9 April 2008

Eurasian Natural Resources Corporation PLC

Announcement of 2007 Preliminary Results (Unaudited)

"ENRC delivered record results in 2007. Buoyant markets for ferroalloys and iron ore were complemented by the strength and breadth of the businesses. 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

Business Highlights for 2007

- Completion of the initial public offering in December, raising US$3.1bn.
- Commissioning of the aluminium smelter in December.
- In March, signed a long-term iron ore supply contract with MMK linked to world benchmark prices.
- Trade finance facility increased to US$1.5bn in April.
- Record output across the operations.
- Results continued to demonstrate the benefits of our high quality assets, diversified revenues and integrated operations including energy and logistics.

Financial Highlights for 2007

- Delivered strong organic growth 2007 versus 2006:
  - Record revenue of US$4.1bn, up 26%.
  - Record EBITDA (before exceptional items) of US$1.9bn, up 52%. EBITDA margin (before exceptional items) of 46%.
  - Record EBITDA of US$1.7 bn, up 38%.
  - EPS (before exceptional items) US$0.97, up 73%. EPS US$0.79, up 44%.
- Revenue performance fuelled by stronger chrome ore, ferroalloy and iron ore prices and by greater volumes in the Ferroalloys Division.
- Partially offset by a strong increase in costs, particularly labour and materials.
- Capital expenditure of over US$0.9bn. Approved capex pipeline increased to US$4.0bn.
- Strong balance sheet with liquid funds available of approximately US$2.9 bn. Operating cash flow increased 46% to almost US$1.1bn.

Outlook for 2008

- Platform for a very strong year with a positive price outlook for our core commodities.
- New revenue stream from aluminium; expected sales of about 100,000 tonnes.
- Completion of Serov ferroalloy acquisition in April.
- Management focus on control of costs.

For further information, please contact:

ENRC
Mounissa Chodieva +44 (0) 20 7389 1879
James S Johnson +44 (0) 20 7389 1862

M: Communications
Hugh Morrison +44 (0) 20 7153 1534
Edward Orlebar +44 (0) 20 7153 1523
Julia Kalcheva +44 (0) 20 7153 1517

Summary Group Financial Information (Unaudited):

In millions of US$	**2007**	**2006**	***Growth***
Revenue	**4,106**	3,256	***26%***
Costs[1]	(2,503)	(2,253)	*11%*
EBITDA (before exceptional items)	**1,906**	1,256	***52%***
Exceptional items (IPO costs)	(182)	(6)	
EBITDA[2]	**1,724**	1,250	***38%***
Depreciation and amortisation	(303)	(253)	*20%*
EBIT[3]	1,421	997	*43%*
Profit Before Tax	**1,321**	971	***36%***
Effective Tax rate	*38.4%*	*29.4%*	
Net income attributable to shareholders	798	550	*45%*
Earnings per share (US$)	**0.79**	0.55	***44%***
Earnings per share (before exceptional items) (US$)	**0.97**	0.56	***73%***
EBITDA margin (before exceptional items)[4]	***46.4%***	*38.6%*	
Net cash generated from operations	**1,079**	739	***46%***
Capital expenditure	911	563	*62%*
Liquid funds available[5]	2,921	395	
Net cash/(net debt)[6]	1,124	(1,148)	*198%*

(1) Costs: cost of sales; distribution costs; selling, general and administrative expenses; and other operating expenses – net (excludes costs incurred in relation to the initial public offering, which are classified as exceptional items).
(2) EBITDA: profit before finance income, finance costs, income tax expense, depreciation and amortisation.
(3) EBIT: profit before finance income, finance costs and income tax expense.
(4) EBITDA margin before exceptional items: EBITDA before exceptional items as a percentage of revenue.
(5) Liquid funds available: cash and cash equivalents plus term deposits and financial assets.
(6) Net cash/(net debt): Cash and cash equivalents less Borrowings (non-current and current).

Forward looking statements

This announcement 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 nor 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. 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 announcement.

