctuations in the price of its products.

Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates impact primarily deposits, loans and borrowings by changing their future cash flows (variable rate). Management does not have a formal policy of determining how much of the Group's exposure should be at fixed or variable rate and the Group does not use hedging instruments to minimise its exposure. However, at the time of taking new loans or borrowings management uses its judgement to determine whether it believes that a fixed or variable rate would be more favourable for the Group over the expected period until maturity. The Group's significant interest bearing assets and liabilities are disclosed in notes 20, 21, 23, 24 and 26.

The Group analyses its sensitivity to interest rates by movements of 1.0% and the pre-tax impact on the profit or loss for the year ended 31 December 2007 is approximately US$15 million (2006 : US$6 million).

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As at 31 December 2007, following the receipt of the proceeds from the IPO, the Group had a strong balance sheet and a conservative capital structure. Going forward, the Group intends to maintain a capital structure in line with industry's norms and practices which will be achieved over a period of time, taking into account investment opportunities and availability of debt finance.

34. FINANCIAL RISK MANAGEMENT CONTINUED

The Group considers the following balances as a part of its capital management.

In millions of US$	Note	As at 31 December 2007	2006
Borrowings	26	**1,424**	1,484
Share capital	25	**3,257**	200
Reserves		**2,457**	2,011
		7,138	3,695

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to manage its debt level.

Liquidity risk

Prudent liquidity risk management means maintaining sufficient cash to finance the ongoing operating and investing activities of the Group.

As at 31 December 2007, the Group had drawn down it credit facilities of US$1,374 million (2006 : US$1,186 million). Refer to note 26.

The table below analyses the Group's financial assets and liabilities which will be settled on a gross basis into relevant maturity groups based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	As at 31 December 2007			
In millions of US$	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**After 5 years**
Borrowings	**(359)**	**(346)**	**(689)**	**(32)**
Trade and other payables	**(370)**	**–**	**–**	**–**
Cash and cash equivalents	**2,548**	–	–	–
Loans receivable	**28**	**4**	**3**	**–**
Financial assets at fair value through the income statement	**170**	**–**	**–**	**–**
Trade and other receivables (excluding prepayments and advances)	**880**	**–**	**–**	**–**
Net position	**2,897**	**(342)**	**(686)**	**(32)**

	As at 31 December 2006			
In millions of US$	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Borrowings	(610)	(17)	(429)	(432)
Trade and other payables	(393)	–	–	–
Cash and cash equivalents	336	–	–	–
Loans receivable	240	5	10	6
Financial assets at fair value through income statement	21	–	–	–
Trade and other receivables (excluding prepayments and advances)	529	–	–	–
Net position	123	(12)	(419)	(426)

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groups based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, translated at year end exchange rates.

	As at 31 December 2007	
In millions of US$	Less than 1 year	Between 1 and 2 years
Forward foreign exchange contracts – cash flow hedge		
Outflow	(480)	(480)
Inflow	481	483

The Group had no forward foreign exchange contracts as of 31 December 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. RECONCILIATION OF NON-GAAP MEASURES

In millions of US$	Note	Years ended 31 December 2007	2006
Profit for the period		**814**	686
Add:			
Depreciation and amortisation			
Cost of sales	7	**271**	241
Selling, general and administrative expenses	9	**32**	12
Finance costs	14	**158**	50
Income tax expense	15	**507**	285
Less:			
Finance income	13	**(58)**	(24)
EBITDA after exceptional items		**1,724**	1,250
Exceptional items	9	**182**	6
EBITDA before exceptional items		**1,906**	1,256
EBITDA before exceptional items		**1,906**	1,256
Divide by:			
Revenue	6	**4,106**	3,256
EBITDA before exceptional items margin		**46%**	39%
Profit for the period		**814**	686
Add:			
Finance costs	14	**158**	50
Income tax expense	15	**507**	285
Exceptional items	9	**182**	6
Less:			
Finance income	13	**(58)**	(24)
EBIT before exceptional items		**1,603**	1,003
Divide by:			
Capital employed weighted average*			
Borrowings		**1,393**	862
Equity including minority interest and excluding IPO proceeds		**2,614**	2,310
Return on capital employed		**40%**	32%

* The capital employed used in this calculation is a three point average based on the opening and closing balance sheet for each year plus the half-year interim balance sheets.

Half-year interim balance sheets and the closing balance sheet for 2005 used in this calculation are as published in the Prospectus.

36. EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of the Serov Group

In July 2007, ENRC transferred US$100 million to a subsidiary of International Mineral Resources BV (IMR), a company controlled by the Founder Shareholders, as a partial prepayment for ENRC's intended acquisition of the Serov Group ('Serov') and certain related entities. Serov's principal activity comprises the mining of chrome ore, processing and sale of ferroalloys in eastern Russia. ENRC completed its due diligence and shareholder approval of the transaction was granted prior to the Listing of ENRC on 12 December 2007.

On 3 April 2008, US$110 million was paid to satisfy the balance of the consideration payable in respect of the Group's acquisition of a controlling interest in Serov.

Fulfilment of obligation related to AoK

On 25 April 2003, ENRC signed an agreement with the State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan (the 'Committee') for the purchase of 31.8% of the issued share capital of Aluminium of Kazakhstan (AoK) and paid the full purchase price. The transfer of legal title to the shares was subject to the fulfilment of certain conditions, the primary one being the first stage of commissioning by 31 December 2007 of an aluminium smelter in Kazakhstan with a production capacity of at least 60,000 tonnes per annum. This milestone was achieved in December, with an opening ceremony on 12 December 2007 attended by the President of Kazakhstan, to mark the occasion. On 29 January 2008 a deed of fulfilment of obligations by ENRC and transfer of title of the shares in AoK to ENRC was duly exercised by the Committee.

