21 August 2008

Eurasian Natural Resources Corporation PLC

Announcement of 2008 Half Year Results (Unaudited)

Financial Highlights for H1 2008

- ***Record Set of Results:***
  - Revenue of US$3,442 million, up 86%;
  - EBITDA (before exceptional items) of US$2,151m, up 170%;
  - EBITDA margin (before exceptional items) of 62.5% (2007: 42.9%);
  - EPS (before exceptional items) of US$1.04, up 160%; and
  - Maiden interim dividend of 12.00 US cents per share.
- ***Control of Costs.*** Underlying cost of sales up 15%, despite pressure in the core operating divisions, from labour and input material costs and the high rate of domestic inflation in Kazakhstan.
- ***Strong Balance Sheet.*** Liquid funds available of US$2,653 million and operating cash flow ahead 3.2x to US$1,533 million.

Business Highlights for H1 2008

- ***Strong Demand and Higher Pricing.*** Strong demand across our commodities.
- ***Key Market Growth.*** Continued strong macroeconomic growth in China and Russia.
- ***Strategic Development:***
  - Steady organic production growth;
  - Increased approved capital expenditure pipeline to US$6.9 billion - significant new projects in Ferroalloys, Iron Ore and Energy; and
  - Two acquisitions completed, Serov and BML (Brazil).
- ***Advantageous Cost Curve Position.*** We maintained our competitive position towards the lower end of the cost curve in all our key commodities.

Outlook for 2008

- Record ferroalloys prices expected to hold and iron ore price contract uplift secure.
- Continued cost pressures, particularly in the core operating divisions, through the second half of 2008.
- Completion of the Chinese ferroalloys acquisition.
- Very strong performance from the Group expected in the second half of 2008.

"The Group's record results are a testament to the strength and breadth of our businesses, our high quality assets, diversified revenue base and fully integrated energy and logistics capabilities. Whilst benefiting from strong commodity prices, we managed to contain costs across our operations. We significantly increased our approved capital expenditure programme with the addition of new projects to US$6.9 billion, from US$3.6 billion. Despite macroeconomic uncertainties, we expect higher commodity prices to hold. We anticipate a very strong performance from the Group in the second half of 2008."

Dr. Johannes Sittard, Chief Executive Officer

Summary Group Financial Information (Unaudited):

In millions of US$	H1 2008	H1 2007	*Change*
Revenue	**3,442**	1,856	***85.5%***
Costs[1]	(1,442)	(1,195)	*20.7%*
EBITDA (before exceptional items)	**2,151**	797	***169.9%***
Exceptional items (IPO costs)	-	(20)	*(100.0)%*
EBITDA[2]	**2,151**	777	***176.8%***
Depreciation and amortisation	(151)	(136)	*11.0%*
EBIT[3]	2,000	641	*212.0%*
Profit before tax	**2,046**	586	***249.1%***
Effective tax rate	*33.2%*	*33.8%*	
Net profit attributable to shareholders	1,343	381	*252.5%*
Earnings per share – basic and diluted (US$)[4]	**1.04**	0.38	***173.7%***
Earnings per share – basic and diluted (before exceptional items) (US$)[4]	**1.04**	0.40	***160.0%***
Interim dividend per share – (US cents)	**12.00**	-	
EBITDA margin (before exceptional items)[5]	***62.5%***	*42.9%*	
Net cash generated from operations	**1,533**	475	***222.7%***
Capital expenditure	500	428	*16.8%*
Liquid funds available[6]	2,653	380	*7.0x*
Net cash / (net debt)[7]	1,433	(1,079)	
Segmental EBITDA before exceptional items			
Ferroalloys	1,408	405	*247.7%*
Iron Ore	476	197	*141.6%*
Alumina & Aluminium	158	132	*19.7%*
Energy	102	65	*56.9%*
Logistics	29	23	*26.1%*
Corporate	(22)	(25)	*(12.0)%*
Group	**2,151**	797	***169.9%***

(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) For six months ended 30 June 2007, 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.
(5) EBITDA margin before exceptional items: EBITDA before exceptional items as a percentage of revenue.
(6) Liquid funds available: cash and cash equivalents plus term deposits and financial assets.
(7) Net cash/(net debt): Cash and cash equivalents less Borrowings (non-current and current).

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About ENRC

ENRC is a leading diversified natural resources group performing integrated mining, processing, energy, logistics and marketing operations. The operations comprise: the mining and processing of chrome, manganese and iron ore; the smelting of ferroalloys; the mining and processing of bauxite for the extraction of alumina and the production of aluminium; coal extraction and electricity generation, and the transportation and sales of Group products. The Group's production assets are largely located in the Republic of Kazakhstan. The Group's entities, in the period, employed over 67,000 (2007: 64,000) people. In 2007, the Group accounted for approximately 4% of Kazakhstan's GDP. The Group currently sells its products around the world, including in Russia, China, Japan, Western Europe and the United States. For the six months ended 30 June 2008, the Group had revenue of US$3,442 million (2007: US$1,856 million) and net profit of US$1,366 million (2007: US$388 million).

The information set out in the Half Year Results Announcement relates to the six months ended 30 June 2008 and, unless otherwise stated, is compared to the corresponding period of 2007, the six months ended 30 June 2007. The Half Year Results Announcement should be read in conjunction with the Production Report for the Second Quarter ended 30 June 2008, published on 6 August 2008, and the Annual Report, published on 12 May 2008. All references to 't' in the Half Year Results Announcement are to metric tonnes, unless otherwise stated.

Forward-looking statements

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

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CHAIRMAN'S STATEMENT

"The record performance of the first half of 2008 was underpinned by strong commodity prices whilst also reflecting the steady growth of the business, the quality and mix of assets and the advantages of our integrated operations. Selective acquisitions strengthened our core businesses. We continue to develop our future organic growth potential with an almost doubling of approved capital expenditure."

The first half of 2008 saw a continued high level of activity for Eurasian Natural Resources Corporation PLC ('ENRC', or together with its subsidiaries, 'the Group'). We continued with the planned expansion of our business and in the period we have almost doubled the size of our approved capital expenditure programme, to enhance existing assets and invest in future growth.

In addition, we completed the acquisitions of a controlling interest in the Serov group and certain related entities ('Serov'), a ferroalloys business in Russia, and of a 50% interest in Bahia Mineração Limitada ('BML'), a company involved in the development of an iron ore deposit in Brazil. We also announced our intention to acquire a 50% stake in Xinjiang Tuoli Taihang Ferro-Alloy Co. LTD ('Tuoli'), a Chinese ferroalloys producer. Finally, we announced that ENRC had won the Kazakhstan State tender for the 'China Gateway Project', involving the construction of approximately 300 kilometres of railway and a trans-shipment point in South-Eastern Kazakhstan, which ENRC will subsequently operate. This project is key to Kazakhstan and to the continuing growth of ENRC's business with customers in China.

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.

In July 2008, the Government of the Republic of Kazakhstan replicated the successful part ownership model it has in ENRC by acquiring a 15% stake in Kazakhmys in a share swap exchange for 7.7% of ENRC. Kazakhmys has since acquired further shares in the market. Kazakhmys is now our largest shareholder with a 25% holding but, as a competitor for resources in Kazakhstan, we do not believe that it is in the interest of all shareholders that Kazakhmys should have a seat on the Board of ENRC, and hence have any significant influence in ENRC's strategic or operating decision making process. Directly and via its holding in Kazakhmys the Government retains a 15.4% stake in ENRC.

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 a competitively-advantaged low-cost producer in our chosen businesses.

With the 2008 Half Year Results we have approved a maiden interim dividend of 12.00 US cents per share, representing approximately one-third of the full year dividend. Going forward, the dividend policy is for our payout to be progressive and in line with peers, whilst taking into account the investment and growth opportunities that are available to the Group. As a benchmark, we anticipate a payout range, through the cycle, of approximately 15%-20% of earnings.

Notwithstanding greater uncertainty in the global economy and heightened volatility for commodity prices we believe that the Group is well-positioned for further growth in the second half of the year and beyond.

Sir David Cooksey
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

From an operational perspective, in the first half of 2008 we benefited from strong demand across our range of products and from higher prices, notably in ferroalloys and iron ore. The results remained underpinned by the security of our logistics and low cost energy supply. The new aluminium smelter, attaining its full Phase 1 capacity of 125 thousand tonnes per annum well ahead of its year end deadline, has also added a new dimension to the Group. The first half of 2008 represented a record set of results. Continued strong growth in two of our key markets – China and Russia – cost control and the timely acquisition of Serov all contributed to improved margins and record results.

In the first half of 2008, Group revenue increased 85.5%, to US$3,442 million (2007: US$1,856 million). The first time inclusion of Serov, for the second quarter of 2008, and new aluminium sales, together added revenues of US$299 million. Excluding these new businesses revenue grew 69.3%, with growth driven by higher price sales notably for ferrochrome and iron ore. Total costs (excluding exceptional items) rose 20.7%, to US$1,442 million (2007: US$1,195 million). Excluding the new businesses, total costs increased 11.0%. The first time inclusion of Serov, in the second quarter of 2008, and the new aluminium smelter, together added costs of US$116 million. Costs, particularly in the core operating divisions, were driven by labour, significantly greater material costs and the high rate of domestic inflation in Kazakhstan, partially offset by a US$38 million reduction in net other operating expenses relating to exchange losses in 2007. EBITDA (before exceptional items) increased 169.9%, to US$2,151 million (2007: US$797 million) whilst profit after tax increased 252.1%, to US$1,366 million (2007: US$388 million). Earnings per share (before exceptional items) rose 160.0%, to US$1.04 (2007: US$0.40).

The Group's performance was underpinned by a steady increase in overall production volumes and higher sales. There were particularly strong results from the Ferroalloys and Iron Ore Divisions. Ferroalloys, contributing some 65.5% of EBITDA, benefited from strong pricing which outpaced costs as well as the first-time contribution of Serov. Iron Ore, contributing 22.1%, was driven by strong pricing and control of costs. The Alumina and Aluminium Division, contributing 7.3%, saw total costs rise ahead of revenues reflected by flat aluminium pricing and a build up of output at the new aluminium smelter.

