



## KAZAKHMY'S PLC

6<sup>TH</sup> FLOOR  
CARDINAL PLACE  
100 VICTORIA STREET  
LONDON SW1E 5JL  
Tel: 0845 080 2369  
Tel: +44 (0) 20 0 7800

Company registered in England and Wales  
Company Number: 5180783

2 October 2007

### **Kazakhmys PLC calls EGM to approve acquisition of 18.8% stake in ENRC PLC**

- EGM convened for 19 October 2007 to allow independent shareholders of Kazakhmys to approve the exercise of the option to acquire an 18.8% holding in the ENRC Group
- Approval from the Government of Kazakhstan has now been received to allow Kazakhmys to become a direct 18.8% shareholder in ENRC PLC
- Acquisition is conditional on the approval of independent shareholders and the receipt of regulatory approval from the Government
- Estimated cost of exercising the option is US\$806.5 million, pursuant to the terms of the option agreement
- The Independent Directors of Kazakhmys unanimously recommend that shareholders vote in favour of the acquisition
- Shareholder circular and notice of EGM will be sent to Kazakhmys shareholders today

Kazakhmys PLC ("Kazakhmys" or the "Company") today announces that further to its announcement of 4 September 2007 and following receipt of approval from the Government of Kazakhstan ("Government"), an Extraordinary General Meeting ("EGM") has been convened to allow independent shareholders of Kazakhmys to vote on the proposed acquisition of a direct 18.8% stake in Eurasian Natural Resources Corporation PLC ("ENRC"), from a vehicle wholly owned by the Chairman of Kazakhmys, Mr Vladimir Kim.

The Acquisition is conditional on the approval of independent shareholders of the Company at the EGM and the receipt of regulatory approval from the Government relating to the indirect change in ownership of subsoil rights.

The ENRC Group is a large diversified mining and natural resources group with significant, high quality assets in Kazakhstan. The Independent Directors consider the investment key to Kazakhmys' long-term strategy of seeking to acquire interests in existing regional natural resources businesses with attractive internal and external growth prospects and its execution will bring significant benefits to Kazakhmys and its Shareholders.

Commenting upon the Acquisition, Mr James Rutland, Senior Independent Non-executive Director of Kazakhmys said, "As stated at the time of our Interim Results, the Independent Directors are unanimous in believing that this transaction will create value for shareholders and consider that it is in the best interests of the shareholders as a whole to vote in favour of this transaction at the forthcoming EGM."

## **Background**

Kazakhmys notified the market on 14 March 2006 that it had been granted an option (the "Option") to acquire a 25% stake in ENRC Kazakhstan Holding B.V. ("EKH") by Mr Vladimir Kim. As stated in Kazakhmys' Annual Report and Accounts published on 5 April 2007, the 25% stake in EKH represented an 18.8% economic interest in ENRC, the holding company of the ENRC Group and its operating assets. Following the receipt of Governmental approval, as mentioned above, a change in the EKH corporate structure has now taken place, so that by exercising the Option, Kazakhmys, through a wholly owned subsidiary, will become the direct owner of 3,756,725 shares in ENRC PLC, representing 18.8% of ENRC's share capital.

In its announcement on 14 March 2006, Kazakhmys stated that the then independent members of the Board of Kazakhmys had considered the possibility of Kazakhmys itself acquiring the 25% stake in EKH but had decided that this would not be appropriate due to, among other things, the ongoing restructuring of the ENRC Group and the fact that EKH was not, in the opinion of Kazakhmys, in a position to provide the type of due diligence or warranty package which a listed company would expect.

