



12 November 2008

## **Eurasian Natural Resources Corporation PLC**

### **Interim Management Statement for the Second-half of 2008 and Production Report for the Third-quarter ended 30 September 2008**

London – Eurasian Natural Resources Corporation PLC ('ENRC' or, together with its subsidiaries, the 'Group'), the holding company of a leading diversified natural resources group principally based in Kazakhstan, today announces its Interim Management Statement for the second-half of 2008 and its Production Report for the third-quarter ended 30 September 2008.

#### **Highlights for the 9 Months to 30 September 2008**

- Production volumes across the Group (excluding Serov and the new aluminium smelter) increased relative to the corresponding period in 2007.
- The Group's financial performance for the period remained very strong, driven by significantly higher prices, in particular for ferroalloys and iron ore.
- Growth in total costs was successfully managed and was within Management expectations, and significantly below the rate of growth for revenues.
- The Group's financial position is robust with gross available funds of approximately US\$2.6 billion.

#### **Outlook for the Full Year 2008**

- Since 30 September 2008 there have been a number of significant developments against the background of a deteriorating global economy, with weakening prices and sales.
- The Group has reassessed its production plans for Q4 2008. Production will be reduced in the Ferroalloys Division and the Iron Ore Division; full year 2008 output will be below that for 2007 on a comparable basis.
- The Group is reviewing its capital expenditure plans to focus on replacement and efficiency investments whilst re-evaluating the timing of expansion projects. For the full year 2008 capital expenditure will be significantly below the previously projected US\$1.7 billion.
- Despite the downturn in Q4 2008 the Group believes that its results for full year 2008 will be strong and towards the lower end of Management expectations.

*"The Group's financial performance for the nine months ended Q3 2008 remained very strong, in line with our expectations. While the outlook for Q4 2008 is of weakening demand we continue to expect a strong performance for the full year 2008. In response to the sharp slowdown in the global economy, including China and Russia, and reduced demand, we have cut back production in the Ferroalloys and Iron Ore Divisions.*

*We believe that we are well positioned to face the challenges and seize the opportunities presented by the current economic environment. We will focus on maintaining our advantageous low cost position. Our strong balance sheet enables us to continue our investment in key projects and to consider acquisitions. Over the medium term we remain convinced of the growth prospects in our key markets."*

**Dr Johannes Sittard, Chief Executive Officer**



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### **Interim Management Statement and Production Report Conference Call Details**

The Chief Financial Officer's briefing will be available as a live conference call for investors and analysts at 09.00 (GMT) on Wednesday, 12 November, 2008. The dial-in number for callers is +44 (0) 20 3003 2607, with the identifier, 'the ENRC call'. From shortly after the conference call there will be a replay available until Friday, 28 November, 2008: Tel: +44 (0) 20 8196 1998, access code: 7634345#. A recording of the briefing will be posted on the website in due course.

This Interim Management Statement ('IMS') and Production Report is drafted to meet the requirements of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority ('FSA') to provide additional information to shareholders. The IMS should not be relied on for any other purpose or by any other party.

#### **About ENRC**

ENRC is a leading diversified natural resources group performing integrated mining, processing, energy, logistics and marketing operations. The operations comprise: the mining and processing of chrome, manganese and iron ore; the smelting of ferroalloys; the mining and processing of bauxite for the extraction of alumina and the production of aluminium; coal extraction and electricity generation, and the transportation and sales of Group products. The Group's production assets are principally located in the Republic of Kazakhstan. The Group's entities, in the six months ended 30 June 2008, employed over 67,000 (2007: 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 in Russia, China, Japan, Western Europe and the United States. For the six months ended 30 June 2008, the Group had revenue of US\$3,442 million (2007: US\$1,856 million) and net profit of US\$1,366 million (2007: US\$388 million). For further information please see the Group's website, [www.enrc.com](http://www.enrc.com).

#### **Forward-looking statements**

*This announcement includes forward-looking statements that reflect the current views of the management of the Group 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 announcement. 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 announcement, those results or developments may not be indicative of results or developments in future periods. The Group does not undertake any obligation to review or confirm analysts, expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this announcement.*



## **Interim Management Statement for the Second-half of 2008**

The information set out below, unless stated otherwise, relates to the nine months ended 30 September 2008, and is compared to the corresponding nine months of 2007. The Outlook includes an update for the period since 30 September 2008.