We maintained a strong balance sheet with available liquid funds of US$2,653 million (31 December 2007: US$2,921 million). Operating cash flow was very strong, increasing 222.7%, to US$1,533 million (2007: US$475 million).

HEALTH & SAFETY

Health and safety is a key focus for the Group and in 2008 we intensified our efforts toward improvement. There were 4 fatalities in the first half of 2008, compared with 8 fatalities in the same period in 2007, and the number of injuries rose to 45 (2007: 34). The lost time injury frequency rate (LTIFR) rose to 0.81 (2007: 0.57) per one million hours worked. In response we conducted a review of workplaces where protection is required, have imposed stricter safety requirements on staff and have retrained safety managers. Safety reporting and procedures are being reviewed by international consultants, DuPont.

STRATEGY

Looking at the opportunities for the development of the Group 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.

The operational strategic goals will be realised through three main streams: enhancing our existing assets; organic growth; and acquisitions.

COST MANAGEMENT

A key focus for management in 2008 is the control of costs. In common with the metals and mining industry worldwide, cost pressures remain. We controlled costs in the first half of 2008, with the underlying cost of sales rising 15% across the Group, although with a higher cost of sales growth in the core operating divisions. Costs of raw materials, services and labour all rose strongly, exacerbated by the high rate of inflation in Kazakhstan which reached 20% for the first half of 2008. Although we achieved a good control of costs in the first half, we expect cost pressures to prevail through the second half of 2008 and into 2009.

Management has commenced the implementation of cost control initiatives across the business with efficiencies being realised over the medium term:

- An analysis is underway, conducted by external consultants, Ernst & Young, of productivity and de-bottlenecking in the Iron Ore Division. With Phase 1 of the study completed we have engaged other external consultants to review the production efficiency at our Ferroalloys Division;
- Expenditure on new electricity capacity to maintain our competitive advantage through our captive energy supply; and
- Investment in new Direct Current ('DC') furnaces at Aktobe, replacing older, smaller and less efficient modules as part of a modernisation and productivity drive. DC furnaces do not consume coke, hence we will be able to reduce our input costs.

In addition we are considering a review of management structures to identify greater efficiencies and a spin off of non-core businesses.

ENRC will also, over the medium-term, seek to improve volume throughput across its divisions, thereby diluting fixed costs and increasing the productivity of our fixed assets and investing in equipment modernisation to reduce maintenance support as part of its strategic development and capital expenditure.

CAPITAL EXPENDITURE

Capital expenditure in the first half of 2008 amounted to US$500 million (2007: US$428 million). In the first half of 2008 capital expenditure was broadly spread across our Divisions as we invested to build up our growth profile. Many of the projects will come on-stream between 2010 and 2012. The highlight in the first half of 2008 was the aluminium smelter which achieved its Phase 1 run-rate capacity early; we are now progressing with the additional Phase 2 capacity of 125 thousand tonnes, due in 2010.

In August 2008 the Board reviewed the Group's capital expenditure plans and confirmed a number of additional projects to be implemented over the next few years. These projects will support the Group's growth strategy and, in particular, enhance the existing assets and underpin organic growth of the business. Approved capital expenditure for asset enhancements and planned growth has been increased to US$6.9 billion, against US$3.6 billion announced with our 2007 Preliminary Results.

The increased approved capital expenditure includes several significant new projects:

- In the Ferroalloys Division, the construction of 6 new furnaces. These will be a mixture of replacement and new production. The net effective increase in production will be approximately 600 thousand tonnes. The introduction of new furnaces will be staggered to allow for market demand. The DC furnaces will enhance productivity and enable the Group to minimise its exposure to coke prices by using cheaper reductants and enable the greater use of fines;
- In the Iron Ore Division, the expansion of mining operations and increase of concentrate output by 9 million tonnes per annum (previously 4 million tonnes per annum). In addition the construction of two direct reduced iron ('DRI') plants, with a total capacity of 2.8 million tonnes per annum and an iron ore pelletiser of 5 million tonnes per annum. This expands our capacity to exploit our extensive reserves and facilitate growth opportunities in our key markets of Russia and China; and

- In the Energy Division, the construction of an additional 1,200MW generating capacity to facilitate the growth in other divisions while maintaining a net long position in electricity and providing strategic growth optionality.

ACQUISITIONS

We completed the acquisition of a controlling interest in the Serov group and certain related entities ('Serov') in early April. Serov is a ferroalloy producer in eastern Russia. The total acquisition consideration amounted to US$210 million. The acquisition of Serov demonstrated a number of important aspects of our strategy. This transaction was ENRC's first acquisition outside of Kazakhstan and reinforced our position in low-carbon and medium-carbon ferrochrome, with an incremental annual sales volume of approximately 200 thousand tonnes. In addition the transaction allowed the Group to benefit from further scale within its ferroalloys business and provides ENRC with an important asset base in Russia supporting its strategy of pursuing regional expansion opportunities.

The acquisition of a 50% interest in Bahia Mineração Limitada ('BML') was announced in early May. BML is a company focused on the development of an iron ore deposit in the Bahia State of Brazil. We believe that BML has a high-quality asset base. We expect a feasibility study to be completed by the end of 2008. It is anticipated that the resource could support a project with a full rate of production of about 25 million tonnes per annum of concentrate. We are confident that the iron ore market continues to offer attractive opportunities, particularly in view of the recent growth in the price of and relative demand for iron ore. ENRC believes that the acquisition of this stake will further enhance the Group's position in the iron ore market, a core asset class for the Group in the seaborne trade.

We are in the process of completing the acquisition of a 50% stake in Tuoli, a Chinese ferroalloys producer. Tuoli is one of China's largest ferrochrome plants with an annual capacity of 120 thousand tonnes of high-carbon ferrochrome. The acquisition will give us additional capacity in ferroalloys and the advantages of a direct presence in the key market of China.

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 underpin our approach to any such opportunities.

TAXATION

The Government of the Republic of Kazakhstan has recently filed draft legislation on proposed changes to taxation that could potentially impact the Group and which are expected to take effect from 1 January 2009. We are aware of four potential areas of impact: a reduced corporate income tax rate; a clarification of the excess profits tax law; a new mineral resources tax; and the abolition of royalties. We have been and continue to be in dialogue with the Government on the issue. At this time, given the draft nature of the proposals which remain subject to change, and the need to clarify some areas of detail, we are unable to provide detailed guidance to the proposals and their potential impact on the Group. When there is sufficient certainty, which may be with the eventual enactment of the tax legislation expected in the fourth quarter of 2008, we will provide a more detailed update. For the moment we are not revising our previous guidance that the changes could potentially increase the effective tax rate.

INDUSTRY OVERVIEW
We expect the outlook for mining and metals across our core commodities to remain positive over the medium term. 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 anticipated to grow steadily at around 5% per annum over the next decade driving ferrochrome demand. At a growth rate of 5% per annum an additional 500 thousand tonnes of ferrochrome is required every year. Electricity constraints in South Africa and China will likely dominate supply dynamics. In iron ore the infrastructure and urbanisation in China is expected to drive continued strengths in the carbon steel market, while the bulk of new iron ore projects are not anticipated to be in production until at least 2012. The outlook for alumina remains positive as the world seeks high-strength low-weight solutions to increase efficiencies. Higher input costs across the range of markets particularly energy costs will likely have a favourable effect on our competitive advantage due to our integrated model and preferential position on the costs curve.

More immediately, in the third quarter of 2008, the uncertainties facing the metals and mining industry increased significantly, most obviously for us in stainless steel and ferrochrome. With ferrochrome, the third quarter is traditionally a weak quarter and this has been accentuated in 2008 by the falling price of nickel, which delayed purchases and resulted in destocking. We have remained consistent with our conservative view on ferrochrome pricing for the second half of 2008, and were comfortable with the third quarter benchmark settlement in line with our expectations. A recovery in stainless steel production is expected in the fourth quarter although the weaker global economy is likely to limit growth until a broader recovery is experienced towards the end of 2009. The South African position will also become more evident with production capacity cut by power shortages and with long-term growth projects being shelved partially offset by lower power utilisation.

Iron ore has seen an exceptionally strong rise in benchmark prices for 2008-09, but a structural deficit in iron ore is set to remain for the next few years and we remain positive on the medium-term global growth outlook for steel.

Although aluminium stocks have been building on the London Metal Exchange ('LME'), concerns over energy costs and availability are likely to support pricing for the time being. Underpinning our Group's operations we remain long on energy and our extensive coal reserves should allow us to maintain an advantageous cost position for energy production.

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

OUTLOOK
Overall, with steady volume growth across our Ferroalloys, Iron Ore and Alumina and Aluminium Divisions, and with average prices significantly higher than in 2007, partially offset by cost pressures, we continue to anticipate a very strong year for ENRC in 2008.

We believe that ENRC has all of the essential ingredients for future success, based on our proximity to key markets, our low costs and growth opportunities. Given the operating environment 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 acquisition opportunities. All of these, accompanied by a strong financial discipline, are directed towards underpinning the performance of the business, providing a solid platform for growth and delivering value for all our shareholders.

Our success is ultimately a credit to the operational management team in the businesses and to all our employees, to whom we offer our sincere thanks for their continuing efforts.