The reorganisation of the ENRC Group is now substantially complete following a significant restructuring as part of its own efforts to simplify its group structure as ENRC management consider options for the strategic direction of the business, including a possible initial public offering. In addition, with the consent and co-operation of ENRC, a due diligence exercise has been undertaken in respect of the ENRC Group with, among other things, production and certain financial information in respect of ENRC having been made available to Kazakhmys and site visits to ENRC's operations in Kazakhstan have been undertaken by Kazakhmys' management and technical advisers, IMC Consulting Ltd. The Independent Directors believe that it is now in the best interests of the Shareholders as a whole that Kazakhmys acquire the ENRC stake currently held by a vehicle wholly owned by Mr Vladimir Kim.

The Board considers the Acquisition to be in the best interests of the Shareholders as a whole and, having been so advised by JPMorgan Cazenove and Merrill Lynch, to be fair and reasonable so far as the Shareholders as a whole are concerned. In providing advice to the Board, JPMorgan Cazenove and Merrill Lynch have taken into account the Directors' commercial assessments of the proposed Acquisition. In addition, Kazakhmys has received legal advice from Linklaters LLP, advice on accounting for the Acquisition from Ernst & Young LLP, tax advice from PricewaterhouseCoopers LLP and technical mining advice from IMC Consulting Ltd.

Mr Vladimir Kim, the Related Party, has not taken part in the Board's consideration of the Acquisition. In addition, none of Messrs Oleg Novachuk, David Munro or Vladimir Ni has taken part in the Board's consideration of the Acquisition as it was deemed appropriate that only the non-executive directors of Kazakhmys, who are independent in relation to the Acquisition, should consider the Acquisition.

## **Acquisition Price, Financing and Financial Effects of the Acquisition**

The amount payable by Kazakhmys in respect of the Acquisition under the terms of the Option, which were disclosed in the announcements of 14 March 2006 and 4 September 2007, will be approximately:

- the initial purchase price of US\$751 million paid by Mr Kim to acquire the 25% stake in EKH (the "Original Acquisition");
- a 10% margin of US\$75.1 million reflecting the risk that Mr Kim took in making this investment on his own account;
- the associated actual transaction costs incurred by Mr Kim at the time of the Original Acquisition and the actual financing costs incurred by him relating to the Original Acquisition, (totalling approximately US\$75.4 million) (subject to non-material adjustment when known in March 2008);
- less dividends and other capital distributions amounting to US\$95.0 million received to date by Mr Kim in respect of his shareholding in EKH since the date of the Original Acquisition.

The total cost to Kazakhmys of purchasing the interest in ENRC will therefore be approximately US\$806.5 million, subject to non-material adjustment. The acquisition of the stake will be accounted for as an investment by Kazakhmys and it is intended to be funded from the existing cash resources of Kazakhmys.

### **EGM and Voting**

An Extraordinary General Meeting of the Company has been convened in connection with the Acquisition to be held at 9.00am on Friday 19 October 2007 at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ. Mr Vladimir Kim, the Related Party, will abstain, and has undertaken to take all reasonable steps to ensure that his associates will abstain, from voting at the Extraordinary General Meeting and at any adjournment of such meeting. Mr Kim and his associates currently have voting rights over 44.3 per cent. of the Issued Ordinary Share Capital. In addition, each of Messrs Oleg Novachuk (being the Chief Executive of Kazakhmys), Eduard Ogay (being the Chief Executive of Kazakhmys Corporation LLC, Kazakhmys' principal operating subsidiary in Kazakhstan) and Vladimir Ni (being a Non-Executive Director of Kazakhmys) (and his immediate family) and their associates have volunteered to abstain from voting at the Extraordinary General Meeting in relation to the approval of the Acquisition and at any adjournment of such meeting. Although Messrs Novachuk, Ogay and Ni (and his immediate family) and their associates are not associates of Mr Kim for the purposes of the Listing Rules, they do form a concert party with Mr Kim for the purposes of the Takeover Code. Although being a member of a concert party would not of itself prevent them from voting in relation to the Acquisition, they have volunteered not to vote and this is considered appropriate by the Independent Directors. They have however confirmed to the Independent Directors that if they were to vote in relation to the approval of the Acquisition, they would vote in favour of the Resolution. Messrs Novachuk, Ogay and Ni (and his immediate family) and their associates together currently have voting rights over 12.1 per cent. of the Issued Ordinary Share Capital.