From Q2 2008, the Group's revenue included incremental sales from Serov. In addition the new aluminium smelter reached its full Phase 1 annual run rate production capacity of 125 thousand tonnes during Q2 2008.

### **Financial Review**

#### Revenue

Market conditions remained broadly favourable in the Group's principal commodities for the nine months ended 30 September 2008. Revenue growth, in the nine months ended 30 September 2008, was significantly ahead of the comparable period, with good performances across the core operating Divisions. In Q3 2008, despite a mounting deterioration in the economic background, the Group saw its revenue performance remain consistent with the level of Q2 2008 and higher than the quarterly average in H1 2008.

Prices for ferroalloys and iron ore in the nine months ended 30 September 2008, and in Q3 2008, were significantly higher than for the comparable periods in 2007. Higher demand for ferroalloys and iron ore, combined with power supply disruptions within the ferroalloys industry, notably in South Africa, and the significant uplift in iron ore benchmark prices, underpinned very strong market price increases. For the nine months ended 30 September 2008, in comparison with the corresponding period, average sales prices were higher for all commodities: an increase of 113.4% in high-carbon ferrochrome and 126.9% in the price of chrome ore; iron ore rose 80.0%; thermal coal was up 18.0% and electricity up 26.7%; whilst alumina prices, linked to London Metal Exchange ('LME') aluminium, rose 3.0%.

Partially offsetting the strength of revenues from higher prices there were indications in late Q3 2008, particularly for ferroalloys, of weakening demand, with some production being taken to stock.

#### Costs

Reflecting management's ongoing focus, the Group continued to successfully manage cost inflation. For the nine months ended 30 September 2008, against the comparable period in 2007, the growth rate of total costs was significantly below the comparable growth rate for revenue and within Management expectations. In Q3 2008 the level of total costs remained steady on the level of Q2 2008 but higher than the quarterly average of total costs in H1 2008. Costs growth was driven principally by higher volumes and materials input costs. Underlying Kazakhstani inflation – as measured by consumer prices – eased in Q3 2008, to an annual rate of around 18% as at end September 2008.



## **Financial Position**

The Group's financial position is robust, with gross available funds as at 30 September 2008 of approximately US\$2.6 billion. The Group has continued to pay down its trade finance facility; the amount outstanding was US\$0.8 billion at 30 September 2008. Other than as mentioned in this statement there have been no material events, transactions or changes to the financial position of the Group since 30 June 2008.

## **Capital Expenditure and Projects Update**

The Group continued with its approved capital expenditure programme. During Q3 2008 the main areas of expenditure were: the finalisation of Phase 1 and commencing construction of Phase 2 of the aluminium smelter; the construction of a new ferroalloys pelletiser; and the refurbishment of a power unit in the Energy Division.

In light of the current economic environment the Group is reviewing all of its capital expenditure plans, with priority being given to continuing with replacement investment or efficiency projects. The Group is re-evaluating the timing of expansion projects and is considering deferrals to the planned scheduling of expenditure. The Group also plans to use the current environment to seek ways to reduce project costs. Despite this, the Group believes that its relatively low production cost position in its core commodities, derived from the quality of the Group's mining assets and its captive energy supply, underpin the long-term capital expenditure projects of the Group.

## **Taxation**

The Republic of Kazakhstan is finalising legislation on proposed changes to its tax regime that are likely to impact the Group and which are expected to take effect from 1 January 2009. The Group anticipates that this process will be completed shortly and that it will then be able to update the Market on the effects of the changes on the Group's financial performance. The Group has not changed its previous guidance on the potential impact on its financial performance.

## **Outlook**

The Group maintains a positive view on the medium-term growth prospects for the Chinese and Russian domestic economies. Their potential growth in demand for ferroalloys, iron ore, alumina and aluminium, and for other metals, is significant, based on their populations and infrastructure investment requirements. The Group believes that ENRC, as an integrated metals and mining business, has the essential ingredients for future success, based on its proximity to these key markets, its low costs position and its growth opportunities.

Since 30 September 2008 there have been a number of significant developments which have impacted demand for the Group's commodities. Into Q4 2008, against a background of declining demand in the steel and stainless steel sectors and the deteriorating global economy, the outlook for prices and volumes weakened considerably. Demand from the Group's principal ferrochrome and iron ore



customers, particularly in Russia – including the MMK iron ore contract - and China, deteriorated into Q4 2008 with widespread announcements of production cutbacks. The Group is continually reassessing the production plans for the businesses in light of the weakening global economic situation and its impact on demand from the Group's steel and stainless steel customers.