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 six months ended 30 June 2008 and 30 June 2007 respectively:

In millions US$	**H1 2008**	H1 2007	H1 2008 vs. H1 2007 +/-	%
Revenue	**3,442**	1,856	1,586	*85.5%*
Cost of sales	**(1,051)**	(826)	(225)	*27.2%*
Gross profit	**2,391**	1,030	1,361	*132.1%*
Gross margin, %	***69.5%***	*55.5%*		
Distribution costs	**(206)**	(189)	(17)	*9.0%*
Selling, general and administrative expenses	**(192)**	(169)	(23)	*13.6%*
Net other operating income / (expenses)	**7**	(31)	38	*122.6%*
Operating profit	**2,000**	641	1,359	*212.0%*
Operating profit margin, %	***58.1%***	*34.5%*		
Depreciation, amortisation and impairment	**(151)**	(136)	(15)	*11.0%*
Exceptional items	**-**	(20)	20	*(100.0)%*
EBITDA before exceptional items	**2,151**	797	1,354	*169.9%*
EBITDA margin, % before exceptional items	***62.5%***	*42.9%*		
Finance income	**90**	27	63	*233.3%*
Finance costs	**(44)**	(82)	38	*(46.3)%*
Profit before income tax	**2,046**	586	1,460	*249.1%*
Profit before income tax margin, %	***59.4%***	*31.6%*		
Income tax expense	**(680)**	(198)	(482)	*243.4%*
Effective tax rate, %	**33.2%**	33.8%		
Profit for the period	**1,366**	388	978	*252.1%*
Profit margin, %	***39.7%***	*20.9%*		
Depreciation and amortisation in cost of sales	**(147)**	(127)	(20)	*15.7%*
Depreciation and amortisation in selling, general and administrative expenses	**(4)**	(9)	5	*(55.6)%*

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

In millions US$	Ferroalloys Division	Iron Ore Division	Alumina & Aluminium Division	Energy Division	Logistics Division	Corporate	Intra Group Eliminations	**Total**
Segment revenue								
Six months 30 June 2008	**2,110**	**768**	**421**	**229**	**106**	**-**	**(192)**	**3,442**
Six months 30 June 2007	917	457	325	157	102	-	(102)	1,856
Segment operating profit								
Six months 30 June 2008	**1,362**	**433**	**121**	**87**	**20**	**(23)**	**-**	**2,000**
Six months 30 June 2007	366	154	105	46	15	(45)	-	641
Segment operating margin								
Six months 30 June 2008	***64.5%***	***56.4%***	***28.7%***	***38.0%***	***18.9%***	***-***	***-***	***58.1%***
Six months 30 June 2007	*39.9%*	*33.7%*	*32.3%*	*29.3%*	*14.7%*	*-*	*-*	*34.5%*
EBITDA before exceptional items								
Six months 30 June 2008	**1,408**	**476**	**158**	**102**	**29**	**(22)**	**-**	**2,151**
Six months 30 June 2007	405	197	132	65	23	(25)	-	797
EBITDA margin before exceptional items								
Six months 30 June 2008	***66.7%***	***62.0%***	***37.5%***	***44.5%***	***27.4%***	***-***	***-***	***62.5%***
Six months 30 June 2007	*44.2%*	*43.1%*	*40.6%*	*41.4%*	*22.5%*	*-*	*-*	*42.9%*

OPERATING REVIEW

OVERVIEW

ENRC is a leading diversified natural resources group performing integrated mining, processing, energy, logistics and marketing operations. The operations comprise: the mining and processing of chrome, manganese and iron ore; the smelting of ferroalloys; the mining and processing of bauxite for the extraction of alumina and the production of aluminium; coal extraction and electricity generation; and the transportation and sales of Group products. The Group's production assets are largely located in the Republic of Kazakhstan. The Group's entities, in the period, employed over 67,000 (2007: 64,000) people, including about 3,000 added in the first half of 2008 with the acquisition of Serov. In 2007, the Group accounted for approximately 4% of Kazakhstan's GDP. The Group currently sells its products around the world, including in Russia, China, Japan, Western Europe and the United States. For the six months ended 30 June 2008, the Group had revenue of US$3,442 million (2007: US$1,856 million) and net profit of US$1,366 million (2007: US$388 million).

In the first half of 2008 the Group's ongoing production saw steady growth over the comparable period in 2007 with broadly consistent ore grades. 2008 included the benefit of production from the new aluminium smelter and the acquisition of the Serov ferroalloys business from April 2008.

DESCRIPTION OF ENRC'S BUSINESS

The Group has five operating Divisions:

Ferroalloys Division

The Ferroalloys 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 Division's vertically integrated operations include chrome ore and manganese ore mines, three ferroalloy processing plants and a gas-fired power station. The 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. The Division is believed to be the largest producer of ferrochrome, by chrome content, and lowest cost ferroalloys producer in the world.

In early April we announced the completion of the acquisition of a controlling interest in the Serov group and certain related entities ('Serov'). Serov is a ferroalloy producer in Russia. The acquisition, originally agreed mid 2007, demonstrates a number of important aspects of our strategy. This transaction was ENRC's first acquisition outside of Kazakhstan and reinforced our position in low-carbon and medium-carbon ferrochrome, with incremental annual sales of approximately 200 thousand tonnes of ferroalloys. In addition, the transaction allows the Group to benefit from further scale within its ferroalloys business and provides an important asset base in Russia supporting the strategy of regional expansion.

Sales and Pricing

Demand for high-carbon ferrochrome was very strong in the first half of 2008, mainly as a result of record stainless steel production and the announcement in South Africa of a shortage of electricity and an associated approximately 10% reduction in the power supply to ferrochrome operations. Price increases of US$0.20 and US$0.72 per pound in the first and second quarters of 2008, respectively, brought the benchmark price of high-carbon/charge chrome to a record level of US$1.92 per pound in the second quarter. The low-carbon and medium-carbon ferrochrome markets were also strong as a result of good demand.

Although the stainless steel market has slowed recently as a result of seasonal factors and falling nickel prices, it is expected that a limited recovery will be seen by the year end. The efforts of the Chinese government to ensure continued growth will have a positive effect in the world's largest stainless steel market. A prospective recovery of the global economy towards the end of 2009 should provide further stimulus for the market. Supply side dynamics are likely to be driven by South African and Chinese power limitations. Chrome ore prices that have remained strong in the first half of 2008 will depend on the strength of the ferrochrome market, particularly in China, and availability from South Africa.

Manganese alloy and ore prices also reached record levels in the first half of 2008. With relatively bullish expectations from the carbon steel industry, particularly associated with continued growth from China, a switch to manganese based stainless steels and ore supply constraints in South Africa and Brazil, the outlook remains positive.

In 2008 the top five customers of the Ferroalloys Division (excluding Serov) accounted for 21% (2007: 27%, excluding Serov) of the Division's revenue.

Key Initiatives

In line with the Group's overall strategy, the Ferroalloys Division's objectives are: to increase production of ferrochrome, the Division's most significant product; to control operating costs; and to expand the product portfolio. In pursuit of these objectives the Division intends to:

- Construct new DC furnaces at the Aksu and Aktobe processing plants and mine expansion at a cost of approximately US$1,160 million. This is expected to increase annual ferrochrome production by more than 600 thousand tonnes net by 2013. This is an increase from the previously announced plan of a 200 thousand tonnes increase and assumes the retirement of 270 thousand tonnes per annum of existing production capacity. This project is expected to enhance productivity and generate substantial cost savings, particularly relating to key input materials such as reductants, including coke. Furthermore, the installation of modern smelting furnaces is expected to result in significant environmental and safety improvements compared to current operations; and

- Completion of the construction of a second pelletising plant for a cost of US$70 million which is expected to be commissioned in the first half of 2009, and of an enrichment plant at Donskoy GOK for a cost of approximately US$30 million.

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 2007 data, the Division is believed to be one of the largest iron ore exporters 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.

Sales and Pricing

In April 2007, the Group entered into a long-term contract with Magnitogorsk Iron and Steel Works JSC ('MMK') - the Iron Ore Division's largest single customer accounting for 66% of the Division's revenue in 2008 (2007: 65%) - 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.

The tightness in the iron ore market during 2007 and the first half of 2008 resulted in benchmark price increases of between 65% and 87%. With strong steel markets forecast out to 2011 and the bulk of new iron ore capacity not becoming available at least until 2010 the iron ore market is expected to remain tight for the immediate future.

Key Initiatives

The Iron Ore Division's principal strategic objectives are to increase mining, concentration and pellitising capacities and expand its customer base through diversification of its product portfolio. The Iron Ore Division has extended its previously announced expansion projects and intends to pursue the following investment plan:

- Expand mining operations and increase iron ore concentrate capacity by approximately 9 million tonnes per annum in stages by 2012, through an investment of US$480 million; and

- Construct two direct reduced iron ('DRI') plants with a total capacity of 2.8 million tonnes per annum plant and an iron ore pelletiser of 5 million tonnes per annum, for approximately US$1,300 million. 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 the second half of 2008 and is currently scheduled to be completed by 2012.

The Alumina and Aluminium Division

The Alumina and Aluminium Division produces and sells alumina, to aluminium producers, and, from the end of 2007, sells aluminium. Based on 2007 data, ENRC believes that the Alumina and Aluminium Division is the seventh largest supplier of traded alumina by volume in the world and is near the bottom of the industry cost curve for alumina producers globally. The Division's vertically integrated operations include two bauxite mining units, a limestone mine, an alumina refinery, a power station and the new aluminium smelter. The aluminium smelter is believed to be one of the world's lowest cost producers. The smelter was commissioned on 12 December 2007 and achieved its Phase 1 production capacity of 125 thousand tonnes per annum in the second quarter of 2008. The Group has commenced construction of Phase 2 of the smelter which will increase capacity to 250 thousand tonnes per annum by 2010.

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 LME price for aluminium. UC RUSAL, the Division's largest single customer, accounted for 64% (2007: 79%) of the Division's revenue. 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.

Aluminium prices recovered through the first half of 2008, to average approximately US$200 per tonne higher than the average for the full year 2007. The price was supported by production problems and, most notably, supply restrictions in China and South Africa. However, the aluminium market is facing no shortage of metal at present, as evident in the high level of LME stocks. Ample availability of aluminium may thus temper further price increases, in spite of an ongoing strong structural demand for the metal. In the long term the outlook remains bright, particularly in the developing world, where per capita consumption of aluminium remains low and there is a significant growth potential.

ENRC is strategically located to serve some of the largest developing markets, and this is a clear competitive advantage, particularly given the shortage of alumina supply within the CIS region. As energy prices rise further, energy-intensive aluminium would become more expensive and consequently demand may drop. However, ENRC retains a competitive cost advantage as a fully integrated company with its own energy resources.

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 an additional 200 thousand tonnes per annum by 2010 through an investment of US$100 million, increasing annual capacity to 1.8 million tonnes per annum. This should allow the Division to fulfil the aluminium smelter's needs for alumina without reducing the alumina available for sale to third parties to below one million tonnes per annum;

- Building a 400 thousand tonnes caustic soda plant, an investment of about US$150 million, and a 150 thousand tonnes anode production plant, an investment of about US$200 million. Both are expected to come on-stream by 2010; and

- ENRC intends to spend approximately a further US$230 million on increasing the annual capacity of the aluminium smelter by a further 125 thousand tonnes of aluminium by 2010 (Phase 2). Construction works continued during the first six months of 2008 and currently the aluminium smelter is producing at an annualised capacity of 125 thousand tonnes of aluminium.

