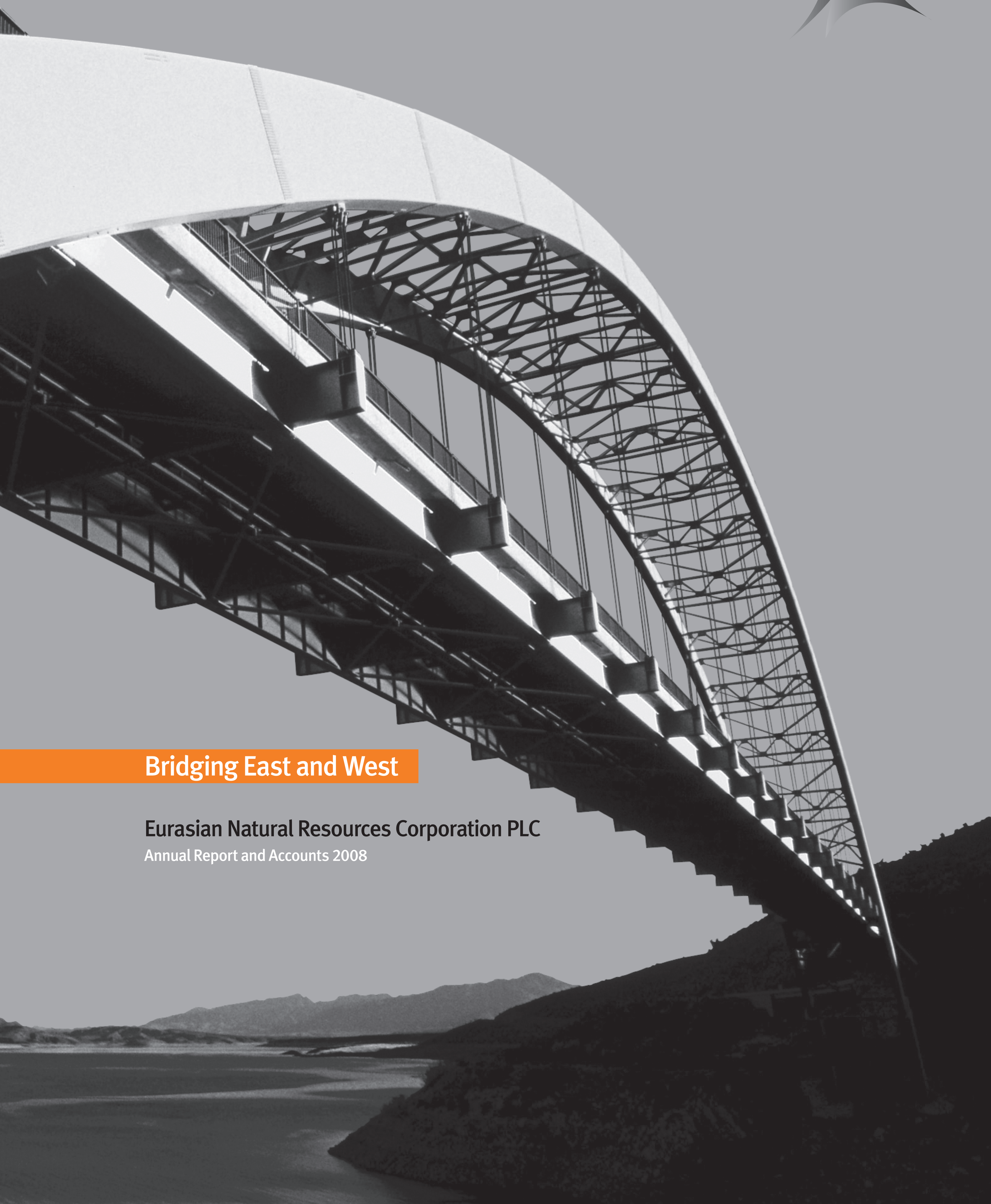


Bridging East and West

Eurasian Natural Resources Corporation PLC

Annual Report and Accounts 2008

Kazakhstan – A Powerhouse in Central Asia

Since its independence in 1991, the Republic of Kazakhstan has emerged as a strong economic force, with average annual GDP growth of 9.5% to US$135 billion in 2008 from US$21.6 billion in 1998, underpinned by the country's vast oil, mineral and metal resources.

The country is geographically well positioned to benefit from the rise of a resource-hungry China and the emerging economy of Russia, the Republic of Kazakhstan's largest trade partners.

Building upon this strong foundation, the Government of the Republic of Kazakhstan has for some years been taking active measures to promote and sustain economic growth in more diverse sectors, providing additional attractive opportunities for foreign investors despite the current challenging economic environment. It has adopted the 'Kazakhstan-2030' strategy, which sets out a roadmap for the country's domestic and foreign policy, as well as the improvement of legal and tax systems.

The natural resources sector is the main destination for foreign investment in Kazakhstan and will remain a significant contributor into the economy of the country. Oil and gas constitute more than 60% of Kazakhstan's total exported goods, while the country possesses around 3% of the world's proven coal reserves, more than 25% of the world's total uranium reserves and about 30% of the world's chrome reserves.