In light of the deteriorating market conditions the Group has reduced production in the Ferroalloys and Iron Ore Divisions for Q4 2008. It is currently anticipated that production in the Ferroalloys Division (excluding Serov) and in the Iron Ore Division for the full year 2008 will be below that for 2007.

Costs growth pressures in the industry are abating somewhat in response to the economic environment, which will help the Group's efforts to control costs.

As a consequence of the current economic climate and the opportunities to potentially reduce project costs, the full year 2008 capital expenditure will be significantly below the level of US\$1.7 billion projected at the time of the 2007 Preliminary Results.

The Group believes that its results for the full year 2008 will be towards the lower end of Management expectations. We expect market pressures to continue into 2009 with prices and volumes being lower than for full year 2008.



## Notes

1. The Group's own measured consensus is of sell-side analysts' 2008 forecasts – based on a simple arithmetic mean of those analysts who have published since the 2008 Half Year Results announcement and who have supplied to the Group their detailed estimates – and are as at the close of business on 11 November 2008. Consensus 2008 EBITDA (before exceptional items) was US\$4,810 million, with a range of US\$5,151 million to US\$4,309 million; consensus 2008 profit attributable to ordinary shareholders was US\$2,987 million, with a range of US\$3,186 million to US\$2,686 million.
2. Total costs: Cost of sales plus Distribution costs plus Selling, general and administrative expenses plus Other operating income/(expenses) net.
3. On 4 April 2008, the Group announced the completion of the acquisition of a controlling interest in the Serov group and certain related entities ('Serov'). Serov's results have been consolidated in the Group's Income Statement and Balance Sheet with effect from 4 April 2008.
4. On 15 October 2008 the Group completed its acquisition of a 50% stake in Xinjiang Tuoli Taihang Ferro-Alloy Co. LTD ('Tuoli'), a Chinese ferroalloys producer. The joint venture company has been renamed Xinjiang Tuoli ENRC Taihang Chrome Co. Ltd ('Tuoli'). Tuoli will be accounted for by the Group as a subsidiary.
5. On 21 August 2008 the Group declared an interim dividend in respect of the year ended 31 December 2008 of US12.00 cents per ordinary share. The interim dividend will be paid on 19 November 2008 to those shareholders on the register as at 5 September 2008.
6. The Kazakhstani Tenge ('KZT') to US Dollar spot exchange rate as at 30 September was KZT119.81/US\$. The average exchange rate for the nine months ended 30 September was KZT120.34/US\$; the average exchange rate for Q3 2008 was KZT119.99/US\$.

## Results timetable

Wednesday, 4 February 2009	Q4 2008 Production Report
Wednesday, 25 March 2009	Full Year 2008 Preliminary Results
Wednesday, 13 May 2009	H1 2009 Interim Management Statement/ Q1 2009 Production Report
Wednesday, 10 June 2009	Annual General Meeting
Wednesday, 5 August 2009	Q2 2009 Production Report
Wednesday, 19 August 2009	Half Year 2009 Results
Wednesday, 11 November 2009	H2 2009 Interim Management Statement/ Q3 2009 Production Report



## Production Report for the Third-quarter Ended 30 September 2008

The information set out below, unless stated otherwise, relates to the three months ended 30 September 2008, and is compared to the corresponding three months of 2007. Production volumes for the second quarter of 2008 are provided for information only. Within the Ferroalloys Division production volumes, unless otherwise stated, exclude Serov, which has been incorporated by the Group from 4 April 2008.

All references to 't' in the Production Report are to metric tonnes unless otherwise stated.

- In the quarter ended 30 September 2008 production volumes across the Group increased compared to the third quarter of 2007. Ore grades remained broadly consistent with the corresponding period.
- **Ferroalloys Division** production volumes increased (excluding Serov):
  - 13.6% for saleable chrome ore;
  - 17.1% for manganese concentrate; and
  - 2.5% for total ferroalloys, and a 3.2% increase in total ferrochrome production.

Serov added saleable chrome ore production of 20 thousand tonnes and total ferroalloys production of 69 thousand tonnes.

- **Iron Ore Division** production volumes increased:
  - 6.1% for iron ore extraction;
  - 6.5% for primary concentrate; and
  - 8.3% for saleable production.