Long term incentive plan

The Company has adopted a long term incentive plan for Executive Directors, management and senior employees providing awards. The total number of share awards granted pursuant to this long term incentive plan, in conjunction with all other employee share plans operated by the Group, cannot exceed 10.0% of the issued share capital of the Company. The share awards will be subject to appropriate performance conditions, and all awards will be granted by the Remuneration Committee.

37. PRINCIPAL SUBSIDIARIES

A list of the principal subsidiaries consolidated during the period is set out below:

Subsidiary	Principal activity	Country of incorporation	% of ownership Years ended 31 December 2007	2006
Aluminium of Kazakhstan JSC	Mining and processing of raw materials	Kazakhstan	**96.61**	96.61
Kazakhstan Aluminium Smelter JSC	Metals processing	Kazakhstan	**100.00**	100.00
TNC Kazchrome JSC	Mining	Kazakhstan	**98.30**	98.30
SSGPO JSC	Mining	Kazakhstan	**98.15**	98.15
Zhairemsky GOK JSC	Mining	Kazakhstan	**99.84**	99.84
Eurasian Energy Corporation JSC	Power generation	Kazakhstan	**98.41**	98.37
ENRC Leasing BV	Leasing	Netherlands	**100.00**	100.00
ENRC NV	Holding	Netherlands	**100.00**	100.00
Corica AG	Holding	Switzerland	**100.00**	100.00
Remput LLP (formerly Remput JSC)*	Transportation	Kazakhstan	**–**	100.00
Company Zhol zhondeushi LLP	Transportation	Kazakhstan	**100.00**	100.00
MEK Transsystema LLP	Transportation	Kazakhstan	**100.00**	100.00
Transcom LLP	Transportation	Kazakhstan	**100.00**	99.45
Transremwagon LLP	Transportation	Kazakhstan	**100.00**	100.00
RemPut Ltd. LLP	Transportation	Kazakhstan	**100.00**	100.00
Universal Service LLP	Transportation	Kazakhstan	**100.00**	100.00
RemSholService LLP	Transportation	Kazakhstan	**100.00**	100.00
Bereke 2004 LLP	Transportation	Kazakhstan	**100.00**	100.00
ENRC Logistics LLP (formerly Eurasia LLP)	Transportation	Kazakhstan	**100.00**	100.00
ENRC Marketing AG (formerly ENR Ferroalloys AG)	Sales and marketing	Switzerland	**100.00**	100.00
ENRC Marketing LLP (formerly Energo-Resources Ltd LLP)	Sales and marketing	Kazakhstan	**100.00**	100.00
ENRC Limited	Holding	United Kingdom	**100.00**	100.00
ENRC Management (UK) Ltd	Group Managing Company	United Kingdom	**100.00**	100.00

* On 28 August 2006, Remput JSC became Remput LLP. In 2007, Remput LLP was merged to Company Zhol zhondeushi LLP. As a result of the merger, Remput LLP transferred all its rights and liabilities to Company Zhol zhondeushi LLP and ceased to exist as a legal entity.

PARENT COMPANY INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EURASIAN NATURAL RESOURCES CORPORATION PLC

We have audited the parent company financial statements of Eurasian Natural Resources Corporation PLC for the period ended 31 December 2007 which comprise the Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2007.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive Officers' Statement, Our Leadership Team, the Business Review and the Corporate Governance Report that is cross-referenced from the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises the Chairman's Statement, the Chief Executive Officers' Statement, the Business Review, the Directors' Report, the unaudited part of the Remuneration Report and all other information referred to on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007;
- the parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants and Registered Auditors
London
29 April 2008

EURASIAN NATURAL RESOURCES CORPORATION PLC
BALANCE SHEET
AS AT 31 DECEMBER 2007

In millions of US$	Note	As at 31 December 2007
Assets		
Fixed assets		
Investments	3	1,200
Current assets		
Accrued interest		17
Amount owed by ENRC Limited	4	2,401
Cash at bank and in hand		1
Total current assets		2,419
Creditors – amounts falling due within one year		
Amounts owed to ENRC Management (UK) Ltd	4	(69)
Net current assets		2,350
Total assets less current liabilities		3,550
Capital and reserves		
Called up share capital	5	258
Share premium account	6	2,999
Profit and loss account	7	293
Total capital employed		3,550

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements.

The financial statements on pages 109 to 111 were approved by the Board of Directors on 25 April 2008 and were signed on its behalf by:

DR JOHANNES SITTARD
Chief Executive Officer

MIGUEL PERRY
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 8 DECEMBER 2006 TO 31 DECEMBER 2007

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and generally accepted accounting principles in the United Kingdom ('UK GAAP').

The functional and presentation currency of the Company is US dollars. At 31 December 2007 the exchange rate was £1 = US$1.996 and the average rate for the period was £1 = US$2.004.

Investments
Investments in subsidiary undertakings are stated in the balance sheet at cost less provisions for impairment. Investments are tested for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss is recognised if the carrying amount of the investment exceeds the higher of net realisable value and the discounted future earnings from the investment.

Foreign currencies
Transactions denominated in currencies other than US dollars, including the issue of shares, are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in currencies other than US dollars are translated using the rate of exchange ruling at the balance sheet date. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

IPO costs
Costs related directly to the new issue of shares have been deducted from equity. Attributable IPO costs have been allocated between the share premium and income statement in proportion to the number of new shares issued compared to the existing number of shares. Other costs attributed to the listing have been expensed.

Taxation including deferred tax
Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is recognised on an undiscounted basis.

Share-based bonus awards
The fair value of the services received under an equity-settled share-based bonus award scheme from the Directors, management, senior employees and professional advisers for their contribution to the Company's preparations for admission to the London Stock Exchange was measured by reference to the fair value of the shares granted less par value at the grant date and was recognised in the profit and loss account.

Dividends
Dividends payable are recognised as a liability and deducted from equity at the balance sheet date only if they have been approved before or on the balance sheet date. Dividends are disclosed when they have been proposed before the balance sheet date or when declared after the balance sheet date but before the financial statements are authorised for issue.