There are a number of investment opportunities outside the extractive sectors of the economy, such as energy and transport. The Government of the Republic of Kazakhstan supports and encourages development of infrastructure projects.

The country plays a crucial role in the establishment of security and stability in Central Asia. The Government of Kazakhstan is currently working to acquire observer status at the Parliamentary Assembly of the Council of Europe (PACE) and to become a member of the World Trade Organisation (WTO). In 2010 the Republic of Kazakhstan will take over the presidency of the Organisation for Security and Cooperation in Europe (OSCE).

In order to mitigate the implications of the current global financial crisis on the economic and social situation in the Republic of Kazakhstan, the Government has announced the implementation of the Action Plan on Stabilisation of the country's economy and financial system for 2009–10. The main efforts will be directed to support the country's banks and their lending activities. The construction, manufacturing and agricultural sectors are also to receive support.

- Official name: the Republic of Kazakhstan
- Capital: Astana
- Location: Central Asia, northwest of China
- Area total: 2,717,300 sq km
- Boundaries total: 12,185km
- Border countries: China 1,533km, Kyrgyzstan 1,224km, Russia 6,846km, Turkmenistan 379km, Uzbekistan 2,203km
- Population: 15,778,160 (as of 1 January 2009)
- Ethnic groups: Kazakh 53.4%, Russian 30%, Ukrainian 3.7%, Uzbek 2.5%, German 2.4%, Tatar 1.7%, Uygur 1.4%, other 4.9%.
- Languages: Kazakh (state language) 64.4%, Russian (official) 95%
- Currency: tenge (KZT)
- GDP (2008): US$135 billion
- GDP – composition by sector (2008 est): industry 39.4%, agriculture 5.8%, services 54.8%
- Exports (2008): US$71.2 billion (149% annual growth)
- Imports (2008): US$37.9 billion (115% annual growth)
- Export partners (2007): China 15.5%, Germany 11.5%, Russia 11.2%, Italy 7.2%, France 6.7%
- Import partners (2007): Russia 35.4%, China 22.1%, Germany 8%

Source: IFG Continent; State Bureau of Statistics, the Republic of Kazakhstan; Ministry of Finance of the Republic of Kazakhstan; World Bank; IMF; CIA Factbook; EIU.

Bayterek Tower, Astana. The monument is meant to embody a folktale about a mythical tree of life and magic bird of happiness

Contents

This report includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'plans', 'projects', 'anticipates', 'expects', 'intends', 'may', 'will', or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. 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. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. 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 report.

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 report, those results or developments may not be indicative of results or developments in future periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in regulation, currency fluctuations, changes in business strategy, political and economic uncertainty.

Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules or any applicable law or regulation, the Group expressly disclaims any obligation or undertaking publicly to review or confirm analysts expectations or estimates or to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any changes in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Highlights

- Strong growth for the first nine months of 2008 buoyed by strong commodity prices, particularly for ferroalloys and iron ore, and steady production growth.
- The new aluminium smelter achieved its Phase 1 capacity run rate of 125 thousand tonnes in Q2 2008, well ahead of schedule.
- Completed the acquisitions of the Serov group and certain related entities ('Serov') and of stakes in Xinjiang Tuoli Taihang Ferro-Alloy Co. ('Tuoli') and Bahia Minerals BV ('BML').
- Management took timely and decisive steps early in Q4 2008 to deal with the unprecedented economic downturn:
  - production cutbacks implemented (approximately 35% for ferroalloys and 50% for iron ore);
  - labour and raw material costs reduced;
  - expansionary capex projects deferred (total capex in 2008 was US$1.3 billion); and
  - first full year dividend (paid and proposed) of 31 US cents per share.

Revenue 2008

US$6,823 million

+66% (2007: US$4,106 million)

Profit before tax 2008

US$3,827 million

+190% (2007: US$1,321 million)

Underlying EBITDA 2008[1]

US$4,161 million

+117% (2007: US$1,918 million)

Profit after tax 2008

US$2,684 million

+230% (2007: US$814 million)

Underlying EBITDA margin 2008[2]

61%

+14 percentage points (2007: 47%)

EPS 2008

US cents 205

+160% (2007: US cents 79)

Net cash generated from operations

US$2,766 million

+156% (2007: US$1,079 million)

Net available funds[3]

US$2,041 million

+36% (2007: US$1,497 million)

[1] Underlying EBITDA: profit before finance income, finance costs including the related foreign exchange gains and losses, income tax expense, depreciation, amortisation and impairment, net losses on derivatives not qualifying for hedge accounting, share of income or loss on joint ventures and exceptional items.
[2] Underlying EBITDA margin: Underlying EBITDA as a percentage of revenue.
[3] Net available funds: Cash and cash equivalents plus term deposits and financial assets less outstanding debt (non-current and current).

ENRC at a glance
Focused operations

ENRC has established itself as one of the world's leading natural resources groups, and is well positioned to take a leading role in the global mining industry. Integrating the Republic of Kazakhstan's foremost mining, processing, power and logistics operations, ENRC is now firmly established as a world-class business with revenue in 2008 of US$6.8 billion, an ongoing capex programme that invested US$1.3 billion in 2008 and approximately 67,000 employees. The Group's strategy aims to bridge the Group's current position as a leading, diversified natural resource Group largely based in the Republic of Kazakhstan, to its future opportunities as a more broadly based international mining group.