There was a change in the saleable mix as concentrate production increased 31.1%, offsetting a 12.1% reduction in pellets. The reduction in pellets production was caused by the planned reconstruction of one pelletising unit. The reconstruction was completed at the end of the quarter ended 30 September 2008.

- **Alumina and Aluminium Division** production volumes increased:
  - 4.6% for bauxite extraction; and
  - 3.6% for saleable alumina.

Aluminium production commenced at the end of 2007. The Division produced 32 thousand tonnes of aluminium in the quarter ended 30 September 2008, in line with the smelter's Phase 1 capacity run rate of 125 thousand tonnes per annum.

- **Energy Division** production volumes increased 9.8% for coal extraction and 9.7% for electricity generated.
- **Logistics Division** tonnage of goods transported by railway increased 5.1%.



## FERROALLOYS DIVISION

### Ore Mining and Processing – Excluding Serov

		Q3 2008	Q3 2007	Q3 2008 v Q3 2007 % growth	Q2 2008
<b>Chrome ore</b>					
Ore extraction (Run-of-Mine, 'RoM')	000' t	<b>1,104</b>	1,057	+4.4%	1,062
Processing of low grade stockpiles	000' t	<b>375</b>	353	+6.2%	436
Saleable ore production	000' t	<b>991</b>	872	+13.6%	980
Internal consumption of saleable ore	000' t	<b>633</b>	631	+0.3%	647
- percentage		<b>63.9%</b>	72.4%		66.0%
<b>Manganese ore</b>					
Ore extraction (RoM)	000' t	<b>717</b>	701	+2.3%	696
Processing of low grade stockpiles	000' t	<b>301</b>	257	+17.1%	339
Saleable concentrate production	000' t	<b>350</b>	299	+17.1%	349
Internal consumption of saleable concentrate	000' t	<b>87</b>	88	(1.1%)	80
- percentage		<b>24.9%</b>	29.4%		22.9%
<b>Iron-Manganese ore</b>					
Ore extraction (RoM)	000' t	<b>148</b>	75	+97.3%	80
Processing of low grade stockpiles	000' t	<b>64</b>	20	+220.0%	176
Saleable concentrate production	000' t	<b>133</b>	124	+7.3%	151

In Q3 2008 production in the Ferroalloys Division (excluding Serov) showed solid growth. Chrome ore extraction amounted to 1,104 thousand tonnes, an increase of 4.4%. Processing of low grade ore from stockpiles increased 6.2% to 375 thousand tonnes. From the extracted and stockpiled ore the Division produced a combined total of 991 thousand tonnes of saleable chrome ore, a 13.6% increase, reflecting an underlying shift in the mix to higher grade ore and an improved processing efficiency, notably of fines. Of the saleable chrome ore produced, 633 thousand tonnes, representing 63.9% (2007: 72.4%), were consumed internally to produce chrome ferroalloys, a decrease of 8.5 percentage points, reflecting a stable level of internal consumption relative to higher saleable ore production.

Manganese ore extraction increased 2.3% to 717 thousand tonnes, whilst the processing of low grade stocks increased 17.1% to 301 thousand tonnes. Total manganese concentrate production increased 17.1% to 350 thousand tonnes in response to market opportunities. Production at JSC Zhairmsky GOK increased 17.6% as a result of a planned expansion, implemented through an increase of 14.3% in ore extraction and a significant increase of 32.9% in the processing of low grade material from stocks. Production at Kazmarganets Mining Department of TNC Kazchrome JSC, which supplies manganese concentrates to the Aksu ferroalloys





plant of TNC Kazchrome JSC for use in silico-manganese production, increased 16.5%. The percentage of total manganese concentrate production consumed internally decreased to 24.9% (2007: 29.4%), as the internal consumption of silico-manganese remained relatively steady allowing more production to be available for external sale. The production of saleable iron-manganese concentrate increased 7.3% to 133 thousand tonnes.