Capitalised terms used in this announcement but not defined herein shall have the meaning given to them in the shareholder circular dispatched to shareholders of Kazakhmys today.

- ends -

### **For further information please contact:**

---

John Smelt, Head of Corporate  
Communication

**Tel:+44 20 7901 7882**  
**Mob: +44 787 964 2675**

Sergei Stephantsov, Investor Relations  
Manager

**Tel:+44 20 7901 7814**

**Kazakhmys PLC**

---

Robin Walker  
**Finsbury**

**Tel:+44 20 7251 3801**

---

---

## NOTES TO EDITORS

### **Kazakhmys PLC**

Kazakhmys PLC is the largest copper producer in Kazakhstan and one of the leading copper producers in the world. Kazakhmys is a fully integrated copper producer from mining ore through to the production of finished copper cathode and rod. The Group produces significant volumes of other metals as by-products, including zinc, silver and gold. Existing operations include 19 open pit and underground mines, 8 concentrators, two copper smelting and refining complexes, a copper rod plant, a zinc plant and a precious metals refinery. Production is backed by a captive power supply and significant rail infrastructure. Kazakhmys also owns MKM, a copper products fabrication company in Germany, and has Gold and Petroleum Divisions with assets in Kazakhstan and Central Asia. The Group's strategic aim is to diversify and participate in the development of the significant natural resource opportunities in Central Asia.

### **ENRC Group**

ENRC is a privately owned natural resources company with fully integrated mining, processing, energy and transport operations in Kazakhstan. ENRC's operations, spread throughout Kazakhstan, are principally comprised of vertically integrated ferroalloy, iron ore and alumina businesses which employ over 60,000 people and generated estimated revenues of approximately US\$3 billion in 2006. ENRC benefits from high operating margins as its operations and growth profile are underpinned by relatively low costs of production at the company's major operations and it has access to a captive energy supply and in-house logistics and transportation operation.

ENRC's operations are comprised of:

- Kazchrome, whose principal activities include the extraction and sale of chrome ore as well as the production and supply of high quality ferroalloys to steel-makers worldwide. It is one of the top three ferrochrome producers in the CIS, based on volume of chrome (as of 2006) and is ranked in the lowest cost quartile amongst global ferrochrome producers. Kazchrome is 98.30 per cent. owned by ENRC;
- SSGPO, which is a significant CIS iron ore producer with sizable reserves estimated to be in the region of 1.5 billion tonnes which would ensure a mine life of approximately 40 years. It is a low cost producer which produces iron ore pellets and iron ore concentrates. SSGPO is 98.14 per cent. owned by ENRC;
- Aluminium of Kazakhstan, which is Kazakhstan's largest producer of alumina and a substantial producer globally. Aluminium of Kazakhstan also has its own bauxite reserve. Aluminium of Kazakhstan is 96.59 per cent. owned by ENRC;
- Kazakhstan Aluminium Smelter, which is due to start production in late 2007 with an anticipated initial capacity of 60,000 tonnes of aluminium per annum which is expected to increase to 250,000 tonnes by 2011. The smelter will be 100 per cent. owned by ENRC;
- EEC, which operates an open pit coal mine and is Kazakhstan's largest electricity supplier, with a 2,155MW capacity, providing approximately 16 per cent. of the country's current installed capacity. EEC is 99.11 per cent. owned by ENRC; and
- Other divisions including ENRC Logistics (100 per cent. owned by ENRC, a transportation and logistics company); ENRC Marketing (100 per cent. owned by ENRC, the trading and marketing arm of ENRC) and Zhairemskiy GOK (99.83 per cent. owned by ENRC, a producer of manganese, ferromanganese and barite).