1 Ferroalloys Division

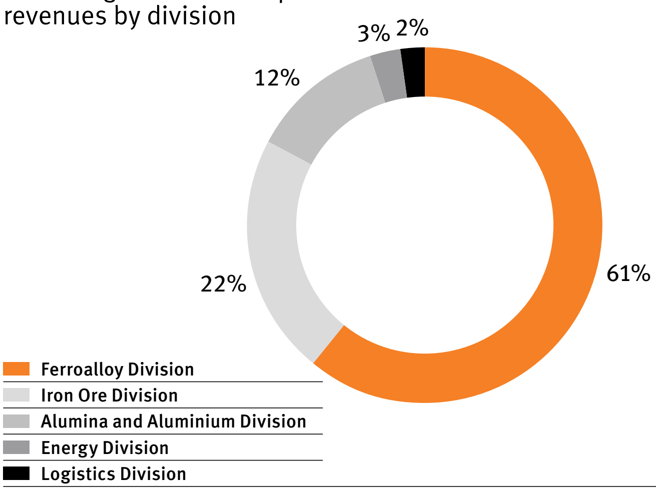
The Ferroalloys Division's mining operations comprise Kazchrome's Donskoy GOK and, manganese miner, Zhairem GOK, and also includes the Aktobe and Aksu ferroalloy plants and a gas-fired power station at Aktobe. In addition, in 2008, we acquired Serov, a Russian ferroalloys producer, and a stake in Tuoli, a ferroalloys producer in China. The Division produces and sells high-, medium- and low-carbon ferrochrome and other alloys, including ferrosilicochrome, ferrosilicomanganese and ferrosilicon, as well as chrome and manganese concentrate. The Division sells its ferroalloys primarily to steel producers and sells the remaining chrome and manganese ore to third party ferroalloy producers and the chemical and refractory industry. The Ferroalloys Division, according to estimates, is the world's largest ferrochrome producer by chrome content, and is at the bottom of the global industry cost curve.

2 Iron Ore Division

The Iron Ore Division includes primary mining operations that produce iron ore, ancillary mining operations that produce limestone, dolomite and bentonite-clay, an iron ore processing plant and a power plant. The Division mines and processes iron ore into concentrate and pellets for sale primarily to steel producers. The Iron Ore Division sells much of its iron ore to the Russian steel producer, the Magnitogorsk Iron and Steel Works, under a long-term contract. The Iron Ore Division, according to estimates, is one of the region's significant exporters of iron ore and is in the lowest third of the industry cost curve for iron ore pellet production.

Below
Ushkatyn III mine, Zhairem GOK, Zhairem, Karaganda region.
Key minerals: manganese (black), iron (red), clay (yellow), limestone (grey)

Percentage of total Group revenues by division



Percentage of total Group revenues by Division excludes inter-segment revenues.

3 Alumina and Aluminium Division

The Alumina and Aluminium Division's assets include two bauxite mining units, a limestone mine, an alumina refinery and a power station. The new aluminium smelter attained its Phase 1 run rate capacity of 125 thousand tonnes per annum in Q2 2008. The Division sells its alumina, which it produces from mined bauxite, primarily to the Russian aluminium producer, United Company RUSAL ('Rusal'), under a long-term contract, and sells its aluminium under an offtake agreement. The Alumina and Aluminium Division, according to estimates, is the ninth largest supplier of traded alumina by volume in the world and is at the lower end of the global industry cost curve for both alumina and aluminium.

4 Energy Division

The Energy Division is one of the largest producers of electricity and coal in the Republic of Kazakhstan, accounting for approximately 15% of the country's recorded electricity production in 2008. The Division has a coal-fired power station at Aksu. The Division supplies electricity and coal primarily to the Company's other Divisions as well as to third parties. The Division also purchases electricity for resale from third parties.

5 Logistics Division

The Logistics Division provides transportation and logistical services to the Group's primary operating divisions and to third parties. The Division's operations include three core businesses: freight forwarding; railway construction and maintenance; and wagon and locomotive repair. In addition, the Division operates a transfer and reloading terminal on the Republic of Kazakhstan/China border.