2. TAX

Factors affecting future tax charges
There are no material factors affecting future tax charges.

In millions of US$	Period ended 31 December 2007
Tax reconciliation to UK statutory rate	
Profit on ordinary activities before tax	793
Notional tax charge at the UK tax rate of 30%	238
Effects of:	
Items not deductible for tax purposes	13
Losses not recognised for deferred tax	49
Items not chargeable for tax purposes	(300)
Total tax	–

The Company has unrecognised deferred tax assets in respect of deductible temporary differences of US$49 million for the year ended 31 December 2007 (2006: US$nil). It is probable that future taxable profit will not be available to utilise the benefits of these temporary differences.

3. INVESTMENTS

In millions of US$	As at 31 December 2007
Cost and net book value	
At 8 December 2006	–
During the period the Company acquired 100% of the share capital of:	
ENRC Limited	1,200
ENRC Management (UK) Ltd	–
Total investments	1,200

3. INVESTMENTS CONTINUED

In December 2006 the Company acquired 100% of the share capital of ENRC NV (a Dutch company). Under sections 131 and 133 of the Companies Act 1985 the share premium on these shares was not recognised. The cost of the investment was recorded as the par value of 20,000,000 shares of US$10 each and a promissory note of US$1,000 million. In March 2007 the Company exchanged its shares in ENRC NV for 100% of the share capital of ENRC Limited and as such ceased to recognise its investment in ENRC NV and recognised an equivalent investment in ENRC Limited.

Both ENRC Limited and ENRC Management (UK) Ltd are incorporated in the UK.

4. RECEIVABLES AND PAYABLES TO GROUP COMPANIES

The amount owed by ENRC Limited bears interest at LIBOR plus 2.056%. It is repayable on demand.

The current account payable to ENRC Management (UK) Ltd arises from IPO costs paid on behalf of the Company and is repayable on demand.

5. SHARE CAPITAL

In millions of US$	As at 31 December 2007
Authorised:	
2,000,000,000 ordinary shares of US$0.20 each	**400**
Issued and fully paid:	
1,287,750,000 ordinary shares of US$0.20 each	**258**

The Company was incorporated and registered in England and Wales on 8 December 2006 as a public limited company with a share capital of £50,000 divided into two ordinary shares of £1 each and 49,998 non-cumulative redeemable preference shares of £1 each. The share capital was one-quarter paid. On 19 December 2006, the Board resolved to effect the transfer of the two ordinary shares and 49,998 non-cumulative redeemable preference shares to The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan (the ‘Committee’). On the same day the authorised share capital of the Company was increased from £50,000 to £50,000 and US$200,000,000 by the creation and issuance of 20,000,000 new ordinary shares of US$10 each as part of the acquisition of ENRC NV (refer to note 3). In addition, the 49,998 non-cumulative redeemable preference shares of £1 each held by the Committee, were re-designated as ordinary shares of £1 each, the resulting 50,000 ordinary shares of £1 each were consolidated into one ordinary share of £50,000 and then the ordinary share was re-designated as a special share.

Share split

At an Extraordinary General Meeting of the Company held on 8 November 2007, each of the issued, and each of the authorised but unissued, ordinary shares of US$10.00 par value each in the capital of the Company was subdivided into 50 ordinary shares of US$0.20 par value each. On the same day the authorised share capital of the Company was increased to 2,000,000,000 ordinary shares.

Issuance of shares on IPO

On 12 December 2007, the Company successfully completed its IPO and listed on the London Stock Exchange. A total number of 277,750,000 shares were issued at £5.40 with a par value of US$0.20 each for total proceeds of about £1,500 million. Costs related to the issuance of new shares and attributable IPO costs taken against share premium amounted to US$96 million.

A further 10,000,000 ordinary shares with a par value of US$0.20 each were awarded to Directors, management, senior employees and professional advisers as part of the IPO bonus Plan on 12 December 2007. The fair value of the services received was measured at the fair value of the shares at the grant date of £5.40 per share less par value. The share awards are subject to a restriction period of one year from the date of the IPO during which any dealings are prohibited.

Redemption of special share

Pursuant to the Company’s articles of association, the one special share of nominal value of £50,000 held by the Committee was cancelled upon admission of the Company’s shares to the London Stock Exchange. As the share was only one-quarter paid up, £12,500 was paid to the Committee upon cancellation.

6. SHARE PREMIUM ACCOUNT

In millions of US$	As at 31 December 2007
At 8 December 2006	–
Premium on shares issued on IPO	2,986
Premium on shares issued to Group management as IPO bonus	109
IPO costs charged to share premium account	(96)
At 31 December 2007	**2,999**

7. PROFIT AND LOSS ACCOUNT

The profit for the period from 8 December 2006 (date of incorporation) to 31 December 2007 amounted to US$793 million. In December 2007 the Company paid a dividend of US$500 million to the pre-IPO shareholders.

8. CONTINGENCIES AND COMMITMENTS

The Company has a commitment to make investments of US$5 million annually in 2008 and 2009 and US$20 million annually from 2010 until 2024 into Eurasian Energy Corporation JSC, its subsidiary, to finance the expansion of its production capacity, including that of its operating divisions, amounting to US$310 million at 31 December 2007.

ORE RESERVES/MINERAL RESOURCES ESTIMATES
AS OF 31 DECEMBER 2007

SRK Consulting (UK) Ltd. (SRK) has reviewed the Mineral Resource and Ore Reserve statements as of 31 December 2007 of the material mining assets of Eurasian Natural Resources Corporation PLC (ENRC, also referred to as the 'Company') and restated these in accordance with the terms and definitions given in The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

In 2007, SRK prepared an independent mineral experts' report ('MER') on the mining, processing, smelting and power generating assets of the Company. An abridged version of this MER has been included in the prospectus (the 'Prospectus') published by the Company in connection with the admission of the ordinary shares of the Company to trading on the London Stock Exchange plc's market for listed securities in December 2007 (the 'IPO'). The MER contains Mineral Resource and Ore Reserve Statements in accordance with the JORC code, dated 1 July 2007.