### Ore Mining and Processing – Including Serov from Q2 2008

		<b>Q3 2008</b>	Q3 2007	Q3 2008 v Q3 2007 % growth	Q2 2008
<b>Chrome ore</b>					
Ore extraction (RoM)	000' t	<b>1,137</b>	1,057	+7.6%	1,116
Processing of low grade stockpiles	000' t	<b>375</b>	353	+6.2%	436
Saleable ore production	000' t	<b>1,011</b>	872	+15.9%	1,014
Internal consumption of saleable ore	000' t	<b>727</b>	631	+15.2%	760
- percentage		<b>71.9%</b>	72.4%		75.0%

The Group's acquisition of Serov had a positive impact on the total volume of ore extracted by the Ferroalloys Division. Serov's ore extraction was 33 thousand tonnes and saleable ore production was 20 thousand tonnes (see Note 2 below). Saleable ore production increased 15.9%, of which 13.6 percentage points were attributable to the existing business and 2.3 percentage points were attributable to Serov. The inclusion of Serov resulted in an increase in the internal consumption of chrome ore by 94 thousand tonnes, or 14.9 percentage points, whilst the proportion of ore consumed internally from total saleable ore production decreased to 71.9% in Q3 2008 (2007: 72.4%).



### Ferroalloys Production - Excluding Serov

		Q3 2008	Q3 2007	Q3 2008 v Q3 2007 % growth	Q2 2008
<b>Ferrochrome</b>	000' t	<b>294</b>	285	+3.2%	294
- High Carbon	000' t	<b>275</b>	268	+2.6%	273
- Medium Carbon	000' t	<b>10</b>	10	+0.0%	12
- Low Carbon	000' t	<b>9</b>	8	+12.5%	9
Ferrosilicochrome	000' t	<b>31</b>	32	(3.1%)	34
Silico-manganese	000' t	<b>42</b>	41	+2.4%	38
Ferro-silicon	000' t	<b>8</b>	8	+0.0%	8
<b>Total ferroalloys</b>	<b>000' t</b>	<b>375</b>	366	+2.5%	374
Internal consumption of ferroalloys	000' t	<b>46</b>	43	+7.0%	45
- percentage		<b>12.3%</b>	11.7%		12.0%

Note: table may not sum precisely due to roundings.

In Q3 2008, the Ferroalloys Division (excluding Serov) produced 375 thousand tonnes of ferroalloys, an increase of 2.5%. Within this the Division produced 294 thousand tonnes of ferrochrome, an increase of 3.2%. Growth was achieved principally in the production of high- and low-carbon ferrochrome.

### Ferroalloys Production - Including Serov from Q2 2008

		Q3 2008	Q3 2007	Q3 2008 v Q3 2007 % growth	Q2 2008
<b>Ferrochrome</b>	000' t	<b>339</b>	285	+18.9%	340
- High Carbon	000' t	<b>297</b>	268	+10.8%	296
- Medium Carbon	000' t	<b>18</b>	10	+80.0%	20
- Low Carbon	000' t	<b>24</b>	8	+200.0%	24
Ferrosilicochrome	000' t	<b>46</b>	32	+43.8%	49
Silico-manganese	000' t	<b>42</b>	41	+2.4%	38
Ferro-silicon	000' t	<b>17</b>	8	+112.5%	16
<b>Total ferroalloys</b>	<b>000' t</b>	<b>444</b>	366	+21.3%	443
Internal consumption of ferroalloys	000' t	<b>68</b>	43	+58.1%	67
- percentage		<b>15.3%</b>	11.7%		15.1%

Note: table may not sum precisely due to roundings.

The Serov acquisition resulted in significant growth in the Division's production volumes, and especially in low- and medium-carbon ferrochrome, ferrosilicochrome and ferro-silicon. Serov added 69 thousand tonnes to total ferroalloys production (see Note 2 below). In Q3 2008, the Ferroalloys Division produced 444 thousand tonnes of ferroalloys, an increase of 21.3%, of which 2.5 percentage points were attributable to the existing business and 18.8 percentage points were attributable to Serov. Within the 444 thousand tonnes, the Division produced 339 thousand tonnes of ferrochrome, an increase of 18.9%.



## IRON ORE DIVISION

		<b>Q3 2008</b>	Q3 2007	Q3 2008 v Q3 2007 % <i>growth</i>	Q2 2008
Ore extraction	000' t	<b>10,776</b>	10,155	+6.1%	10,722
Primary concentrate production	000' t	<b>4,514</b>	4,239	+6.5%	4,479
Saleable concentrate production	000' t	<b>2,481</b>	1,893	+31.1%	2,259
Saleable pellets production	000' t	<b>1,860</b>	2,116	(12.1)%	1,984

In Q3 2008, the Iron Ore Division extracted 10,776 thousand tonnes of iron ore, an increase of 6.1%, in line with the extraction expansion planned for SSGPO. From the extracted ore the Division produced 4,514 thousand tonnes of primary concentrate production, an increase of 6.5%. Production growth was broadly in line with the increase in extraction and enhanced by a marginally higher grade of mined ore and an increased yield of concentrate.