Total production statistics

Ferroalloys Division

Ferroalloy production (Kt)	
2008	1,551
2007	1,469
2006	1,398

Chrome ore production (Kt)	
2008	3,629
2007	3,687
2006	3,410

Iron Ore Division

Iron ore concenrate production (Kt)	
2008	15,487
2007	16,791
2006	16,113

Iron ore pellets production (Kt)	
2008	6,952
2007	8,572
2006	9,000

Alumina and Aluminium Division

Alumina production (Kt)	
2008	1,600
2007	1,537
2006	1,515

Aluminium production (Kt)	
2008	106
2007	12
	n/a

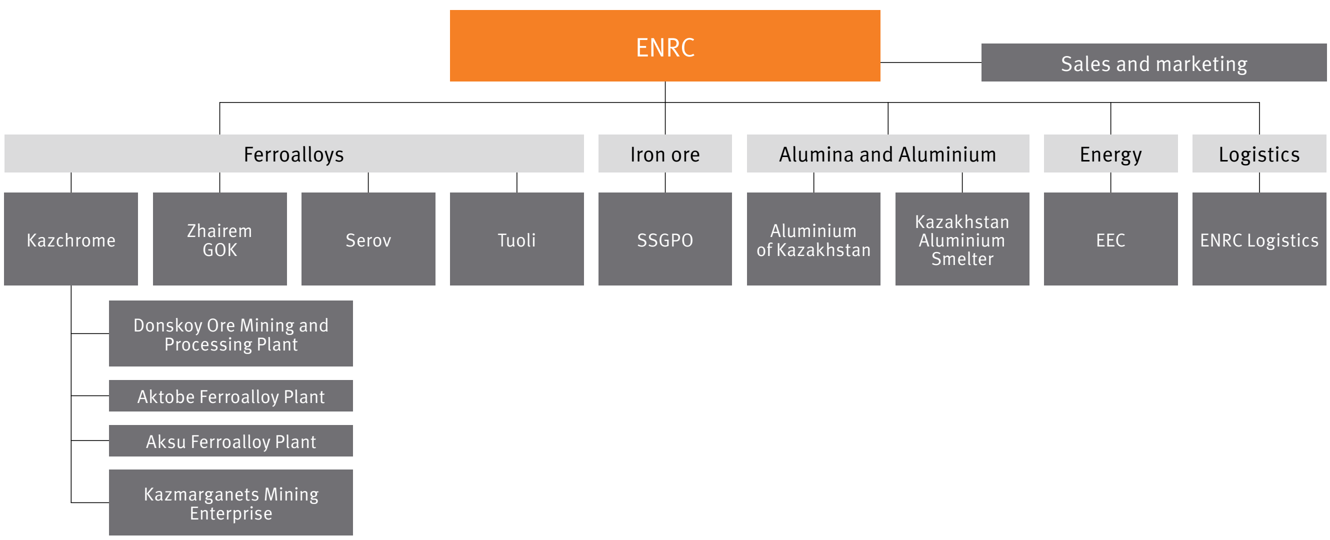
Energy Division

Coal production (Kt)	
2008	19,790
2007	18,442
2006	17,853

Electricity production (GWh)	
2008	11,640
2007	12,121
2006	11,499

Logistics Division

Railway transport (Kt)	
2008	58,489
2007	60,855
2006	61,700

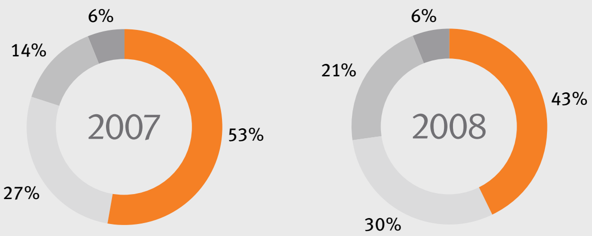


ENRC at a glance
Bridging East and West

With our production centred in the Republic of Kazakhstan we are well positioned to extend our strong regional presence as the market for natural resources continues to shift eastwards towards the higher-growth potential of China and Russia. Initially our strategy was to become a regional champion and be recognised as a leading metals and mining company. With a strong balance sheet and attractive natural resource assets becoming available, we have broadened our view and accelerated the timescale for consideration of international opportunities.

ENRC benefits from the Republic of Kazakhstan's close proximity to two key BRIC economies