The Mineral Resource and Ore Reserve statements have now been stated as of 31 December 2007 and are considered an update to the information included in the MER. During the MER process, SRK prepared resource/reserve statements as of 31 December 2006 and the current statements are generally calculated as depletion of the status as of 31 December 2006 by the production during 2007. Necessary adjustments have been applied to reflect mining parameter and production from outside of the previously delineated resources.

SRK relies on the Company and its technical representatives to ensure all technical information provided to SRK as at 15 February 2008, is accurate. SRK obtained a written confirmation from the Company, that there have not been any material changes at any of the operations which have the potential to affect resources and reserves in a material way.

Based on its review, SRK is satisfied that the underlying resource/reserve inventory as determined by the Company in line with the legal requirements of the Republic of Kazakhstan provide a consistent and reliable basis for SRK's subsequent adjustments.

SRK CONSULTING (UK) LTD
Floor 5
Churchill House
Churchill Way
Cardiff CF10 2HH
United Kingdom
19 March 2008

Ore reserves and mineral resources for ENRC Divisions are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004 (the 'JORC Code'). Codes or guidelines similar to JORC with only minor regional variations have been adopted in South Africa, Canada, the US, Chile, Europe and some other countries. Together these represent current best practice for reporting ore reserves and mineral resources.

The JORC Code envisages the use of reasonable investment assumptions, including the use of projected long-term commodity prices, in calculating reserve estimates.

Ore Reserve and Mineral Resources information in the tables below is based on Ore Reserve and Mineral Statements of the individual entities as audited and re-stated as at 31 December 2007 in accordance with the JORC code by SRK Consulting (UK) Ltd ('SRK').

The Ore Reserve and Mineral Resources estimate figures in the following tables are as of 31 December 2007. Summary data for year end 2006 are shown for comparison. No significant changes with respect to the classification of the Mineral Reserve and Ore Resource have occurred in 2007.

Mineral Resources are inclusive of Ore Reserves. Metric units are used throughout.

Summary of Ore Reserves of ENRC

	Reserves as of 31 December 2007						Reserves as of 31 December 2006		
	Proved		Probable		Total		Total		Reserves mine life as at
Minerals type	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	31/12/2007
Ferroalloy Division									
Chrome ore	6.8	Cr_2O_3 39.5	159.4	Cr_2O_3 42.3	166.2	Cr_2O_3 42.2	172.1	Cr_2O_3 42.1	**41 years**
Manganese ore*	–	Mn –	23.3	Mn 19.0	23.3	Mn 19.0	26.1	Mn 19.2	**15 years**
Iron-manganese ore*	–	Fe/Mn –	4.2	Fe/Mn 44.0/5.5	4.2	Fe/Mn 44.0/5.5	4.5	Fe/Mn 44.2/5.5	**10 years**
Iron Ore Division									
Iron ore	301.4	Fe 41.9	1183.5	Fe 35.3	1484.9	Fe 36.6	1524.2	Fe 36.6	**30 years**
Alumina and Aluminium Division									
Bauxite	63.3	Al_2O_3 43.1	97.4	Al_2O_3 43.3	160.7	Al_2O_3 43.3	164.6	Al_2O_3 43.3	**34 years**
Energy Division									
Coal[1]	62.0	–	700.0	–	762.0	–	781.0	–	**38 years**

1 Coal Reserve quality parameter: Calorific value=3,990Kcal/Kg (net as received); 0.56% S (air dried); 42.5% ash (air dried).

* Based on the extensive amount of additional mineral resources, it is expected that manganese and iron manganese ore reserves and the mine life of the Zhairem mines can be significantly increased in future. Extension projects at Ushkatyn-III (combined open pit and underground operation) and Zhomart (including the Zapadny-Zhomart area) are currently under development involving a Mineral Resource inventory of some 15Mt of manganese ore and 10Mt of iron-manganese. However, mining and cost parameters have yet to be defined in more detail. The Company believes that this will be done in time for inclusion of these projects in the next independent Resource/Reserve audit scheduled for early 2009.

Summary of Mineral Resources of ENRC

(Mineral Resources are inclusive of Ore Reserves)

	Resources as of 31 December 2007								Resources as of 31 December 2006	
	Measured		Indicated		Inferred		Total		Total	
Minerals type	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Ferroalloy Division										
Chrome ore	82.0	Cr_2O_3 50.7	196.3	Cr_2O_3 48.7	52.5	Cr_2O_3 48.6	330.8	Cr_2O_3 49.2	336.6	Cr_2O_3 49.1
Manganese ore	–	Mn –	45.8	Mn 17.6	57.4	Mn 21.2	103.2	Mn 19.6	106.3	Mn 19.7
Iron-manganese ore	–	Fe/Mn –	7.3	Fe/Mn 44.3/1.7	3.6	Fe/Mn 40.1/1.5	10.9	Fe/Mn 42.9/1.6	11.5	Fe/Mn 43.3/1.7
Iron Ore Division										
Iron ore	401.2	Fe 44.4	3225.7	Fe 38.2	891.1	Fe 39.3	4518.0	Fe 39.0	4557.3	Fe 39.0
Alumina and Aluminium Division										
Bauxite	67.9	Al_2O_3 43.7	103.4	Al_2O_3 43.7	2.6	Al_2O_3 46.1	173.9	Al_2O_3 43.8	177.7	Al_2O_3 43.8
Energy Division										
Coal[1]	1,059	–	195	–	–	–	1,254	–	1,269	–

1 Coal Resource quality parameter: Calorific value= 4,580Kcal/Kg (net as received); 0.57% S (air dried); 36% ash (air dried).