Energy Division

The Energy Division is one of the largest electricity providers in Kazakhstan and is integral to the Group's strategy of maintaining and expanding its low cost operations. The 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 the first half of 2008 the Energy Division produced 6.0 billion KWh down from 6.3 billion KWh in 2007 due to a planned maintenance of a turbine. 70.1% (2007: 53.6%) of the production was used internally within the Group; the higher level of internal usage a consequence of the start up of production at the new aluminium smelter.

Sales and Pricing

Electricity

Spot electricity prices remained relatively stable in the first half of the year as a result of efforts by the Government of the Republic of Kazakhstan to keep inflation under control. Supply constraints are likely to be heightened in the second half of 2008 as the new ENRC aluminium smelter will be running at full capacity creating the single largest increase in demand in the country. Kazakhstan has a long term electricity expansion plan and no shortages of the type currently experienced in South Africa are to be expected.

Coal

Due to the limited number of producers in Kazakhstan the domestic market is controlled by the Government. In 2008 the price was increased 5% compared to 2007. With free on board ('FOB') Russian port prices trading at around US$200 per tonne, further increases in the Kazakhstan domestic and Russian export market prices are expected. ENRC's main export contract will be re-priced from January 2009.

Key Initiatives

The Energy Division's objectives, in keeping with the Group's overall strategy are: to satisfy the requirements of other divisions in low-cost power and coal for the existing operations and their expansion plans; and to maintain its presence on the Kazakhstan power market where the Energy Division sells electric energy into the wholesale market.

In order to achieve its objectives, the Division intends to implement the following expansion projects:

- Construct two coal-fired turbines with an additional 1,200MW generation capacity, at a cost of US$1,260 million;
- Invest approximately US$155 million in the period up to 2011 to construct a new turbine and generator. It is expected that the new generator will increase total installed electricity generating capacity by 325MW by 2011;
- Complete refurbishment of an existing generator block (Turbine 1) at a cost of approximately US$10 million;
- Expand coal extraction by 5 million tonnes per annum at a cost of US$230 million; and
- Install overburden stripping equipment at a cost of approximately US$70 million to increase efficiency.

Logistics Division

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

Key Initiatives

On 21 March 2008, the Logistics Division won the State tender for the construction of some 300 kilometres of railway and a new transhipment facility in South-Eastern Kazakhstan (the 'China Gateway Project'). ENRC has the concession to build and operate both the line and transhipment point for 28 years. The new railway will facilitate an increase in cargo carried between Kazakhstan and China by up to 30 million tonnes per annum. It will provide ENRC's operations with a secure transportation route with increased capacity for products to be sold into the Chinese market. The construction period is estimated to be about 4 years and the required investment is expected to be approximately US$910 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

Six months ended 30 June 2008 compared to six months ended 30 June 2007

Group

Group revenue increased US$1,586 million, or 85.5%, to US$3,442 million (2007: US$1,856 million). Together Serov and the new aluminium smelter contributed revenue of US$299 million. The underlying US$1,287 million, or 69.3%, increase in revenue largely reflected higher realised sales prices. The Ferroalloys Division accounted for 75.2% of the total revenue increase (including 11.3 percentage points coming from the Serov acquisition) primarily due to higher ferroalloys prices resulting from demand and supply concerns. This was driven by the rapid growth in stainless steel production in China and, to a lesser extent, India, underpinned by infrastructure investment and consumption spend. 19.6% of the total revenue increase was attributable to the Iron Ore Division, largely due to higher achieved iron ore prices and volumes.

Group cost of sales increased US$225 million, or 27.2%, to US$1,051 million (2007: US$826 million). Serov represented US$70 million of this increase. Costs related to the new aluminium smelter added US$32 million. Excluding these, underlying cost of sales increased US$123 million or 14.9%, driven by materials and labour costs, notably in the Ferroalloys, Iron Ore and Alumina and Aluminium Division. Due to lower railroad repair volumes in the Logistics Division there was a 5.5% reduction in the Group's total cost of sales.

Group distribution costs increased US$17 million, or 9.0%, to US$206 million (2007: US$189 million) as a consequence of higher transportation costs partially offset by the reimbursement of custom duties and reduced insurance expense. The increase was largely in the Ferroalloys and Energy Divisions, reflecting higher per tonne logistics and related costs and higher sales volumes. This was partially offset by a reduction in the distribution costs of the Iron Ore and Alumina and Aluminium Divisions as proportionately more tonnage was shipped to Russia at lower cost.

Group selling, general and administrative expenses increased US$23 million, or 13.6%, to US$192 million (2007: US$169 million). The increase was mainly due to higher labour costs which were partially offset by reduced general and administrative expenses.

Group operating profit increased US$1,359 million, or 3.1 times, to US$2,000 million (2007: US$641 million). This came primarily from the Ferroalloys and Iron Ore Divisions where higher revenue drove up operating profit, respectively 73.3% (including 3.6 percentage points from Serov) and 20.5% of the total operating profit increase. Corporate expenses decreased US$22 million mainly due to the absence of exceptional items of US$20 million relating to the IPO. Across the Group, exchange rate fluctuations did not have a material impact.

Group finance income increased US$63 million, or 3.3 times, to US$90 million (2007: US$27 million). The increase is primarily due to interest income of US$33 million (2007: nil) on IPO proceeds invested in money market securities and a related foreign exchange gain of US$18 million (2007: nil).

Group finance costs decreased US$38 million, or 46.3%, to US$44 million (2007: US$82 million). The fall mainly resulted from the repayment in 2007 of promissory notes of US$1 billion, issued to related parties as a part of the pre-IPO restructuring process, and the settlement in 2007 of some US$0.4 billion of loans from related parties under the Founder Shareholders' Settlement Agreement. Further, the repayment of the Group's structured trade facility commenced in January 2008, resulting in a reduction of the outstanding interest bearing balance.

Ferroalloys Division

In the Ferroalloys Division (including Serov from April 2008) saleable chrome production rose 3.6% to 1,914 thousand tonnes (2007: 1,848 thousand tonnes), of which Serov was 34 thousand tonnes. Underlying chrome ore extraction declined 1.8% (run of mine basis) to 2,307 thousand tonnes (2007: 2,349 thousand tonnes, excluding Serov). Ore extraction from Serov was 54 thousand tonnes in the period. The underlying decline reflected a reduction in open pit mining ahead of planned growth in underground mining in the years ahead. The decline in extraction was offset by a 40.0% growth in processing of low-grade stockpiled ore, made possible by improvements in beneficiation capabilities allowing for more economical processing. These combined sources underpinned the increase in saleable chrome production. The internal consumption of saleable chrome ore rose to 74.7% (2007: 68.3%).

Manganese ore extraction and the processing of low grade stockpiled ore achieved a 26.4% increase in saleable ore production to 531 thousand tonnes (2007: 420 thousand tonnes). Iron manganese saleable production rose 118.3% to 251 thousand tonnes (2007: 115 thousand tonnes). Growth reflected a planned increase in production to take advantage of market opportunities.

Ferroalloys production rose significantly with the inclusion of Serov. Ferrochrome production increased 11.6% to 633 thousand tonnes (2007: 567 thousand tonnes), including 46 thousand tonnes from Serov. Serov provided additional high-carbon ferrochrome, but the biggest impact on the scale of the business was on low-carbon and medium-carbon ferrochrome production. Overall ferroalloys production rose 11.9% to 817 thousand tonnes (2007: 730 thousand tonnes), with 69 thousand tonnes from Serov. The internal consumption of ferroalloys rose to 13.5% (2007: 12.1%).

The Ferroalloys Division's third party revenue increased US$1,193 million, or 2.3 times, to US$2,110 million (2007: US$917 million). The effects of ferroalloy price increases led to a US$1,157 million growth in revenue. Ferroalloy prices increased US$1,410 per tonne, or 2.3 times, to US$2,496 per tonne for the half year (2007: US$1,086 per tonne), along with higher achieved chrome ore prices, which increased US$242 per tonne, to US$451 per tonne (2007: US$209). In addition manganese and iron-manganese concentrate market prices more than doubled, and the Group reallocated production capacity in response to this opportunity. In addition, a 2.6% increase in ferroalloys sales volumes and a 77.9% growth in manganese ore sales, partially offset by a 27.0% decrease in external chrome ore sales reflecting the consolidation of Serov, together accounted for a further US$7 million in revenue. Sales of Serov were accounted for by the Group from April 2008 and added revenue of US$179 million in the period.

The Division's cost of sales increased US$184 million, or 50.0%, to US$552 million (2007: US$368 million). Serov cost of sales contributed US$70 million to this increase. Excluding Serov and intra-group costs for energy and logistics, cost of sales grew US$84 million, or 26.5%, to US$401 million (2007: US$317 million). The underlying increase was mainly due to higher material costs of US$87 million, principally coke, energy and labour costs. On a per tonne basis, cost of sales was US$503 (2007: US$302). As well as increases in material and labour costs there was a change in the product mix with more manganese.

The Division's distribution costs increased US$19 million, or 15.8%, to US$139 million (2007: US$120 million). Serov distribution costs contributed US$7 million to the increase. Growth was primarily driven by a US$29 million increase in transportation costs as a result of a rise in Kazakhstan railroad tariffs, partially offset by a recovery of Russian customs tariffs.

The Division's selling, general and administrative expenses increased US$23 million, or 51.1%, to US$68 million (2007: US$45 million). Serov selling, general and administrative expenses contributed US$6 million. The underlying increase was primarily attributable to growth in labour costs.

The Division's operating profit increased US$996 million to US$1,362 million (2007: US$366 million). Serov's operating profit contributed US$101 million. The underlying increase was mainly driven by the rise in prices for ferroalloys and chrome ore.