Segment third party revenue

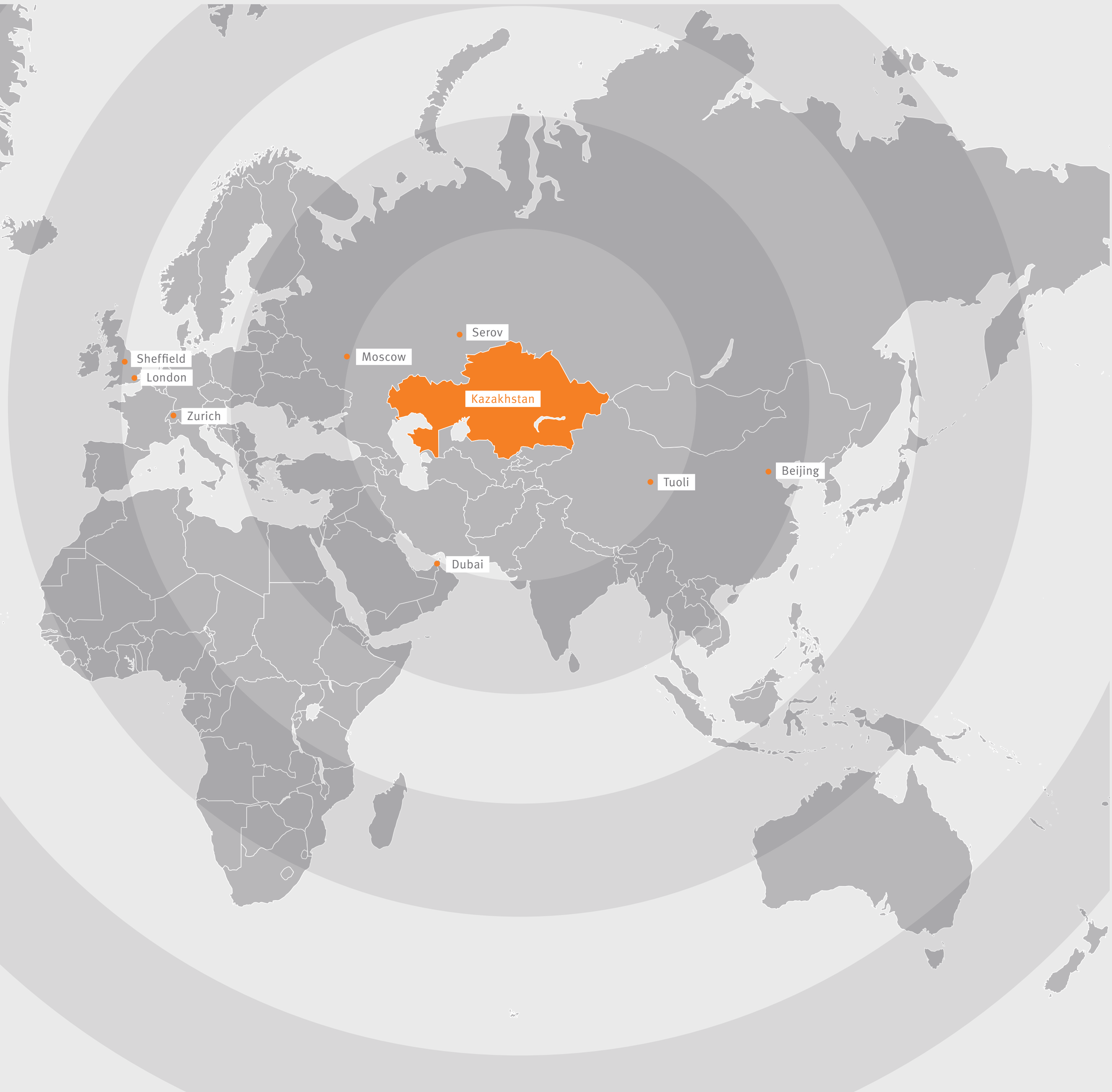


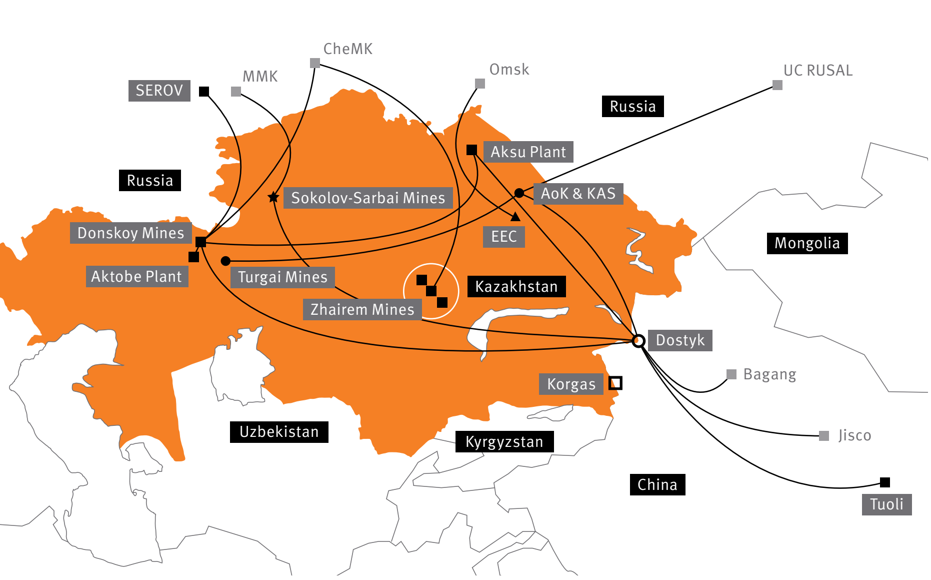
- Eurasia
- Asia Pacific
- Europe and Middle East
- Rest of World

Below
Loading manganese and ferromanganese concentrates, Zhairem GOK, Zhairem, Karaganda region

Bahia Mineracao Limitada (BML) expected to produce around 25 million tonnes of iron ore concentrate a year

★ Bahia Mineracao Limitada





Providing a captive customer base and exposure to rapidly growing markets

Ferroalloys	■ Donskoy Chrome Ore Mines ■ Zhairem Mines ■ Aktobe Ferroalloy Plant ■ Aksu Ferroalloy Plant ■ Serov (Russia) ■ Tuoli (China)
Iron ore	★ Sokolov-Sarbai Iron Ore Mines (SSGPO) ★ BML (Brazil)
Alumina and Aluminium	● Aluminium of Kazakhstan ('AoK') ● Kazakhstan Aluminium Smelter ('KAS') ● Turgai Bauxite Mines
Energy	▲ Eurasian Energy Corporation (EEC)
Logistics	○ Dostyk □ Korgas: future transhipment point
	■ Principal customers

Bridging East and West

- High quality assets
- Diversified revenues
- Integrated operations
- Growth
- Management team

The Group's attractiveness to investors is built on five key factors that bridge the current position of ENRC with its aspiration to emerge as an international mining group. In addition the Group is supported by its cash flow and a strong balance sheet.