Saleable concentrate production (with an iron content of 65.5%) increased 31.1% to 2,481 thousand tonnes. Primary concentrate is either sold or used for pellets production.

Pellets production (with an iron content of 63.4%) decreased 12.1% to 1,860 thousand tonnes. This was caused by a planned reconstruction of one pelletiser unit and a switch to concentrate sales in response to market demand. The reconstruction was completed at the end of Q3 2008, having overrun from Q2 2008.



## ALUMINA AND ALUMINIUM DIVISION

		Q3 2008	Q3 2007	Q3 2008 v Q3 2007 % growth	Q2 2008
Bauxite extraction	000' t	<b>1,334</b>	1,275	+4.6%	1,310
Alumina production	000' t	<b>402</b>	388	+3.6%	398
Internal consumption of alumina	000' t	<b>61</b>	1	NA	56
- <i>percentage</i>		<b>15.2%</b>	0.3%		14.1%
Aluminium production	000' t	<b>32</b>	0	NA	27
Gallium production	kilogrammes	<b>4,892</b>	4,561	+7.3%	4,852

In Q3 2008, the Alumina and Aluminium Division extracted 1,334 thousand tonnes of bauxite, an increase of 4.6%. The growth resulted from a development programme aimed at securing the supply of bauxite to underpin the planned expansion in annual alumina production to 1.6 million tonnes for the full year 2008, up from 1.5 million tonnes in 2007. Alumina production from bauxite was 402 thousand tonnes, an increase of 3.6%.

Operations commenced at the aluminium smelter at the end of 2007. As a consequence, a proportion of the alumina output is now consumed internally as a material input for the Group's own primary aluminium production; such internal consumption did not occur in the first three quarters of 2007. Internal consumption of alumina amounted to 61 thousand tonnes in Q3 2008, representing 15.2% of total alumina production. Primary aluminium production in Q3 2008 was 32 thousand tonnes (Q2 2008: 27 thousand tonnes; Q1 2008: 16 thousand tonnes), reflecting the build up of pots in operation.

Internal consumption of alumina increased further in Q3 2008 against Q2 2008. The recently commissioned aluminium smelter achieved its Phase 1 run rate output of 125 thousand tonnes per annum in the second quarter, ahead of its scheduled completion.

Gallium production in Q3 2008 was 4,892 kilogrammes, a 7.3% increase.



## ENERGY DIVISION

		Q3 2008	Q3 2007	Q3 2008 v Q3 2007 % growth	Q2 2008
Coal extraction	000' t	<b>4,220</b>	3,844	+9.8%	4,436
Energy Division consumption of coal	000' t	<b>1,729</b>	1,568	+10.3%	1,733
- percentage		<b>41.0%</b>	40.8%		39.1%
Sales of coal to other Group Divisions	000' t	<b>1,024</b>	1,006	+1.8%	1,020
- percentage		<b>24.3%</b>	26.2%		23.0%
Electricity generation	GWh	<b>2,808</b>	2,560	+9.7%	2,825
Sales of electricity to other Group Divisions	GWh	<b>2,214</b>	1,712	+29.3%	2,129
- percentage		<b>78.8%</b>	66.9%		75.4%

In Q3 2008, the Energy Division extracted 4,220 thousand tonnes of coal from the Vostochny mine. Growth in coal extraction of 376 thousand tonnes, an increase of 9.8%, reflected the Group's expansion plans.

Electricity generation in the period was 2,808 GWh, an increase of 9.7%. Electricity supplied by the Energy Division to other Group entities was 2,214 GWh or 78.8% of total energy generation, 502 GWh higher than in the quarter ended 30 September 2007 (66.9% of total energy generation) in response to increased internal requirements.

The new aluminium smelter contributed an increase in the Group's internal consumption of electricity of 440 GWh to 465 GWh (Q3 2007: 25 GWh), 16.6% of the total output in the period. 62 GWh of the increase in the Group's internal energy consumption reflected production growth in the Ferroalloys and Iron Ore Divisions.