Iron Ore Division

In the first half of 2008 the Iron Ore Division achieved growth in ore extraction of 6.8% to 20,864 thousand tonnes (2007: 19,533 thousand tonnes), in line with the extraction growth planned for SSGPO. From the extracted ore primary concentrate production increased 2.9% to 8,525 thousand tonnes (2007: 8,282 thousand tonnes) with extraction offset by a marginally lower grade of mined ore and a reduced yield of concentrate. Primary concentrate is used for either saleable concentrate or pellet production; saleable concentrate rose 18.2% against a 9.8% decline in saleable pellets. The decline in pellet production reflected the reconstruction of a pelletiser unit, expected to be completed in the third quarter.

The Iron Ore Division's third party revenue increased US$311 million, or 68.1%, to US$768 million (2007: US$457 million). This increase was primarily due to a US$34 per tonne, or 61.8%, rise in blended iron ore prices, to US$89 per tonne (2007: US$55 per tonne) that resulted in an increase of US$275 million in revenue. In addition, the renegotiated MMK contract prices were reflected in the full period in 2008; the long-term contract took effect from the second quarter of 2007. The contract allows for an annual revision of prices according to world benchmark prices on 1 April each year. An overall 1.3% increase in volumes pushed revenue up US$6 million.

The Division's cost of sales increased US$44 million, or 22.1%, to US$243 million (2007: US$199 million). This increase largely reflects higher materials, labour and energy costs. On a per tonne basis, cost of sales was US$30 (2007: US$25). Excluding intra-group costs for energy and transportation, cost of sales increased US$32 million, or 17.3%, to US$217 million (2007: US$185 million).

The Division's distribution costs increased US$3 million, or 6.0%, to US$53 million (2007: US$50 million). This reflects a rise in Kazakhstan railroad tariffs partially offset by an increase in the proportion of lower-cost transportation rates.

The Division's selling, general and administrative expenses increased US$2 million, or 5.3%, to US$40 million (2007: US$38 million) due to higher labour costs.

The Division's operating profit increased US$279 million to US$433 million (2007: US$154 million). The increase was primarily driven by the rise in iron ore prices.

Alumina and Aluminium Division

The Alumina and Aluminium Division achieved a 7.0% growth in bauxite extraction to 2,586 thousand tonnes (2007: 2,417 thousand tonnes). The growth was underpinned by a development programme to secure the supply of bauxite for a planned expansion in alumina production to 1,600 thousand tonnes per annum in 2008 and to 1,800 thousand tonnes per annum by 2010. The run-rate of 1,600 thousand tonnes per annum for 2008 has been attained.

Alumina production from bauxite was 796 thousand tonnes (2007: 756 thousand tonnes), an increase of 5.3%.

Production at the new aluminium smelter at Pavlodar, the Kazakhstan Aluminium Smelter JSC ('KAS'), commenced in December 2007. In the first half of 2008 the new smelter consumed 90 thousand tonnes, or 11.3%, of internal alumina production. The new aluminium smelter achieved its Phase 1 run-rate production target of 125 thousand tonnes per annum in the second quarter of 2008, well ahead of its scheduled year end date. Internal consumption of alumina can be expected to increase further in the second half of 2008.

The Alumina and Aluminium Division's third party revenue increased US$96 million, or 29.6%, to US$420 million (2007: US$324 million). This was principally due to new aluminium sales revenue of US$120 million. The underlying US$24 million reduction in revenue was due to a 2.4% decline in alumina prices, which are linked to the LME aluminium price, combined with a 5.7% fall in sales.

The Division's cost of sales increased US$73 million, or 41.4%, to US$249 million (2007: US$176 million). Excluding the new aluminium smelter and intra-group costs for energy and logistics, cost of sales increased US$26 million or 16.6% to US$183 million (2007: US$157 million). The underlying increase was due to an increase in materials, labour and energy costs as well as a higher depreciation charge, partially offset by lower inventory. On a per tonne basis, the cost of sales of alumina was US$282 (2007: US$235).

The Division's distribution costs declined US$3 million, or 15.8%, to US$16 million (2007: US$19 million), principally due to a US$2 million reduction in insurance expenses.

The Division's operating profit increased US$16 million, or 15.2%, to US$121 million (2007: US$105 million).

Energy Division

In the first half of 2008 the Energy Division extracted 10,168 thousand tonnes (2007: 9,056 thousand tonnes) of coal from the Vostochny mine, in line with expansion plans. The Division's internal coal consumption fell 5.3% to 3,630 thousand tonnes, or 35.7%, of total extraction (2007: 3,833 thousand tonnes, or 42.3%), as one turbine was taken off-line for planned refurbishment. The turbine is expected to be back on-line in the fourth quarter of 2008. Sales of coal to other Group Divisions saw steady growth in volumes, rising 6.5% to 2,407 thousand tonnes, or 23.7%, of total extraction (2007: 2,261 thousand tonnes, or 25.0%). There was growth in external coal sales. Electricity generation fell 5.1% to 5,954 GWh (2007: 6,276 GWh) reflecting maintenance of one turbine in 2008. Sales of electricity to the other Group Divisions increased sharply, to 70.1% of electricity generated (2007: 53.6%), reflecting the impact of the new aluminium smelter.

The Energy Division's third party revenue increased US$10 million, or 10.8%, to US$103 million (2007: US$93 million). This growth was due to an US$30 million increase in revenue from sales of coal to third parties, resulting from growth of 34.9% in the volume of coal sold and a 21.6% increase in the average price achieved. A 25.7% increase in the average electricity tariff led to US$6 million growth in revenue. This was offset by a 44.1% reduction in the volume of electricity sold as more electricity was consumed within the Group and, as mentioned previously, because of reduced generator capacity as a turbine was taken offline for planned refurbishment. The Division's sales to other Group entities increased US$62 million to US$126 million (2007: US$64 million).

The Division's cost of sales increased US$13 million, or 16.0%, to US$94 million (2007: US$81 million). The increase was primarily driven by growth in materials and labour costs. Excluding intra-group logistic costs, cost of sales increased US$6 million, or 7.9%, to US$82 million (2007: US$76 million).

The Division's distribution costs increased US$14 million, or 66.7%, to US$35 million (2007: US$21 million). This increase was primarily due to the higher coal sales volume and higher railroad tariffs imposed by the Kazakhstan State railroad monopoly. This was partially offset by a reduction in other distribution costs.

The Division's operating profit increased US$41 million, or 89.1%, to US$87 million (2007: US$46 million). The increase was mainly due to rising prices and volumes for exported coal and higher electricity tariffs.

Logistics Division

Volumes of external railroad repair services decreased 34.3% to 134 kilometres (2007: 204 kilometres). This was due to a delay in the tendering process for some contracts and the State railway company, the major customer, using its own materials for some railroad repair works. This drove down the revenue and the related cost of sales.

There was a steady growth in the tonnage of the Group's internal products transported by railway by the Logistics Division increasing 3.4% to 30,461 thousand tonnes (2007: 29,457 thousand tonnes).

As a consequence of the above, the Division's third party revenue declined US$24 million, or 36.9%, to US$41 million (2007: US$65 million) and sales to other Group entities increased US$28 million, or 75.7%, to US$65 million (2007: US$37 million).

Overall, the Division's cost of sales decreased US$6 million, or 7.6%, to US$73 million (2007: US$79 million) mainly as a result of reduced volumes of railroad repairs and customers' own materials being utilised in some projects reducing the costs incurred for repairs and maintenance. Excluding intra-group costs of sales increased to US$13 million, or 15.9%, to US$69 million (2007: US$82 million).

The Division's selling, general and administrative expenses increased US$4 million, or 30.8%, to US$17 million (2007: US$13 million) primarily due to consultancy expenses and labour costs.

The Division's operating profit increased US$5 million, or 33.3%, to US$20 million (2007: US$15 million).

INCOME TAX EXPENSE

The Group's income tax expense for the six months ended 30 June 2008 is US$680 million, an effective tax rate of 33.2%, compared with US$198 million, an effective tax rate of 33.8%, for the six months ended 30 June 2007.

It is expected that the full year effective tax rate will be within the range of 32%-33%.

LIQUIDITY

Cash flow from operating activities

The Group generated cash of US$1,533 million from operating activities for the six months ended 30 June 2008 (2007: US$475 million), an increase of US$1,058 million, or 222.7%.

Net cash used for investing activities

The Group utilised US$1,221 million for investing activities for the six months ended 30 June 2008 (2007: US$618 million), an increase of US$603 million, or 97.6%. This largely consisted of purchases of property, plant and equipment amounting to US$635 million, including US$135 million of prepayments, along with the acquisition of Serov and of the BML joint venture, resulting in cash outflows during the period of US$135 million and US$311 million respectively.

Net cash flow used for financing activities

The Group used cash resources of US$522 million for its financing activities for the six months ended 30 June 2008 (2007: US$15 million), an increase of US$507 million. This is due to accelerated repayments amounting to US$517 million of the Group's US$1,480 million structured trade facility that entered its repayment phase in January 2008.

CAPITAL EXPENDITURE

During the six months ended 30 June 2008 the Group's capital expenditure amounted to US$500 million (2007: US$428 million), an increase of US$72 million, or 16.8%. The table below shows the allocation of capital expenditure to new construction and development:

In millions of US$	Estimated total cost	Estimated cost of completion(1)	Capex budget 2008	Date of commissioning
Ferroalloys				
700 thousand tonnes pelletiser	110	70	40	2009
440 thousand tonnes expansion/replacement of ferroalloy smelting capacity (Aktobe) (2)	590	590	5	2012
460 thousand tonnes expansion of ferroalloy smelting capacity (Aksu)	540	540	5	2013
Mine expansion	30	30	10	2012
Iron Ore				
Mine expansion by 9 million tonnes per annum	525	480	140	2012
Pelletiser (5 million tonnes) and DRI plant (2.8 million tonnes)	1,300	1,300	60	2012
Alumina and Aluminium				
Alumina production expansion - remaining 200 thousand tonnes	240	100	80	2010
Caustic soda plant	150	150	80	2010
Anode production plant	200	200	100	2010
Sandy alumina production	90	60	45	2010
Aluminium smelter (Phase 2: 125 thousand tonnes)	305	230	125	2010
Energy				
Refurbishment of Turbine 1	100	10	40	2008
Overburden stripping equipment	85	70	55	2010
Construction of Turbine 2 – 325 megawatt	200	155	75	2011
Construction of 2 x 600 megawatt turbines	1,260	1,260	-	2013
5 mtpa mine expansion	230	230	-	2013
Logistics				
China Gateway Project	910	910	-	2011
Subtotal	**6,865**	**6,385**	**860**	
Capital repairs and other projects	535	535	535	
Total approved	**7,400**	**6,920**	**1,395**	

(1) Including amounts expected to be invested during 2008
(2) Approximately 270 ktpa of ferroalloy smelting capacity is expected to be retired after the new capacity is operational

CONTRACTUAL OBLIGATIONS

Long term supply agreements

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

- Alumina – ENRC has a contract with UC RUSAL, a large aluminium producer, to supply a minimum 1.2 million tonnes (+/- 2%) of alumina per annum, plus an option to supply an additional 200 thousand tonnes. The contract expires on 31 December 2016. Pricing is determined by a formula linked to the LME aluminium price; and

- Iron ore – ENRC has 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.