High quality assets. The Group's asset base includes production assets which are at the bottom of the cost curve (ferroalloys and alumina) or in the lower third of the cost curve (iron ore pellets and aluminium). In addition, the mineral resources are characterised by large scale – mine lives of 30 to 40 years for our main products and significantly scalable through resources of between two and three times. The asset base is represented by what are regarded in the industry as, 'Tier 1 assets'.

Diversified revenue. The revenue base of the Group is broadly spread by geography, customer and industry, although with a focus upon steel and stainless steel. In addition the revenue base includes secure power and logistics. The largest business, the Ferroalloys Division, has only 26.8% of its revenue from its top 5 customers, whilst the revenue from the top customers of the Iron Ore and Alumina and Aluminium Divisions are, respectively, 64.1% and 68.3% of the revenue of the Division.

Integrated operations. The Group's core mining and processing businesses are supported by in-house, large-scale energy and logistics capabilities. These provide security over the supply and delivery chain and, in the case of the Energy Division, low cost power. Together they underpin the low cost position of the Group. These are key competitive advantages for both the industry and in the Eurasian region.

Growth. The geographical location of the Republic of Kazakhstan, adjacent to two key BRIC economies, provides the prospect for future strong growth from their demand for infrastructure investment, urbanisation and consumption. This opens up the prospect for investment in greenfield and brownfield growth and for acquisitions in the region. The Group's core assets expertise can also be carried worldwide to strengthen its position in its core businesses.

Management team. Local management in the Republic of Kazakhstan has a long history with the assets and has strong technical and operational expertise. The Group's executive management has a long association with the assets and the industry.

In addition the Group's investment case is underpinned by the relative attractions of the Republic of Kazakhstan to international investors interested in the Eurasian/CIS region. Most particularly the development of commercial laws and taxation, its openness to foreign investment and a stable political climate should provide comfort.

Smelting facilities at Aksu Ferroalloy Plant, Kazchrome, Aksu

Chairman's Statement

Sir David Cooksey
Chairman

"2008 demonstrated the strengths of ENRC's low cost, integrated mining operations. We were able to take advantage of the growth opportunities available in the early part of the year and to withstand the sudden deterioration in the market in the autumn. The strength of our balance sheet gives us resilience and provides us with a base from which to grow by acquisition. We will evaluate all such opportunities with great care."

2008 was an important year for ENRC being the Group's first full year as a listed company. Our inclusion in the FTSE 100 Index in March 2008 followed from the success of our listing on the London Stock Exchange and was a reflection of the efforts of our management and employees building up to this outcome. ENRC delivered exceptional results in 2008 with underlying EBITDA of US$4.2 billion (2007: US$1.9 billion) and profit after tax of US$2.7 billion (2007: US$0.8 billion). I would like to thank our employees for all their hard work and dedication that made this performance possible.

However, despite the record result, 2008 was a year of mixed fortunes, with demand and prices very favourable for most of the year followed by a sudden downturn in the autumn. The Group's management took rapid and decisive action to address the change in market conditions. The Board feels that it will be some while before the market returns to a better balance of demand and supply but our efforts will concentrate on retaining our position as a low cost producer, taking full advantage of our integrated mining, processing, energy production and logistics operations which are well positioned to serve, in particular, the nearby growth markets of China and Russia.

The Board was largely assembled in the run-up to the Initial Public Offering and one of the key challenges for a new Board in its first year of operation is for the Directors to quickly form a cohesive working unit. The Board has made great progress during the year and at the end of 2008 we engaged external consultants to undertake a full evaluation of the Directors' and the Board's overall performance. The findings were positive and have provided us with a firm basis from which to continue to strengthen both our governance processes and the Board as a whole has rapidly coalesced since then.

During the current economic uncertainty it is important that the Board provides robust leadership. In 2008 the wide range of experience of our Directors has provided a strong platform from which to guide and support the Group's senior management team as it addresses the challenges of managing a public listed company and during a period of major economic turmoil.

Strategy

A key responsibility of the Board is to define the Group's strategy. The Board, in response to the current opportunities available to the Group, has broadened its view on potential value enhancing acquisition prospects. This is made possible by our relatively strong balance sheet and earnings potential. The five strategic goals of the Group are:

- To maintain and improve on our low-cost operations.
- To continue expansion and development of the existing reserves and capacity.
- To add value and customer diversity by expanding our product portfolio.
- To expand our asset portfolio and footprint in the natural resources sector, both within the region and worldwide.
- To commit to high standards of corporate responsibility, with particular reference to health and safety.

The broadening of our acquisitions strategy results from the attractive valuations for natural resources assets offered by the current economic environment. The Board will carefully assess all opportunities to ensure that they offer value accretion to all shareholders and fully utilise and broaden the Group's capabilities.

The strategy is a balanced and flexible combination of enhancing existing assets, organic expansion and acquisitions. The strategy aims to bridge the Group's current position as a leading, diversified natural resource group largely based in the Republic of Kazakhstan, with its aspiration to become a more international mining group. Within the strategy is an optionality that enables the Group to respond to conditions and opportunities. Growth in shareholder value is achieved over time by achieving a higher sustained operational growth rate by the businesses which should then be reflected in the share price and dividend, as benchmarked against our peer mining companies. Management and shareholder interests are aligned through appropriate incentives linked to the delivery of value for shareholders.