CONTENTS

	Page
CHAIRMAN'S STATEMENT	4
CHIEF EXECUTIVE OFFICER'S STATEMENT	7
RESULTS OF OPERATIONS	10
OPERATING REVIEW	11
FINANCIAL REVIEW	18
CONSOLIDATED INCOME STATEMENT (UNAUDITED)	27
CONSOLIDATED BALANCE SHEET (UNAUDITED)	28
CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)	29
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)	30
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	31
SHAREHOLDER INFORMATION	38

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."

The past year has been enormously eventful for Eurasian Natural Resources Corporation PLC and its subsidiaries ('ENRC', or the 'Group'), 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 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$3.1bn 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 7th largest listed 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.

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$4.0bn 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; and
- 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.

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.

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

Recently there was some market speculation following the announcement 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.

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
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

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.

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 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 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; and
- 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 Nazarbayev 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 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 3 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; and
- 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 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 the United States and in 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 revenue. 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

RESULTS OF OPERATIONS (Unaudited)

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

In millions 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)%
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%
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 admin exp.	**(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 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%**

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 in 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.

	Year ended 31 December	
Product (in kilotonnes)	**2007**	2006
Chrome ore[1]	**3,881**	3,410
Manganese ore	**927**	862
Ferro manganese	**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

(1) 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. First, 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 28.3m 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:

Product (in kilotonnes)	Year ended 31 December **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%), 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 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 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$210m. 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). 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 340 kilometres 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 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 approximatelyUS$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 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) 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. 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 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 in 2006. 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 United Company RUSAL ('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 provides for all sales of primary aluminium, until 2018 to be made to Glencore International AG 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 approximately a further US$330 million 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 62US$/tonne to 100US$/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 over 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 up to 30m 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 4 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.

FINANCIAL REVIEW

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 ferroalloys 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 on total.

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 achieved 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 achieved 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 ten-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 12.3% reduction in the volume of electricity sold (as more electricity was consumed within the Group). Also a 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 a 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 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 materials 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.

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 340 km 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$21per 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%, 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 the 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 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$997million 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 profit (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 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.

INCOME TAX EXPENSE

The Group's income tax expense for the year ended 31 December 2007 is 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**	0
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 (assets) 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%. Profit after tax was US$814 million (2006: US$686 million). Subject to adjustments for the depreciation 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 (derivatives), 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 compared 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 (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 (2006: US$21 million). The outflow of cash on investments amounted to US$100 million (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 (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 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 table below shows 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, 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.

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

In millions of US$	Estimated cost of completion	Capex budget 2008	Date of commissioning
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

Long term supply agreements

The Group also has the following long-term supply agreements:

- Alumina – ENRC has entered into a contract with UC 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 Kazakhstan Aluminium Smelter to Glencore International AG. Pricing is determined by reference to the LME aluminium price less sales commission; and
- 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.

SIGNIFICANT FACTOR AFFECTING THE GROUP'S RESULTS OF OPERATIONS

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 KZT 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. 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 KZT, 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:

1. assets and liabilities are translated at the closing rate as at each balance sheet date;
2. 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); and
3. 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 KZT to the US Dollar, as applied in the preparation of the Group's audited consolidated financial information for the relevant periods and expressed in KZT 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.

CONSOLIDATED INCOME STATEMENT (Unaudited)

In millions of US$	Note	Years ended 31 December **2007**	2006
Revenue	2	**4,106**	3,256
Cost of sales	3	**(1,701)**	(1,542)
Gross profit		**2,405**	1,714
Distribution costs	4	**(373)**	(407)
Selling, general and administrative expenses	5	**(606)**	(290)
Other operating expenses – net		**(5)**	(20)
Operating profit		**1,421**	997
Analysed as:			
EBITDA before exceptional items *	9	**1,906**	1,256
Depreciation and amortisation		**(303)**	(253)
Exceptional items	5	**(182)**	(6)
Finance income		**58**	24
Finance costs		**(158)**	(50)
Profit before income tax		**1,321**	971
Income tax expense	6	**(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	7	**0.79**	0.55

* EBITDA before exceptional items is defined as profit before interest, taxation, depreciation and amortisation adjusted for exceptional items (refer note 5).