ORE RESERVES/MINERAL RESOURCES ESTIMATES CONTINUED

Detailed ENRC reserves and resources by ore type and mine

FERROALLOY DIVISION

Mining facilities of the Ferroalloy Division produce chrome ore, manganese ore and iron-manganese ore. These facilities are represented by Joint Stock Company (JSC) Kazchrome and JSC Zhairemskiy GOK. JSC Kazchrome in turn consists of Donskoy GOK and Kazmarganets Mining Unit.

Ore Reserves – Chromite Deposits

		Reserves as of 31 December 2007						Reserves as of 31 December 2006	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Donskoy GOK			Cr_2O_3		Cr_2O_3		Cr_2O_3		Cr_2O_3
10th Anniversary	U/G	–	–	116.6	44.0	116.6	44.0	117.8	44.0
Molodezhnaya	U/G	6.8	39.5	20.6	42.1	27.4	41.5	29.3	41.7
Poiskovoye	O/P	–	–	0.1	41.5	0.1	41.5	1.3	41.5
Yuzhny	O/P	–	–	3.1	41.9	3.1	41.9	3.5	41.7
Stockpiles		–	–	19.0	31.9	19.0	31.9	20.2	31.3
Donskoy total		6.8	39.5	159.4	42.3	166.2	42.2	172.1	42.1

Mineral Resources – Chromite Deposits

(Mineral Resources are inclusive of Ore Reserves)

		Resources as of 31 December 2007								Resources as of 31 December 2006	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Donskoy GOK			Cr_2O_3		Cr_2O_3		Cr_2O_3		Cr_2O_3		Cr_2O_3
10th Anniversary	U/G	63.7	50.7	163.9	50.5	48.8	48.4	276.4	50.2	277.7	50.2
Molodezhnaya	U/G	18.2	51.0	10.7	51.0	3.7	51.0	32.6	51.0	34.6	51.0
Poiskovoye	O/P	–	–	0.1	48.5	–	–	0.1	48.5	1.1	48.5
Yuzhny	O/P	0.1	48.8	2.6	49.1	–	–	2.7	49.0	3.0	48.8
Stockpiles		–	–	19.0	31.9	–	–	19.0	31.9	20.2	31.3
Donskoy total		82.0	50.7	196.3	48.7	52.5	48.6	330.8	49.2	336.6	49.1

Ore Reserves – Manganese Deposits

		Reserves as of 31 December 2007						Reserves as of 31 December 2006	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Kazmarganets			Mn		Mn		Mn		Mn
Tur	O/P	–	–	6.3	22.1	6.3	22.1	7.0	22.5
Vostochny Kamys	O/P	–	–	1.4	18.2	1.4	18.2	1.8	18.8
Kazmarganets total		–	–	7.7	21.4	7.7	21.4	8.8	21.7
Zhairemsky GOK									
Ushkatyn-I	O/P	–	–	–	–	–	–	–	–
Ushkatyn-III	O/P	–	–	14.5	17.4	14.5	17.4	15.6	17.6
Ushkatyn-III	U/G	–	–	–	–	–	–	–	–
Zhomart	O/P	–	–	1.1	23.3	1.1	23.3	1.3	23.1
Zapadny Zhomart	O/P	–	–	–	–	–	–	–	–
Perstenevsky	O/P	–	–	–	–	–	–	–	–
Stockpiles		–	–	–	–	–	–	0.4	12.1
Zhairemsky GOK total		–	–	15.6	17.8	15.6	17.8	17.3	17.9
Grand total		–	–	23.3	19.0	23.3	19.0	26.1	19.2

Mineral Resources – Manganese Deposits

(Mineral Resources are inclusive of Ore Reserves)

		Resources as of 31 December 2007								Resources as of 31 December 2006	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Kazmarganets			Mn		Mn		Mn		Mn		Mn
Tur	O/P	–	–	6.2	24.6	2.8	15.3	9.0	21.7	9.7	22.2
Vostochny Kamys	O/P	–	–	1.4	18.9	1.2	19.3	2.6	19.1	3.0	19.5
Kazmarganets total		–	–	7.6	23.5	4.0	16.5	11.6	21.1	12.7	21.6
Zhairemsky GOK											
Ushkatyn-I*	O/P	–	–	18.7	11.7	0.4	12.2	19.1	11.8	19.2	11.8
Ushkatyn-III	O/P	–	–	15.0	21.0	–	–	15.0	21.0	16.1	21.3
Ushkatyn-III	U/G	–	–	–	–	50.9	21.6	50.9	21.6	50.9	21.6
Zhomart	O/P	–	–	0.9	25.2	–	–	0.9	25.2	1.3	25.0
Zapadny Zhomart	O/P	–	–	3.6	19.1	1.3	23.9	4.9	20.3	4.9	20.3
Perstenevsky	O/P	–	–	–	–	0.8	21.0	0.8	21.0	0.8	21.0
Stockpiles		–	–	–	–	–	–	–	–	0.4	12.1
Zhairemsky GOK total		–	–	38.2	16.4	53.4	21.5	91.6	19.4	93.6	19.5
Grand total		–	–	45.8	17.6	57.4	21.2	103.2	19.6	106.3	19.7

*These Ushkatyn-I resources relate to a particular high-iron manganese mineralisation (jacobsite), which were grouped for the purpose of this report together with the other manganese resources.