The turbine block taken out of service for a planned refurbishment in Q1 2008 came back on-line early in Q4 2008.



## LOGISTICS DIVISION

		<b>Q3 2008</b>	Q3 2007	Q3 2008 v Q3 2007 <i>% growth</i>	Q2 2008
Tonnage of the Group's products transported by railway	000' t	<b>15,373</b>	14,626	+5.1%	14,854

In Q3 2008 the Logistics Division transported 15,373 thousand tonnes by railway, an increase of 5.1%.



**Notes**

1. Definition of 'Run of Mine' (RoM) extraction: uncrushed ore in its natural state, as when it is blasted.
2. Ferroalloys Division: Serov - Ore Mining and Processing and Ferroalloys Production

**Ferroalloys Division: Serov - Ore Mining and Processing – Quarter ended 30 September 2008**

		<b>Q3 2008</b>	Q2 2008
<b>Chrome ore</b>			
Ore extraction (RoM)	000' t	<b>33</b>	54
Processing of low grade stockpiles	000' t	-	-
Saleable ore production	000' t	<b>20</b>	34
Internal consumption of saleable ore	000' t	<b>23</b>	35
- <i>percentage</i>		<b>115.0%</b>	102.9%
Consumption of saleable ore from Kazchrome	000' t	<b>71</b>	78

Internal consumption of saleable ore above 100% reflects consumption from stock.

**Ferroalloys Division: Serov – Ferroalloys Production – Quarter ended 30 September 2008**

		<b>Q3 2008</b>	Q2 2008
<b>Ferrochrome</b>	000' t	<b>45</b>	46
- High Carbon	000' t	<b>22</b>	23
- Medium Carbon	000' t	<b>8</b>	8
- Low Carbon	000' t	<b>15</b>	15
Ferrosilicochrome	000' t	<b>15</b>	15
Ferro-silicon	000' t	<b>10</b>	8
<b>Total ferroalloys</b>	<b>000' t</b>	<b>69</b>	70
Internal consumption of ferroalloys	000' t	<b>19</b>	22
- <i>percentage</i>		<b>27.5%</b>	31.4%

*Note: table may not sum precisely due to roundings.*



### 3. Production Report for the first three quarters of 2008 and 2007

Note: tables may not sum precisely due to roundings.

#### FERROALLOYS DIVISION (Including Serov from the Second Quarter of 2008)

'000 Metric Tonnes = ('t)	2008				2007				Variances	
	Q1	Q2	Q3	9 mth	Q1	Q2	Q3	9 mth	Q3 '08 vs. Q3 '07	9m '08 vs. 9m '07
<b>Chrome Ore</b>										
Ore Extraction (Run-of-Mine 'RoM')	1,191	1,116	1,137	3,444	1,181	1,168	1,057	3,406	+7.6%	+1.1%
Processing of low grade stockpiles	372	436	375	1,184	269	308	353	929	+6.2%	+27.4%
Saleable ore production	900	1,014	1,011	2,925	887	961	872	2,720	+15.9%	+7.5%
Internal consumption of saleable ore	645	760	727	2,132	634	633	631	1,898	+15.2%	+12.3%
- percentage	71.7%	75.0%	71.9%	72.9%	71.5%	65.9%	72.4%	69.8%		
<b>Manganese Ore</b>										
Ore Extraction (Run-of-Mine RoM)	447	696	717	1,860	444	694	701	1,839	+2.3%	+1.1%
Processing of low grade stockpiles	107	338	301	747	287	228	257	771	+17.1%	(3.1)%
Saleable ore production	182	349	350	880	160	260	299	718	+17.1%	+22.6%
Internal consumption of saleable ore	85	80	87	252	84	81	88	253	(1.1)%	(0.4)%
- percentage	46.7%	22.9%	24.9%	28.6%	52.5%	31.2%	29.4%	35.2%		
<b>Iron-Manganese Ore</b>										
Ore Extraction (Run-of-Mine 'RoM')	75	80	148	303	45	89	75	209	+97.3%	+45.0%
Processing of low grade stockpiles	155	176	64	395	20	40	20	80	+220.0%	+393.8%
Saleable ore production	100	151	133	385	24	91	124	238	+7.3%	+61.8%
<b>Ferrochrome</b>										
- High Carbon	293	340	339	972	284	283	285	853	+18.9%	+14.0%
- Medium Carbon	273	296	297	866	265	263	268	796	+10.8%	+8.8%
- Low Carbon	12	20	18	50	10	11	10	31	+80.0%	+61.3%
Ferrosilicochrome	8	24	24	56	10	9	8	26	+200.0%	+115.4%
Silico-manganese	29	49	46	124	28	35	32	95	+43.8%	+30.5%
Ferro-silicon	41	38	42	121	41	39	41	122	+2.4%	(0.8)%
	12	16	17	45	12	7	8	27	+112.5%	+66.7%
<b>Total ferroalloys</b>	374	443	444	1,262	365	365	366	1,096	+21.3%	+15.1%
Internal consumption of ferroalloys	43	67	68	178	42	47	43	132	+58.1%	+34.8%
- percentage	11.5%	15.1%	15.3%	14.1%	11.5%	12.9%	11.7%	12.0%		