CONSOLIDATED BALANCE SHEET (Unaudited)

In millions of US$	Note	As at 31 December **2007**	 2006
Assets			
Non-current assets			
Property, plant and equipment		**3,232**	2,543
Goodwill and intangible assets		**390**	389
Loans receivable		**7**	21
Deferred tax asset		**8**	12
Other non-current assets		**322**	43
Total non-current assets		**3,959**	3,008
Current assets			
Inventories		**438**	361
Trade and other receivables		**1,045**	637
Financial assets		**170**	21
Loans receivable		**28**	240
Cash and cash equivalents		**2,548**	336
Total current assets		**4,229**	1,595
Total assets		**8,188**	4,603
Equity			
Share capital and share premium	8	**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		**1,065**	876
Deferred tax liabilities		**295**	280
Asset retirement obligations		**86**	44
Employee benefit obligations		**52**	48
Other non-current liabilities		**51**	–
Total non-current liabilities		**1,549**	1, 248
Current liabilities			
Borrowings		**359**	608
Trade and other payables		**370**	393
Current income tax payable		**28**	20
Other taxes payable		**93**	62
Total current liabilities		**850**	1,083
Total liabilities		**2,399**	2,331
Total liabilities and equity		**8,188**	4,603

CONSOLIDATED CASHFLOW STATEMENT (Unaudited)

In millions of US$	Note	As at 31 December **2007**	2006
Net cash generated from operating activities		**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	10	**(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
Other borrowings – proceeds		**1,423**	192
Related party borrowings – repayments		**(1,011)**	(140)
Bank borrowings – repayments		**(229)**	(1)
Proceeds from issuance of shares		**3,055**	–
Shareholders' settlement agreement – repayment		**(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		**2,548**	336

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

		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		–	–	(276)	–	–	(276)	(79)	(355)
Change in minority interests attributable to Government shares		–	–	1,144	–	–	1,144	(640)	504
Other changes in minority interests		–	–	–	–	–	–	(38)	(38)
Share issue pursuant to share exchange agreement	8	200	–	(200)	–	–	–	–	–
Promissory notes issued pursuant to share exchange agreement		–	–	(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		**–**	**–**	**798**	**165**	**–**	**963**	**19**	**982**
Dividends paid		**–**	**–**	**(500)**	**–**	**–**	**(500)**	**–**	**(500)**
Shares issued on initial public offering	8	**58**	**2,999**	**–**	**–**	**–**	**3,057**	**–**	**3,057**
Unrealised loss on cash flow hedge		**–**	**–**	**–**	**–**	**(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The preliminary financial information is unaudited. This preliminary announcement does not constitute the Group's full financial statements for the year ended 31 December 2007. The financial information for the year ended 31 December 2006, set out in this announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and has been extracted from the Prospectus issued on 7 December 2007 relating to the Company's IPO (the 'Listings Prospectus').

This preliminary financial information has been prepared in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as adopted by the European Union), those parts of the Companies Act 1985 applicable to companies reporting under IFRS, the Listing Rules of the Financial Services Authority ('FSA') and on a basis consistent with the accounting policies set out in the Listings Prospectus.

2. 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, finance income and 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; and
- 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.

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

2007 Segmental Analysis

In millions of US$	Ferroalloys	Iron ore	Alumina & Aluminium	Energy	Logistics	Corporate	Eliminations	Group
Revenue	2,178	991	607	181	149	–	–	4,106
Inter-segment revenue	–	–	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 & Middle East	Asia Pac*	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 (Asia Pac) 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.