Ore Reserves – Iron Manganese Deposits

		Reserves as of 31 December 2007						Reserves as of 31 December 2006	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Zhairemsky GOK			Fe/Mn		Fe/Mn		Fe/Mn		Fe/Mn
Ushkatyn-I	O/P	–	–	3.2	45.3/6.0	3.2	45.3/6.0	3.2	45.3/6.0
Ushkatyn-III	O/P	–	–	0.5	34.3/6.3	0.5	34.3/6.3	0.7	38.1/6.5
Ushkatyn-III	U/G	–	–	–	–	–	–	–	–
Zhomart	O/P	–	–	0.5	45.4/1.5	0.5	45.4/1.5	0.6	45.4/1.5
Zhairemsky GOK total		–	–	4.2	44.0/5.5	4.2	44.0/5.5	4.5	44.2/5.5

Mineral Resources – Iron Manganese Deposits

(Mineral Resources are inclusive of Ore Reserves)

		Resources as of 31 December 2007								Resources as of 31 December 2006	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Zhairemsky GOK			Fe/Mn		Fe/Mn		Fe/Mn		Fe/Mn		Fe/Mn
Ushkatyn-I	O/P	–	–	5.6	44.1/1.6	–	–	5.6	44.1/1.6	5.6	44.1/1.6
Ushkatyn-III	O/P	–	–	0.6	38.7/2.7	–	–	0.6	38.7/2.7	0.9	43.1/2.7
Ushkatyn-III	U/G	–	–	–	–	3.6	40.1/1.5	3.6	40.1/1.5	3.6	40.1/1.5
Zhomart		–	–	1.1	48.3/1.6	–	–	1.1	48.3/1.6	1.4	48.3/1.6
Zhairemsky GOK total				7.3	44.3/1.7	3.6	40.1/1.5	10.9	42.9/1.6	11.5	48.3/1.7

ORE RESERVES/MINERAL RESOURCES ESTIMATES CONTINUED

IRON ORE DIVISION

Mining facilities of the Iron Ore Division consist of JSC SSGPO mines.

Ore Reserves – Iron Deposits

		Reserves as of 31 December 2007						Reserves as of 31 December 2006	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
SSGPO			Fe		Fe		Fe		Fe
Sokolovsky	U/G	17.6	38.5	229.5	31.4	247.1	31.9	249.5	31.9
Sokolovsky	O/P	–	–	31.2	32.8	31.2	32.8	40.4	32.8
Sarbaisky (main)	O/P	41.2	38.8	76.0	33.8	117.2	35.6	126.1	35.7
Sarbaisky (southern)	O/P	59.2	44.5	83.7	44.3	142.9	44.4	142.9	44.4
Kacharsky	O/P	183.4	42.0	672.8	35.6	856.2	37.0	872.3	37.1
Korzhinkol'skoye	O/P	–	–	90.3	36.4	90.3	36.4	93.0	36.4
SSGPO total		301.4	41.9	1183.5	35.3	1484.9	36.6	1524.2	36.6

Mineral Resources – Iron Deposits

(Mineral Resources are inclusive of Ore Reserves)

		Resources as of 31 December 2007								Resources as of 31 December 2006	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
SSGPO			Fe		Fe		Fe		Fe		Fe
Sokolovsky	U/G	85.7	48.3	1098.0	38.8	275.6	42.3	1459.3	40.1	1461.8	40.1
Sokolovsky	O/P	–	–	31.0	33.6	11.1	26.6	42.1	31.8	51.1	32.1
Sarbaisky (main)	O/P	55.9	37.6	802.5	37.4	157.9	38.8	1016.3	37.6	1025.0	37.6
Sarbaisky (southern)	O/P	59.2	46.3	170.1	44.5	116.2	48.1	345.5	46.0	345.5	46.0
Kacharsky	O/P	200.4	44.0	994.4	36.7	278.4	33.2	1473.2	37.1	1489.8	37.1
Korzhinkol'skoye	O/P	–	–	129.7	42.2	51.9	40.1	181.6	41.6	184.1	41.5
SSGPO total		401.2	44.4	3225.7	38.2	891.1	39.3	4518.0	39.0	4557.3	39.0

ALUMINA AND ALUMINIUM DIVISION

Mining facilities of the Alumina and Aluminium Division are presented by JSC Aluminium of Kazakhstan (AoK) mines. AoK in turn consist of Krasno-Oktyabrskoye Mining Unit (KBRU) and Torgayskoye Mining Unit (TBRU).

Ore Reserves – Bauxite

		Reserves as of 31 December 2007						Reserves as of 31 December 2006	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Aluminium of Kazakhstan									
KBRU			Al_2O_3		Al_2O_3		Al_2O_3		Al_2O_3
Krasnooktyabr'skoye	O/P	34.7	43.4	60.0	43.0	94.7	43.1	96.3	43.1
Belinskoye	O/P	12.0	41.6	1.9	41.6	13.9	41.6	15.2	41.6
Ayatskoye	O/P	6.9	44.5	–	–	6.9	44.5	7.3	44.4
Vostochno-Ayatskoye	O/P	5.9	43.3	34.4	44.0	40.3	43.9	40.3	43.9
KBRU total		59.5	43.1	96.3	43.3	155.8	43.3	159.1	43.3
TBRU									
Amangel'dinsky	O/P	3.8	43.8	1.1	42.0	4.9	43.4	5.5	43.4
TBRU total		3.8	43.8	1.1	42.0	4.9	43.4	5.5	43.4
Grand total		63.3	43.1	97.4	43.3	160.7	43.3	164.6	43.3

Mineral Resources – Bauxite

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2007 Measured Tonnage Mt	Measured Grade %	Indicated Tonnage Mt	Indicated Grade %	Inferred Tonnage Mt	Inferred Grade %	Total Tonnage Mt	Total Grade %	Resources as of 31 December 2006 Total Tonnage Mt	Total Grade %
Aluminium of Kazakhstan											
KBRU			Al_2O_3		Al_2O_3		Al_2O_3		Al_2O_3		Al_2O_3
Krasnooktyabr'skoye	O/P	36.8	43.8	63.5	43.4	–	–	100.3	43.5	101.9	43.6
Belinskoye	O/P	12.7	41.9	2.1	41.9	–	–	14.8	41.9	16.1	41.9
Ayatskoye	O/P	7.3	45.0	–	–	–	–	7.3	45.0	7.7	44.9
Vostochno-Ayatskoye	O/P	6.2	43.7	36.4	44.4	0.1	42.2	42.7	44.3	42.7	44.3
KBRU total		63.0	43.6	102.0	43.7	0.1	42.2	165.1	43.7	168.4	43.7
TBRU											
Amangel'dinsky	O/P	4.9	44.9	1.4	42.3	2.5	46.2	8.8	44.8	9.3	44.8
TBRU total		4.9	44.9	1.4	42.3	2.5	46.2	8.8	44.8	9.3	44.8
Grand total		67.9	43.7	103.4	43.7	2.6	46.1	173.9	43.8	177.7	43.8

ENERGY DIVISION

Mining facilities of Energy Division are represented by the Vostochnyi open pit of JSC Eurasian Energy Corporation (EEC).