PRINCIPAL RISKS AND SIGNIFICANT FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

Details of the Group's risk factors were set out in our Annual Report for the year ended 31 December 2007 on pages 22 and 23. The Group's risk factors were reviewed by the Group's Executive Committee in June 2008. As a the result of that meeting, the material risks that have significantly changed since our Annual Report for the year ended 31 December 2007 are described below.

Action by the Government of the Republic of Kazakhstan or political events in Kazakhstan

In 2008 the Government of the Republic Kazakhstan has announced plans for substantial changes to tax and transfer pricing legislation for periods from 2009 onwards, including possible material changes to the taxation of subsurface industries. This may result in an increase in the Group's effective tax rate and could potentially result in the Group having to reassess the financial viability of current and future capital investment projects.

Execution of capital projects

The Group's mining operations are capital intensive. The development and exploitation of mineral reserves and the acquisition of machinery and equipment require substantial capital expenditures. Additionally, a substantial portion of the Group's operational assets are over 20 years old and, consequently, significant investment will be required in the future to improve efficiency and refurbish equipment.

There can be no assurance that the Group's expected operational improvements will be fully realised as currently envisaged. Any delay, interruption or cost overruns in implementing the Group's planned capital investments could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

FACTORS AFFECTING COMPARABILITY

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

Relationship with MMK

MMK has been one of the Group's principal customers. In the first quarter 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 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. For the six months ended 30 June 2007 costs amounting to US$20 million were incurred in connection with the IPO and recorded within the income statement. 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Eurasian Natural Resources Corporation PLC are listed in the ENRC Annual Report for 31 December 2007. There have been no changes since the publication of the Annual Report. A list of current directors is maintained on the ENRC website: www.enrc.com

By order of the Board

Dr Johannes Sittard
Chief Executive Officer
21 August 2008

Miguel Perry
Chief Financial Officer
21 August 2008

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF EURASIAN NATURAL RESOURCES CORPORATION PLC

Introduction

We have been engaged by the company to review the condensed interim financial statements in the interim financial report for the six months ended 30 June 2008, which comprises the Consolidated Interim Income Statement, Consolidated Interim Balance Sheet, Consolidated Interim Statement of Changes in Equity, Consolidated Interim Cash Flow Statement and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed interim financial statements.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed interim financial statements included in the interim financial report have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed interim financial statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements in the interim financial report for the six months ended 30 June 2008 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
21 August 2008

CONSOLIDATED INTERIM INCOME STATEMENT (Unaudited)

In millions of US$	Note	Six months ended 30 June 2008	2007
Revenue	3	**3,442**	1,856
Cost of sales	5	**(1,051)**	(826)
Gross profit		**2,391**	1,030
Distribution costs	6	**(206)**	(189)
Selling, general and administrative expenses	7	**(192)**	(169)
Other operating income / (expenses) – net		**7**	(31)
Operating profit		**2,000**	641
Analysed as:			
EBITDA before exceptional items*	13	**2,151**	797
Depreciation and amortisation		**(151)**	(136)
Exceptional items	7	**-**	(20)
Finance income		**90**	27
Finance costs		**(44)**	(82)
Profit before income tax		**2,046**	586
Income tax expense	8	**(680)**	(198)
Profit for the period		**1,366**	388
Profit is attributable to:			
Equity shareholders of the Group		**1,343**	381
Minority interests		**23**	7
Earnings per share – basic and diluted (US$)	9	**1.04**	0.38
Interim dividend per share – (US cents)	14	**12.00**	-

* EBITDA before exceptional items is defined as profit before interest, taxation, depreciation and amortisation adjusted for exceptional items (refer note 13).

CONSOLIDATED INTERIM BALANCE SHEET (Unaudited)

In millions of US$	Note	**30 June 2008**	As at 31 December 2007	30 June 2007
Assets				
Non-current assets				
Property, plant and equipment	10	**3,618**	3,232	2,934
Goodwill and intangible assets	11	**534**	390	389
Investments in joint ventures	11	**317**	-	-
Loans receivable		**34**	7	-
Deferred tax assets		**39**	8	15
Other non-current assets		**396**	322	133
Total non-current assets		**4,938**	3,959	3,471
Current assets				
Current assets held for sale	10	**2**	-	-
Inventories		**584**	438	385
Trade and other receivables		**1,501**	1,045	877
Financial assets		**-**	170	-
Loans receivable		**11**	28	50
Cash and cash equivalents		**2,339**	2,548	192
Total current assets		**4,437**	4,229	1,504
Total assets		**9,375**	8,188	4,975
Equity				
Share capital and share premium		**3,257**	3,257	200
Reserves		**3,819**	2,457	2,516
Equity attributable to the Group's equity shareholders		**7,076**	5,714	2,716
Minority interests		**100**	75	65
Total equity		**7,176**	5,789	2,781
Liabilities				
Non-current liabilities				
Borrowings		**556**	1,065	1,118
Deferred tax liabilities		**279**	295	293
Asset retirement obligations		**125**	86	60
Employee benefit obligations		**66**	52	55
Derivative financial instruments		**8**	51	-
Other non-current liabilities		**4**	-	12
Total non-current liabilities		**1,038**	1,549	1,538
Current liabilities				
Borrowings		**350**	359	153
Trade and other payables		**417**	370	382
Current income tax payable		**332**	28	65
Other taxes payable		**62**	93	56
Total current liabilities		**1,161**	850	656
Total liabilities		**2,199**	2,399	2,194
Total liabilities and equity		**9,375**	8,188	4,975

CONSOLIDATED INTERIM CASH FLOW STATEMENT (Unaudited)

In millions of US$	Six months ended 30 June **2008**	2007
Net cash generated from operating activities	**1,533**	475
Cash flow from investing activities		
Purchase of property, plant and equipment	**(635)**	(503)
Proceeds from sales of property, plant and equipment	**1**	7
Acquisition of subsidiary (net of cash acquired)	**(135)**	-
Purchase of investment in joint ventures	**(311)**	-
Proceeds from the sale of investments	**-**	37
Loans and deposits granted to related parties	**(37)**	(159)
Proceeds from the repayment of loans and deposits from related parties	**32**	-
Other loans and deposits granted	**(144)**	-
Proceeds from the repayment of other loans and deposits	**8**	-
Net cash used for investing activities	**(1,221)**	(618)
Cash flow from financing activities		
Bank borrowings – proceeds	**7**	719
Bank borrowings – repayments	**(529)**	(183)
Related party borrowings – repayments	**-**	(551)
Net cash used for financing activities	**(522)**	(15)
Net decrease in cash and cash equivalents	**(210)**	(158)
Cash and cash equivalents at beginning of period	**2,548**	336
Exchange gains on cash and cash equivalents	**1**	14
Cash and cash equivalents at end of period	**2,339**	192

CONSOLIDATED INTERIM 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	Other reserves	Total	Minority interests	Total equity
Balance as at 31 December 2006		**200**	**-**	**1,799**	**212**	**-**	**-**	**2,211**	**61**	**2,272**
Profit for the six months ended 30 June 2007		-	-	381	-	-	-	381	7	388
Currency translation differences		-	-	-	131	-	-	131	3	134
Total recognised income and expense for six months ended 30 June 2007		**-**	**-**	**381**	**131**	**-**	**-**	**512**	**10**	**522**
Change in minority interests		-	-	-	-	-	-	-	(6)	(6)
IPO costs		-	-	-	-	-	(7)	(7)	-	(7)
Balance as at 30 June 2007		**200**	**-**	**2,180**	**343**	**-**	**(7)**	**2,716**	**65**	**2,781**
Balance as at 31 December 2007		**258**	**2,999**	**2,097**	**377**	**(17)**	**-**	**5,714**	**75**	**5,789**
Profit for the six months ended 30 June 2008		-	-	1,343	-	-	-	1,343	23	1,366
Currency translation differences		-	-	-	(13)	-	-	**(13)**	-	**(13)**
Total recognised income and expense for the six months ended 30 June 2008		**-**	**-**	**1,343**	**(13)**	**-**	**-**	**1,330**	**23**	**1,353**
Changes in minority interest		-	-	-	-	-	-	-	2	2
Share-based payments		-	-	1	-	-	-	1	-	1
Unrealised gain on cash flow hedge		-	-	-	-	31	-	31	-	31
Balance as at 30 June 2008		**258**	**2,999**	**3,441**	**364**	**14**	**-**	**7,076**	**100**	**7,176**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PREPARATION

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985 (section 434 of the Companies Act 2006). Statutory accounts for the year ended 31 December 2007 were approved by the Board of directors on 25 April 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 237 of the Companies Act 1985 (section 498 of the Companies Act 2006).

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with IFRS as adopted by the European Union.

2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Accounting policies applied for the first time for the financial year beginning 1 January 2008 are as follows:

Equity method to account for interest in joint ventures

The Group has elected to use the equity method to account for interests in joint ventures, which are disclosed as joint ventures in the financial statement and are initially recognised at cost. Joint ventures are all entities over which the group has joint control. The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

New accounting pronouncements

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008, but are not currently relevant for the Group financial statements:

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions;
- IFRIC 12 – Service Concession Arrangements; and
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

3. 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 – comprises the extraction and sale of chrome ore as well as the production of ferroalloys from chromium and manganese ores;
- Iron Ore – comprises extraction, processing and manufacturing of iron ore products;
- Alumina and Aluminium – comprises extraction and processing of bauxite and limestone, and smelting of alumina and aluminium;
- Energy – comprises coal mining 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 six months ended 30 June 2008 and 30 June 2007 is set out below.