2006 Segmental Analysis

In millions of US$	Ferroalloys	Iron ore	Alumina & Aluminium	Energy	Logistics	Corporate	Eliminations	Group
Revenue	1,473	829	602	154	198	–	–	3,256
Inter-segment revenue	–	–	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 & Middle East	Asia Pac*	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 (Asia Pac) 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.

3. COST OF SALES

In millions of US$	Note	Years ended 31 December 2007	2006
Materials and components used		**(835)**	(721)
Staff costs		**(354)**	(295)
Depreciation and amortisation		**(271)**	(241)
Other cost of sales		**(241)**	(285)
Total cost of sales		**(1,701)**	(1,542)

4. DISTRIBUTION COSTS

In millions of US$	Years ended 31 December 2007	2006
Transportation costs	**(269)**	(309)
Other distribution costs	**(104)**	(98)
Total distribution costs	**(373)**	(407)

5. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In millions of US$	Note	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)
Other selling, general and administrative expenses		**(176)**	(123)
Total selling, general and administrative expenses		**(606)**	(290)
Costs incurred in relation to the initial public offering (exceptional item)		**(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 relates to the IPO bonuses which are included in staff costs in the table above. The remaining US$32 million is included within professional and other services. Costs of US$96 million have been taken to equity.

6. INCOME TAXES

Income tax expense comprises the following:

In millions of US$	Years ended 31 December 2007	2006
Corporate income tax – current period	**(474)**	(250)
Corporate income tax – prior period	**(22)**	–
Deferred tax expense – current period	**(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 interests 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 34.2%.

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

In millions of US$	Note	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 period		**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%)	9	**507**	285

7. 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$	Years ended 31 December 2007	2006
Net profit attributable to equity shareholders of the Group	**798**	550
Exceptional items attributable to equity shareholders of the Group	**182**	6
Net profit before exceptional items	**980**	556
Number of shares: pro-forma		1,000,000,000
Weighted average number of ordinary shares*	**1,015,767,123**	
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.

8. 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 1 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**

9. 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	3	**271**	241
Selling, general and administrative expenses	5	**32**	12
Finance costs		**158**	50
Income tax expense		**507**	285
Less:			
Finance income		**(58)**	(24)
EBITDA after exceptional items		**1,724**	1,250
Exceptional items	5	**182**	6
EBITDA before exceptional items		**1,906**	1,256
EBITDA before exceptional items		**1,906**	1,256
Divide by:			
Revenue		**4,106**	3,256
EBITDA before exceptional items margin		**46%**	39%

	Note	2007	2006
Profit for the period		**814**	686
Add:			
Finance costs		**158**	50
Income tax expense	6	**507**	285
Exceptional items	5	**182**	6
Less:			
Finance income		**(58)**	(24)
EBIT before exceptional items		**1,603**	1,003
Divide by:			
Capital employed weighted average			
Borrowings		**1,393**	862
Equity including Minority Interest		**2,614**	2,310
Return on Capital Employed		**40%**	32%

10. 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 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 Plans
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.

SHAREHOLDER INFORMATION

Registered Offices
Eurasian Natural Resources Corporation PLC
16 St James's Street
London SW1A 1ER
United Kingdom

Telephone: +44 (0) 20 7389 1440
Facscimile: +44 (0) 20 7389 1441
Website: www.enrc.com

Registered in England and Wales
Company number: 06023510

Listing

The principal trading market for Eurasian Natural Resources Corporation PLC Ordinary Shares is the London Stock Exchange (LSE). The shares are also listed on the Kazakhstan Stock Exchange (KASE).

Results timetable

Wednesday, 9 April 2008
2007 Preliminary results

Wednesday, 14 May 2008
2008 First-half Interim Management Statement
2008 Q1 Production report

Wednesday, 11 June 2008
Annual General Meeting

Wednesday, 6 August 2008
2008 Q2 Production report

Thursday, 21 August 2008
2008 Half-year results

Wednesday, 12 November 2008
2008 Second-half Interim Management Statement
2008 Q3 Production report

All future dates are provisional and subject to change.