Our aspirations to grow internationally have been reflected in our acquisitions of Serov in Russia and a 50% interest in Tuoli in China, both ferrochrome operations, and a 50% interest in BML, which is developing an iron ore deposit in Brazil. Since the year end our desire to grow in the Republic of Kazakhstan has been demonstrated by our acquisition of a 25% interest in Shubarkol, a major semi-coke and thermal coal producer and an important supplier to our operations, with an option to purchase the remaining 75%.

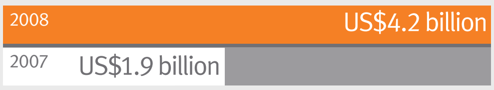
The proceeds of our Initial Public Offering and our strong cash flow in 2008 enabled us to plan major capital expenditure and to make acquisitions. We still enjoy a very strong balance sheet, but our plans will be tempered by market conditions which, while impacting our cash flow on the one hand, should also provide opportunities to make well priced acquisitions on the other. We will also press hard to achieve cost reductions in our business to keep our competitive edge and to offset the relatively high levels of inflation experienced in the Republic of Kazakhstan.

Corporate governance

High standards of corporate governance continue to be a key area of focus for the Board. We continue to monitor the Group's performance against established standards so as to ensure that the proper level of oversight is provided in order to give the best possible assurances to shareholders and other stakeholders. We have very good working relationships with our Founder Shareholders and with the Government of the Republic of Kazakhstan, both of which are a source of strength for the Group.

In July 2008, the Government of the Republic of Kazakhstan replicated the minority ownership model it has in ENRC by acquiring a 15% stake in Kazakhmys in a share swap exchange for 7.7% of ENRC. Kazakhmys subsequently acquired further shares in the market and is now our largest shareholder with a 26% holding. However, as a competitor for resources in the Republic of 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. Since we run our businesses completely separately Kazakhmys has no significant influence over the ENRC strategic or operating decision making processes.

Underlying EBITDA



Profit after tax

Succession

The Board is pleased to announce that Dr Johannes Sittard, Chief Executive Officer of the Group, has agreed to extend his contract of employment and will remain with the Group up to 30 September 2010. The Board has initiated the process of finding the successor to Dr Sittard and is seeking to recruit his replacement by the end of 2009 in order to facilitate an orderly handover to the new Chief Executive Officer.

The Board also announces that Mr Miguel Perry, Chief Financial Officer of the Group, has given notice of his intention to leave the Group. Miguel Perry will step down as Chief Financial Officer and from the Board and will leave the Group with effect from 30 June 2009. Following the Group's successful Initial Public Offering, in December 2007, and its first full year as a public limited company, Miguel Perry is leaving in order to be able to further develop his career, building on his experience of preparing a company for a public offering and the success he has achieved. The Board would like to thank Miguel Perry for his valuable contribution to the Company over the last two years. It is the Board's intention to appoint as his replacement a suitable external candidate for the role of Chief Financial Officer. The process is well underway and a further announcement is expected to be made in the next few weeks.

Outlook

Despite the current uncertainties, we believe that the Group is uniquely well-placed to benefit once stability returns to the global economy. Our focus for the coming year is to ensure that our strategy continues to deliver value to all our shareholders.

Sir David Cooksey
Chairman

Board of Directors

1 Dr Johannes Sittard (age 65)
Chief Executive Officer
Dr Sittard is the Chief Executive Officer and has over 25 years' experience in the natural resource and steel industries. Prior to joining the Group in 2001, Dr Sittard was the President and Chief Operating Officer of ISPAT International NV (now known as ArcelorMittal). He is also the Chairman of International Mineral Resources BV, Chairman of Alferon and a Non-executive Director of Cunico Resources NV. He is Chairman of ENRC's Health, Safety, Environment and Sustainability (HSES) Committee.

2 Sir David Cooksey (age 68)
Non-executive Chairman
Sir David Cooksey GBE was one of the pioneers of the private equity industry in Europe. He retired as Chairman of Advent Venture Partners LLP in 2006, a firm that he founded in 1981. He is Chairman of London & Continental Railways Ltd, Chairman of Bechtel UK Ltd and an independent director of the Establishment Investment Trust plc where he chairs its Audit Committee. Sir David is Chairman of the Nomination Committee.

3 Mr Miguel Perry (age 38)
Chief Financial Officer
Mr Perry is the Chief Financial Officer of the Company. Prior to joining the Group in March 2007, he worked at PricewaterhouseCoopers in Russia and Switzerland for 15 years and was made partner in 2005. During this period, Mr Perry gained extensive experience with companies based in the former Soviet Union and advised the Group during 2005 and 2006.

4 Mr Gerhard Ammann (age 65)
Independent non-executive Director
Mr Ammann is currently President of Bank von Roll, a private bank in Switzerland. Prior to joining the ENRC Board he was CEO of Deloitte in Switzerland until May 2007 and has over 30 years' experience as an auditor under IFRS and Swiss Reporting standards, primarily in banking, finance and international trade. Mr Ammann is Chairman of the Audit Committee.