Coal Reserves

Enterprise and mine name	Type of mine	Reserves as of 31 December 2007 Proved Tonnage Mt	Proved Grade %	Probable Tonnage Mt	Probable Grade %	Total Tonnage Mt	Total Grade %	Reserves as of 31 December 2006 Total Tonnage Mt	Total Grade %
EEC									
Vostochny	O/P	62.0	*	700.0	*	762.0	*	781.0	(1)
Grand total		62.0	*	700.0	*	762.0	*	781.0	(1)

* Coal Reserve quality parameter: Calorific value=3,990Kcal/Kg (net as received); 0.56% S (air dried); 42.5% ash (air dried).

Coal Resources

(Coal Resources are inclusive of Coal Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2007 Measured Tonnage Mt	Measured Grade %	Indicated Tonnage Mt	Indicated Grade %	Inferred Tonnage Mt	Inferred Grade %	Total Tonnage Mt	Total Grade %	Resources as of 31 December 2006 Total Tonnage Mt	Total Grade %
EEC											
Vostochny	O/P	1,059	*	195	(1)	–	–	1,254	*	1,269	(1)
EEC total		1,059	*	195	(1)	–	–	1,254	*	1,269	(1)

* Coal Resource quality parameter: Calorific value=4,580Kcal/Kg (net as received); 0.57% S (air dried); 36% ash (air dried).

GLOSSARY

Al_2O_3	aluminium oxide
AoK	Aluminium of Kazakhstan
BAT	Best Available Techniques International Practices
CIS	Commonwealth of Independent States
Cr_2O_3	chromium oxide
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EEC	Eurasian Energy Company
ENRC	Eurasian Natural Resources Corporation PLC
Fe_2O_3	iron oxide
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
JSC	Joint Stock Company
KAS	Kazakhstan Aluminium Smelter
KBRU	Krasno Oktyabrskoye bauxite mine
LME	London Metal Exchange
MMK	The Magnitogorsk Iron and Steel Works Open Joint Stock Company
n/a	not applicable
OJSC	Open Joint Stock Company
O/P	open pit
PBT	profit before tax
SRK	SRK Consulting (UK) limited
SSGPO	Sokolovsko Sarbaiskoye Ore Mining and Processing Association
TBRU	Torgay bauxite mine
UK	United Kingdom
US	United States of America

alumina	Any of several forms of aluminium oxide, Al_2O_3, occurring naturally as corundum, or obtained by refining of bauxite ore.
aluminium smelter	An electrolysis process plant used to convert alumina to aluminium metal.
bauxite	An earthy rock composed almost wholly of aluminium hydroxide, often formed by the intense weathering of existing rocks. It is the principal ore of aluminium.
beneficiation	The process used to remove unwanted material from mined ore, in order to increase the proportion of useful metal compounds (minerals).
bentonite	A soft rock type composed mainly of the clay material montmorillonite. When in contact with water it has the characteristic ability to swell to many times its dry volume.
blast furnace	A pyrometallurgical process plant which employs hot air (blast) as an aid to reduce the mineral ore (usually iron oxides: hematite or magnetite) to its metallic element (Fe).
brownfield	A development project that is close to existing industrial operations with proximity to existing infrastructure, often an extension and with known geological conditions.
calcite	A common rock forming mineral. calcium carbonate $CaCO_3$.
capacity	Means the design number of units that can be produced in a given time period based on operations with a normal number of shifts and maintenance interruptions.
capital expenditure	Expenditures incurred during the process of commencing, expanding or sustaining production.
charge chrome	A ferrochrome alloy where the percentage of chromium is between 50%–55%. This is a material charged to a steel production furnace.
chromite	Chromium spinel $(Fe, Mg)O{\cdot}(Fe,Al,Cr)_2O_3$, the principal chromium ore mineral, chromium content 43%–68%.
chromium	Chemical element with symbol Cr, commonly used in steel industry to produce stainless steel.
coke	Bituminous coal from which the volatile components have been removed. Is used as a fuel and as a reducing agent in smelting.
concentrate	A material that has been processed to increase the content of the contained valuable component or mineral relative to the contained waste.
corundum	A mineral with the ideal composition Al_2O_3, natural alumina.
crushing	Size reduction into relatively coarse particles by stamps, crushers, or rolls.
dilution	The contamination of ore with barren wall rock leading to lower grade in the mined product than in the in situ ore itself.
dip	The angle at which a bed, stratum, or vein is inclined from the horizontal, measured perpendicular to the strike.
dolomite	A mineral, magnesium calcium carbonate, and the rock composed thereof. Used as flux in steel industry.
drill hole	Technically, a circular hole drilled by forces applied percussively or rotationally. Loosely and commonly, the name applies to a circular hole drilled in any manner.
enrichment	The process of removing impurities from mined ore, resulting in an increase in the proportion of the valuable mineral or metal component (similar to beneficiation and concentration).
excavator	Mobile machine used in open pit mining for the digging of ore and waste from the mine and loading it onto vehicles for transportation.
fault	A fracture or a fracture zone along which there has been displacement of one side relative to the other. The displacement may be a few inches or many miles.
ferroalloys	Group of alloys having iron (Fe) as one of the defining elements. These alloys form the feed material for various finishing processes e.g. steel making. The Group, in particular, produces high, medium and low carbon ferrochrome, ferrosilicochrome and ferrosilicomanganese.
ferrochrome	An alloy of iron and chromium primarily used as an input to stainless steel making. Comprising charge chrome, high carbon, medium carbon and low carbon ferrochrome.
ferrosilicochrome	An alloy with iron, chrome and silicon as the main elements.
ferrosilicomanganese	An alloy with iron, manganese and silicon as the main elements.
ferrosilicon	An alloy with iron and silicon as the main elements.
furnace	A vessel in which ore is reduced to molten metal under the action of applied heat. Similarly, crude metal is treated in a furnace by adding alloys to produce refined metals.
grade	Quantity of metal in a specified quantity of rock, concentrate, alloy or other material, usually expressed as a percentage of the primary element.
greenfield	A term used to describe an area of undeveloped land, either currently used for agriculture or just left to nature.
hematite	Common iron oxide mineral, Fe_2O_3.
JORC code	The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
limestone	Sedimentary rock comprised mostly of calcium carbonate (calcite).
magnetite	A mineral of iron, Fe_3O_4, a common ore forming mineral with characteristic magnetic properties.
metallurgy	The science that deals with procedures used in extracting metals from their ores, purifying and alloying metals.
mill	commonly used to describe a plant where ore is ground and undergoes physical or chemical treatment to extract and produce a concentrate of the valuable minerals.
Mineral Resources	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
mineralisation	The process by which minerals are introduced into a rock. More generally, a term applied to accumulations of economic or related minerals in quantities ranging from weakly anomalous to economically recoverable.
open pit mining	Method of mining in which the ore is extracted from an excavation open to the sky.