Six months ended 30 June 2008 Segmental Analysis

In millions of US$	Ferroalloys	Iron Ore	Alumina & Aluminium	Energy	Logistics	Corporate	Eliminations	Group
Revenue	2,110	768	420	103	41	-	-	3,442
Inter-segment revenue	-	-	1	126	65	-	(192)	-
Segment revenue	**2,110**	**768**	**421**	**229**	**106**	**-**	**(192)**	**3,442**
Segment operating profit	**1,362**	**433**	**121**	**87**	**20**	**(23)**	**-**	**2,000**
Finance income								90
Finance costs								(44)
Profit before income tax								**2,046**
Income tax expense								(680)
Profit for the period								**1,366**
EBITDA	**1,408**	**476**	**158**	**102**	**29**	**(22)**	**-**	**2,151**
Depreciation and amortisation	(46)	(43)	(37)	(15)	(9)	(1)	-	(151)
Segment operating profit	**1,362**	**433**	**121**	**87**	**20**	**(23)**	**-**	**2,000**
Capital expenditure	**129**	**95**	**168**	**84**	**24**	**-**		**500**
Segment assets	**3,521**	**2,139**	**1,652**	**650**	**277**	**44**	**(1,265)**	**7,018**
Segment liabilities	**(1,142)**	**(440)**	**(142)**	**(60)**	**(54)**	**(99)**	**1,265**	**(672)**
								6,346
Unallocated assets and liabilities (net)								307
Investment in joint ventures								317
Unallocated cash and cash equivalents								1,633
Loans receivable								45
Borrowings								(906)
Deferred and current income taxation (net)								(566)
Total equity								**7,176**
Average number of employees	**24,610**	**19,010**	**14,020**	**6,650**	**2,930**	**230**		**67,450**

Geographic segment information for the main reportable business segments of the Group for the six months ended 30 June 2008 is set out below:

Geographic Segmental Analysis

In millions of US$	Eurasia*	Europe & Middle East	Asia Pac*	Rest of World	Total
Six months ended 30 June 2008					
Revenue	1,583	763	864	232	**3,442**
Assets	5,991	823	74	130	**7,018**
Capital expenditure	500	-	-	-	**500**

* 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.

Segmental Analysis six months ended 30 June 2007

In millions of US$	Ferroalloys	Iron Ore	Alumina & Aluminium	Energy	Logistics	Corporate	Eliminations	Group
Revenue	917	457	324	93	65	-	-	1,856
Inter-segment revenue	-	-	1	64	37	-	(102)	-
Segment revenue	**917**	**457**	**325**	**157**	**102**	**-**	**(102)**	**1,856**
Segment operating profit	**366**	**154**	**105**	**46**	**15**	**(45)**	**-**	**641**
Finance income								27
Finance costs								(82)
Profit before income tax								**586**
Income tax expense								(198)
Profit for the period								**388**
EBITDA before exceptional items	**405**	**197**	**132**	**65**	**23**	**(25)**	**-**	**797**
Depreciation and amortisation	(39)	(43)	(27)	(19)	(8)	-	-	(136)
Exceptional items	-	-	-	-	-	(20)	-	(20)
Segment operating profit	**366**	**154**	**105**	**46**	**15**	**(45)**	**-**	**641**
Capital expenditure	**73**	**97**	**218**	**24**	**10**	**6**	**-**	**428**
Segment assets	**1,724**	**1,068**	**1,119**	**423**	**216**	**53**	**-**	**4,603**
Segment liabilities	**(173)**	**(125)**	**(142)**	**(27)**	**(39)**	**(41)**	**-**	**(547)**
								4,056
Unallocated assets and liabilities (net)								284
Loans receivable								50
Borrowings								(1,271)
Deferred and current income taxation (net)								(338)
Total equity								**2,781**
Average number of employees	**20,890**	**19,450**	**13,250**	**6,520**	**3,630**	**150**		**63,890**

Geographic segment information for the main reportable business segments of the Group for the six months ended 30 June 2007 is set out below:

Geographic Segmental Analysis

In millions of US$	Eurasia*	Europe & Middle East	Asia Pac*	Rest of World	Total
Six months ended 30 June 2007					
Revenue	982	233	484	157	1,856
Assets	4,072	450	27	54	4,603
Capital expenditure	428	-	-	-	428

* 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.

4. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The table below summarises related party transactions with entities under control of the Founder Shareholders:

In millions of US$	Note	Six months ended 30 June 2008	Six months ended 30 June 2007
Revenue from sale of goods			
Ferroalloys		**34**	31
Iron ore		**1**	-
Energy		**-**	4
Other income			
Insurance, commission and other income		**7**	19
Expenses			
Purchases of raw materials	5	**(54)**	(36)
Purchases of services	5	**(6)**	(8)
Insurance	5,6,7	**(13)**	(28)
Bank charges	7	**(4)**	(4)
Rental expenses	7	**(5)**	(2)
Sponsorship and donations	7	**(12)**	-
Other	7	**(2)**	(15)
Finance income		**7**	17
Finance costs		**(2)**	(32)

The outstanding balances with entities under control of the Founder Shareholders and other related parties at 30 June 2008, 31 December 2007 and 30 June 2007 are as follows:

In millions of US$	As at 30 June 2008	As at 31 December 2007	As at 30 June 2007
Non-current assets			
Loans receivable	**34**	7	-
Other non-current assets	**10**	114	5
Current assets			
Trade and other receivables	**54**	107	79
Loans receivable	**1**	26	42
Term deposits	**114**	138	188
Cash and cash equivalents	**136**	76	89
Non-current liabilities			
Borrowings:			
Promissory note	**-**	-	376
Other	**-**	-	8
Current liabilities			
Borrowings:			
Promissory note	**3**	-	-
Other	**1**	1	-
Trade and other payables	**5**	6	26

Term deposits and cash and cash equivalents represent balances held with Eurasian Bank JSC.

In 2007, the Group agreed to maintain until October 2008 certain existing term deposits with Eurasian Bank, which at 30 June 2008 amounted to US$97 million (31 December 2007: US$123 million). In July and August 2008 the Group withdrew US$68 million from these term deposits. The remaining US$29 million is expected to be withdrawn by the end of August 2008.

In addition to the above, the Group paid a finders fee of US$9 million in respect of the acquisition of the BML stake to a related party controlled by the Founder Shareholders. In addition the Group acquired Serov from a related party controlled by the Founder Shareholders of ENRC. Both of these are disclosed in Note 11.

5. COST OF SALES

	Six months ended 30 June	
In millions of US$	**2008**	2007
Materials and components used	**(552)**	(389)
Staff costs	**(222)**	(178)
Depreciation and amortisation	**(147)**	(127)
Other cost of sales	**(130)**	(132)
Total cost of sales	**(1,051)**	(826)

6. DISTRIBUTION COSTS

	Six months ended 30 June	
In millions of US$	**2008**	2007
Transportation costs	**(173)**	(147)
Other distribution costs	**(33)**	(42)
Total distribution costs	**(206)**	(189)

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
In millions of US$	**2008**	2007
Staff costs	**(76)**	(47)
Professional and other services	**(20)**	(44)
Sponsorship and donations	**(16)**	(20)
Depreciation, amortisation and impairment	**(4)**	(9)
Other selling, general and administrative expenses	**(76)**	(49)
Total selling, general and administrative expenses	**(192)**	(169)
Costs incurred in relation to the initial public offering (exceptional item)	**-**	(20)

Exceptional item

Costs incurred in relation to the initial public offering ('IPO') represent professional and other services incurred in the six months ended 30 June 2007.

8. INCOME TAXES

Income tax expense comprises the following:

In millions of US$	Six months ended 30 June **2008**	2007
Corporate income tax – current period	**(707)**	(199)
Deferred income tax expense – current period	**27**	1
Income tax expense for the period	**(680)**	(198)

Income tax expense is recognised based on applying the expected annual effective tax rate for each group company to the actual profits for the six months ended 30 June 2008. The effective tax rate for the group for the six months on this basis is 33%. The estimated full year average annual tax rate is expected to be in the range of 32%-33%.

9. EARNINGS 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 following reflects the income and adjusted share data used in the EPS computations:

In millions of US$	Six months ended 30 June **2008**	2007
Net profit attributable to equity shareholders of the Group	**1,343**	381
Exceptional items attributable to equity shareholders of the Group	**-**	20
Net profit before exceptional items	**1,343**	401
Number of shares		pro-forma
Weighted average number of ordinary shares*	**1,287,750,000**	1,000,000,000
EPS – basic and diluted (US$)	**1.04**	0.38
EPS before exceptional items (US$)	**1.04**	0.40

* For six months ended 30 June 2007, 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.

10. PROPERTY, PLANT AND EQUIPMENT

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

Six months ended 30 June 2008

In millions of US$	Note	Freehold land	Buildings and mining construction	Plant and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2008		**45**	**1,224**	**1,978**	**567**	**496**	**4,310**
Additions		-	20	35	37	408	500
Acquisitions of subsidiary property, plant and equipment	11	1	26	13	5	22	67
Transfers		-	39	129	26	(194)	-
Transfers to current assets held for sale		-	-	-	-	(2)	(2)
Disposals		-	(2)	(7)	(3)	(3)	(15)
Exchange differences		-	(5)	(7)	(2)	(3)	(17)
At 30 June 2008		**46**	**1,302**	**2,141**	**630**	**724**	**4,843**
Accumulated depreciation at 1 January 2008		**-**	**(239)**	**(598)**	**(220)**	**(21)**	**(1,078)**
Disposals		-	-	5	3	-	8
Depreciation charge		-	(32)	(95)	(32)	-	(159)
Exchange differences		-	1	2	1	-	4
As at 30 June 2008		**-**	**(270)**	**(686)**	**(248)**	**(21)**	**(1,225)**
Net balance sheet amount at 30 June 2008		**46**	**1,032**	**1,455**	**382**	**703**	**3,618**

Six months ended 30 June 2007

In millions of US$	Freehold land	Buildings and mining construction	Plant and equipment	Vehicles	Assets under construction	Total
Cost at 1 January 2007	46	896	1,393	456	493	3,284
Additions	-	13	46	23	346	428
Transfers	-	26	50	12	(88)	-
Disposals	-	(3)	(7)	(2)	(5)	(17)
Exchange differences	2	40	63	21	25	151
At 30 June 2007	48	972	1,545	510	771	3,846
Accumulated depreciation at 1 January 2007	-	(172)	(400)	(160)	(9)	(741)
Disposals	-	2	6	2	-	10
Depreciation charge	-	(28)	(78)	(24)	-	(130)
Impairment charge	-	-	-	-	(6)	(6)
Transfers	-	(1)	2	(1)	-	-
Exchange differences	-	(9)	(29)	(7)	-	(45)
As at 30 June 2007	-	(208)	(499)	(190)	(15)	(912)
Net balance sheet amount at 30 June 2007	48	764	1,046	320	756	2,934

Prepayments for property, plant and equipment and related services as at 30 June 2008 totalled US$382 million (31 December 2007: US$208 million).