#### IRON ORE DIVISION

'000 Metric Tonnes = ('t)	2008				2007				Variances	
	Q1	Q2	Q3	9 mth	Q1	Q2	Q3	9 mth	Q3 '08 vs. Q3 '07	9m '08 vs. 9m '07
Ore extraction	10,142	10,722	10,776	31,640	9,427	10,106	10,155	29,688	+6.1%	+6.6%
Primary concentrate production	4,046	4,479	4,514	13,039	3,915	4,367	4,239	12,521	+6.5%	+4.1%
Saleable concentrate production	1,870	2,260	2,481	6,610	1,542	1,952	1,893	5,387	+31.1%	+22.7%
Saleable pellets production	1,979	1,984	1,860	5,824	2,188	2,205	2,116	6,509	(12.1)%	(10.5)%





## ALUMINA AND ALUMINIUM DIVISION

	2008				2007				Variances	
	Q1	Q2	Q3	9 mth	Q1	Q2	Q3	9 mth	Q3 '08 vs. Q3 '07	9m '08 vs. 9m '07
<b>'000 Metric Tonnes = ('t)</b>										
Bauxite extraction	1,276	1,310	1,334	3,920	1,194	1,223	1,275	3,692	+4.6%	+6.2%
Alumina production	398	398	402	1,198	376	380	388	1,144	+3.6%	+4.7%
Internal consumption of alumina - percentage	33 8.3%	56 14.1%	61 15.2%	150 12.5%	NA NA	NA NA	1 0.3%	1 0.1%	NA NA	NA NA
Aluminium production	16	27	32	75	NA	NA	NA	NA	NA	NA
Gallium production (kilogrammes)	3,991	4,852	4,892	13,735	4,441	4,892	4,561	13,894	+7.3%	(1.1)%

## ENERGY DIVISION

	2008				2007				Variances	
	Q1	Q2	Q3	9 mth	Q1	Q2	Q3	9 mth	Q3 '08 vs. Q3 '07	9m '08 vs. 9m '07
<b>'000 Metric Tonnes = ('t)</b>										
Coal extraction	5,732	4,436	4,220	14,387	5,101	3,955	3,844	12,901	+9.8%	+11.5%
Energy Division consumption of coal - percentage	1,912 33.4%	1,733 39.1%	1,729 41.0%	5,375 37.4%	2,129 41.7%	1,676 42.4%	1,568 40.8%	5,373 41.6%	+10.3%	+0.0%
Sales of coal to other Group Divisions - percentage	1,388 24.2%	1,020 23.0%	1,024 24.3%	3,432 23.9%	1,207 23.7%	1,054 26.6%	1,006 26.2%	3,267 25.3%	+1.8%	+5.1%
Electricity generation (GWh)	3,130	2,825	2,808	8,763	3,475	2,801	2,560	8,837	+9.7%	(0.8)%
Sales of electricity to other Group Divisions (GWh) - percentage	2,044 65.3%	2,129 75.4%	2,214 78.8%	6,387 72.9%	1,724 49.6%	1,643 58.7%	1,712 66.9%	5,079 57.5%	+29.3%	+25.8%

## LOGISTICS DIVISION

	2008				2007				Variances	
	Q1	Q2	Q3	9 mth	Q1	Q2	Q3	9 mth	Q3 '08 vs. Q3 '07	9m '08 vs. 9m '07
<b>'000 Metric Tonnes = ('t)</b>										
Tonnage of the Group's products transported by railway	15,450	14,854	15,373	45,677	14,895	14,562	14,626	44,083	+5.1%	+3.6%

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