GLOSSARY CONTINUED

ore	The naturally occurring material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives. The term is generally but not always used to refer to metalliferous material, and is often modified by the names of the valuable constituent, e.g. iron ore.
Ore Reserves	The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.
Outokumpu	A Finnish company producing, beside others, metallurgical process equipment.
overburden	In an open pit mine, the unwanted material that must be stripped away to reveal the ore beneath.
pelletising	The process of agglomerating fine product and moulding it into the shape of a pellet (marble shape 8 to 16mm in diameter), which is more favourable in size and strength for efficient down stream processing than the original fines.
plant	Commonly used as general term for fixed or moveable equipment required in the process of winning of raw material and down stream processing, including crushers, mills, smelters.
Probable Ore Reserves	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.
Proved Ore Reserves	The economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Proved Ore Reserve represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that Proved Ore Reserves are not achievable in some deposits.
refinery	An electrolytic or chemical facility producing pure metals or metal compounds.
saleable product	Products that have been upgraded into a form that may be sold to customers.
sediment	Particulate matter that can be transported by fluid flow, glaciers or wind and which eventually is deposited as a layer of solid particles.
silicomanganese	A ferroalloy composed principally of manganese, silicone and iron. used in steel production.
smelting	A thermal process whereby molten metals (or amalgamated metals) are liberated from beneficiated ore or concentrate with impurities speared as lighter slag.
spot price	The current price of a metal for immediate delivery.
stockpile	A (generally intermediate) accumulation of ore, other mineral product or coal, prior to individual processing steps. Any heap of material formed for loading or other purposes.
strike	A geological term which describes a horizontal line on the surface of a dipping stratum. The strike is 90° to the dip of the stratum.
turbines	A rotating machine for producing electricity, driven by steam or gas.
vein	An epigenetic mineral filling of a fault or other fracture in a host rock, in tabular or sheet like form, often with associated replacement of the host rock. a mineral deposit of this form and origin.
waste	Rock lacking sufficient metal grade and/or other characteristics to be a source of economic revenue. Wet magnet separation is a process of iron ore beneficiation, by which magnetite (Fe_3O_4) particles are attracted by a magnetic field while water washes out the (non magnetic) waste product.

UNITS

%	percent
°	degree
GWh	gigawatt hour
kcal/kg	thousand calories per thousand grammes
kg	kilogramme
kt	thousand metric tonnes
KWh	kilowatt hour
KZT	Kazakhstani tenge
Mt	million metric tonnes
MW	megawatt
m^3	cubic metres

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Any queries about the administration of holdings of ordinary shares, such as change of address, change of ownership or dividend payments should be directed to the Company's Registrars. Holders of ordinary shares may also view and update details of their shareholding, after a brief registration process, via our Registrars' Investor Centre service at: www.computershare.com/investor/uk.

Internet share dealing
An internet share dealing service is available for holders of ordinary shares who want either to buy or sell ordinary shares.

Further information about this service can be obtained from the Company's Registrars on +44 (0) 870 707 1680 or by logging on to: www.computershare.com/dealing/uk.

Telephone share dealing
A telephone share dealing service with the Company's Registrars is available for holders of ordinary shares. The service is available from 8.00 am to 4.30 pm, Monday to Friday, excluding bank holidays, on telephone number +44 (0) 870 703 0084.

Detailed terms and conditions are available on request by calling the above number.

Analysis of ordinary shareholders
As at 9 April 2008

	Number of holders	%	Number of shares
1 to 1,000 shares	246	27	114,624
1,001–5,000	113	13	294,629
5,001–50,000	213	24	4,133,100
50,001–100,000	78	9	5,868,949
100,001–500,000	143	16	33,633,136
500,001 and over	102	11	1,243,705,562
		100	1,287,750,000

Events Calendar

Wednesday, 14 May 2008	Interim Management Statement/ Q1 Production Report
Wednesday, 11 June 2008	Annual General Meeting
Wednesday, 6 August 2008	Q2 Production Report
Thursday, 21 August 2008	2008 Half-Year Results
Wednesday, 12 November 2008	Interim Management Statement/ 2008 Q3 Production Report

All dates are provisional and subject to change.

NOTES

NOTES

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