The Group's capital expenditure commitments as at 30 June 2008 amounted to US$499 million (31 December 2007: US$497 million).

11. BUSINESS COMBINATIONS

Serov

On 3 April 2008 a controlling interest in the Serov group and certain related entities (see below) was acquired by the Group. The purchase price was US$210 million.

Serov's principal activity comprises the mining of chrome ore, processing and sale of ferroalloys in Russia.

The acquisition of the Serov Group consists of the following ownership interests:

	Effective ownership interest
Serov Ferrochrome Factory	95.2%
Saranovskaya Mine 'Rudnaya'	84.2%
Serov Metalconcentrate Works	87.9%
OOO Industrial Metals	100.0%
IMR Marketing AG	100.0%
DDK Services Limited	100.0%

Since the date of acquisition up to 30 June 2008, Serov, on a stand alone basis, contributed US$179 million revenue and US$49 million profit, on a stand-alone basis. If the acquisition had occurred on 1 January 2008, the comparative numbers for the half year would have been revenue of US$315 million and profit of US$92 million.

If the acquisition had occurred on 1 January 2008, Group consolidated revenue and Group consolidated profit for the six months ended 30 June 2008 would have been US$3,536 million and US$1,407 million respectively.

Details of the net assets acquired and goodwill are as follows:

In millions of US$	
Purchase consideration:	
Cash paid	210
Direct costs related to the acquisition	1
Total purchase consideration	**211**
Provisional fair value of net identifiable assets acquired (see below)	(67)
Provisional goodwill	**144**

The goodwill is attributable to the value derived by the Group from additional pricing power in low-carbon ferroalloys market. The goodwill is provisional and will be re-assessed on completion of the fair value assessments for assets acquired (including mine properties, stock piles and licences). Adjustments made to fair values will be reflected through an adjustment of goodwill.

The assets and liabilities arising from the acquisition are as follows:

In millions of US$	Note	Acquiree's carrying amount	Provisional fair value
Cash and cash equivalents		33	33
Property, plant and equipment	10	67	67
Inventories		39	45
Receivables		70	70
Payables		(147)	(148)
Net identifiable assets acquired		**62**	**67**

The fair values are provisional due to the complexity and timing of the acquisition. The review of the fair value of the assets and liabilities acquired will continue for 12 months from the acquisition date.

Outflow of cash to acquire business, net of cash acquired:

In millions of US$	
Cash consideration paid in 2007	100
Cash consideration paid in 2008	110
Settlement of pre-acquisition dividends	57
Direct costs relating to the acquisition	1
Cash and cash equivalents in subsidiary acquired	(33)
Cash outflow on acquisition	**235**

Bahia Mineração Limitada
On 19 May 2008, the Group completed the acquisition of 50% interest in Bahia Mineração Limitada (‘BML’), a company involved in development of an iron ore deposit in Brazil, for a cash consideration of US$300 million. The Group entered into 50/50 joint venture agreement with Zamin BM NV.

The Group accounted for its investment in BML using equity accounting.

As of 30 June 2008 the following costs directly attributable to the acquisition have been included in the cost of investment:

In millions of US$	
Interest on pre-acquisition loan	6
Finders fee	9
Professional and other services	2
Total other costs	**17**

The feasibility study is currently being undertaken and expected to be completed by the end of 2008.

In the period since acquisition US$34 million has been loaned to BML in order to finance current capital expenditure commitments.

On the 19th May 2008, ENRC Limited provided a secured loan facility of up to US$400 million to Ardila Investments NV, a subsidiary of Zamin BM NV, to finance Ardila’s share of certain capital and operating expenditure of Bahia Minerals BV. The facility, which is secured by the shares in Bahia Minerals BV, bears interest at LIBOR plus 4.5% per annum and is repayable over the 3 years following the first draw down under the facility.

12. SHARE-BASED PAYMENTS

Long-term incentive plan
In 2008 the Group made awards under the ENRC PLC Long-Term Incentive Plan (LTIP) to the Executive Directors and selected senior management. In the normal course of events, the LTIP awards vest on the third anniversary of the award, date subject to achievement of performance targets. The performance target is based on the Group’s total shareholder return (TSR), ranked against a comparator group of 22 other international mining companies over a three year period from 1 January 2008 to 31 December 2010. As at 30 June 2008, the Group had accrued US$1 million for the LTIP.

13. RECONCILIATION OF NON-GAAP MEASURES

In millions of US$	Note	Six months ended 30 June 2008	2007
Profit for the period		**1,366**	388
Add:			
Depreciation and amortisation			
Cost of sales	5	**147**	127
Selling, general and administrative expenses	7	**4**	9
Finance costs		**44**	82
Income tax expense	8	**680**	198
Less:			
Finance income		**(90)**	(27)
EBITDA after exceptional items		**2,151**	777
Exceptional items	7	**-**	20
EBITDA before exceptional items		**2,151**	797
Divide by:			
Revenue		**3,442**	1,856
EBITDA margin before exceptional items		***62.5%***	*42.9%*
Profit for the period		**1,366**	388
Add:			
Finance costs		**44**	82
Income tax expense	8	**680**	198
Exceptional items	7	**-**	20
Less:			
Finance income		**(90)**	(27)
EBIT before exceptional items		**2,000**	661
Divide by:			
Capital employed weighted average:			
Borrowings		**1,261**	1,378
Equity including minority interest		**6,379**	2,527
Return on capital employed		***26.2%***	*16.9%*
Revenue	3	**3,442**	1,856
Less:			
Stand alone Serov revenue		**(179)**	-
New aluminium sales revenue		**(120)**	-
Underlying revenue		**3,143**	1,856
H1 2008 vs. H1 2007			
Increase in underlying revenue in US$		**1,287**	
% increase in underlying revenue		***69.3%***	
Cost of sales		**1,051**	826
Less:			
Stand alone Serov cost of sales		**(70)**	-
New aluminium cost of sales		**(32)**	-
Underlying cost of sales		**949**	826
H1 2008 vs. H1 2007			
Increase in underlying cost of sales in US$		**123**	

% increase in underlying cost of sales	*14.9%*

Total costs	**1,442**	1,195
Less:		
Stand alone Serov total costs	**(78)**	-
New aluminium sales total costs	**(38)**	-
Underlying total costs	**1,326**	1,195
H1 2008 vs. H1 2007		
Increase in underlying total costs in US$	**131**	
% increase in underlying total costs	***11.0%***	

Cost of sales – principal operating divisions*	**981**	744
Less:		
Stand alone Serov cost of sales	**(70)**	-
New aluminium cost of sales	**(32)**	-
Underlying cost of sales – principal operating divisions	**879**	744
H1 2008 vs. H1 2007		
Increase in underlying total cost of sales – principal businesses	**135**	
% increase in underlying total cost of sales – principal business	***18%***	

*Principal operating divisions consists of Ferroalloys, Iron ore, Alumina and Aluminium and Energy.

14. EVENTS AFTER THE BALANCE SHEET DATE

2008 Interim Dividend

The Board has approved a 2008 interim dividend of 12.00 US cents per share (6.44 British pence per share), amounting to US$155 million, which will be paid on 19 November 2008 to shareholders on the register at the close of business 5 September 2008. The default currency of the dividend payment is the British Pound but shareholders may elect to receive their dividend in US$ instead.

SHAREHOLDER INFORMATION

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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).

Major interest in shares

As at 20 August 2008, the Company had been advised, in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority, of the following notifiable interests (whether directly or indirectly held) in its voting rights:

	Number of voting rights	%
Kazakhmys Eurasia BV	322,177,851	25.02
Mr Chodiev	187,836,250	14.59
Mr Ibragimov	187,836,250	14.59
Mr Machkevitch	187,836,250	14.59
The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan	150,047,116	11.65

Exchange rates

The following table sets out, for the periods indicated, the relevant period-end and average exchange rates of the Kazakhstani Tenge (KZT) to the US Dollar (US$), as applied in the preparation of the Group's consolidated financial information for the relevant periods and expressed in KZT per US Dollar.

	Rate	
	Period end	Average
Six months ended 30 June 2008	120.75	120.52
Six months ended 30 June 2007	121.66	123.16
Year ended 31 December 2007	120.30	122.55

Results timetable

Wednesday, 3 September 2008	Ex-dividend date
Friday, 5 September 2008	Interim dividend record date
Wednesday, 12 November 2008	2008 Second-half Interim Management Statement and 2008 Q3 Production Report
Wednesday, 19 November 2008	Interim dividend payment date
Wednesday, 4 February 2009	2008 Q4 Production Report

All future dates are provisional and subject to change.

Dividends on ordinary shares

The Board has approved an interim dividend for the six months ended 30 June 2008 of 12.00 US cents per share. This interim dividend will be paid on 19 November 2008 to shareholders on the register at the close of business on 5 September 2008.

The default payment currency of the dividend is the British Pound. The US Dollar/British Pound exchange rate of US$1.8621/£1 was determined using the closing mid spot exchange rate as published in the Financial Times on 20 August 2008.

Shareholders may elect to receive this and all future dividends in US Dollars instead, by contacting the Company's Registrar directly. The deadline for making a currency election for this interim dividend is the close of business on 31 October 2008.