5 Mr Marat Beketayev (age 32)
Non-executive Director and representative of the Government of the Republic of Kazakhstan
Mr Beketayev is Vice-minister of Justice of the Republic of Kazakhstan. Before appointment to the post of Vice-minister of Justice, Mr Beketayev was advisor to the Prime Minister of the Republic of Kazakhstan. Mr Beketayev graduated in 1998 from the Kazakh State Law Institute. In 2000 he completed an LLM in International Business Law at the London School of Economics.

6 Mr Mehmet Dalman (age 51)
Independent non-executive Director
Mr Dalman has spent over 20 years as in investment banker, working in Japan, Hong Kong, Frankfurt and London. Mr Dalman is currently Vice Chairman of Toscafund Asset Management LLP. Prior to that he was Chief Executive Officer of WMG Group, a financial services firm that he founded in 2004, and a member of the Supervisory Board of Deutsche Börse and the Board of Commerzbank AG.

7 Mr Michael Eggleton (age 40)
Independent non-executive Director
Mr Eggleton has spent over 15 years as an investment professional in the United States, the United Kingdom, Turkey and Russia. In August 2006, he joined TRUST Investment Bank to serve as Chief Executive Officer and Chairman of the Bank. He is also on the board of directors of Moorgate Capital Management, a private equity asset manager formed by the TRUST Banking Group.

8 Sir Paul Judge (age 60)
Independent non-executive Director
Sir Paul Judge spent 13 years with Cadbury Schweppes plc, where he led the buyout of its food companies to form Premier Brands Ltd, which was successfully sold in 1989. He is currently the Chairman of Schroder Income Growth Fund plc, the Enterprise Education Trust, Digital Links International and the British-North American Committee, President of the Association of MBAs and of the Chartered Institute of Marketing and Deputy Chairman of the American Management Association. Sir Paul is a director of the United Kingdom Accreditation Service, Standard Bank Group Ltd of South Africa and Tempur-Pedic International Inc. of Kentucky and a Board member of the Higher Education Funding Council for England.

9 Mr Kenneth Olisa (age 57)
Independent non-executive Director
Mr Olisa is the founder and Chairman of Restoration Partners Ltd and a non-executive Director of Thomson Reuters PLC. He currently serves on the Board of, or is an adviser to, several privately held and innovative companies, including Prevx, Independent Audit, BioWisdom and Metapraxis.

10 Sir Richard Sykes (age 66)
Senior Independent Director
Sir Richard Sykes is currently the Chair of NHS London, the Strategic Health Authority accountable for the performance of the National Health Service in the capital. Prior to that he was the Rector of Imperial College, London and the Senior Independent Director of Rio Tinto plc. He has over 30 years of experience within the biotechnology and pharmaceutical industries, serving as Chief Executive and Chairman of GlaxoWellcome from 1995 to 2000 and then as Chairman of GlaxoSmithKline until 2002. Sir Richard is Chairman of the Remuneration Committee.

11 Mr Roderick Thomson (age 69)
Independent non-executive Director
Mr Thomson is an international financier, venture capitalist and philanthropist with over 40 years of international business experience. He has provided capital from his own private investment portfolios to numerous companies in the information technology, biotechnology, oil and gas, real estate and telecommunications sectors.

12 Mr Eduard Utepov (age 55)
Non-executive Director and representative of the Government of the Republic of Kazakhstan
Mr Utepov has held numerous leading positions within the state property authorities of the Republic of Kazakhstan since 1994. Between 1995 and 1997 he served as Chairman of the State Privatisation Committee of the Republic of Kazakhstan and since January 2006 has served as Chairman of the State Property and Privatisation Committee at the Ministry of Finance of the Republic of Kazakhstan.

13 Mr Abdraman Yedilbayev (age 49)
Non-executive Director appointed by Mr Alijan Ibragimov
Mr Yedilbayev has wide experience working in the mining industry, in both the public and private sector. For the past 10 years Mr Yedilbayev has been at Gorneo Buro LLP, which provides a variety of technological and scientific services to the mining industry, where he is currently Chairman and Finance Director.

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Chief Executive Officer's Statement

Dr Johannes Sittard
Chief Executive Officer

"2008 was a record year for the Group. We believe that our response to the economic downturn will stand us in good stead to manage through 2009. Most importantly our focus on cost management, coupled with the strategic location of our assets, will ensure that we are well positioned to capitalise on expected future growth in China and Russia. Additionally, our strong balance sheet provides us with the opportunity to exploit value-enhancing acquisition opportunities."

During the first nine months of 2008 the Group's financial and operational results were outstanding, supported by strong demand and high commodity prices for our major products as well as the management's focus on the control of costs. The results reflect the value of the Group's high quality assets, our integrated energy and logistics capabilities and strategic location.

Whilst we had anticipated a slowdown, the experience of Q4 2008 was far swifter and much greater than we or the industry had anticipated, as the travails of the financial sector were transmitted to businesses and consumers around the world. As the downturn took effect we kept our business operations under review. We responded quickly to match supply with the reduced demand from our stainless steel and steel customers, to limit inventory buildup and to maintain the advantages of our low cost position. We believe that this best secures our financial position and sustains the advantage we derive from being a low cost producer. The Group's record results in 2008 are, nonetheless, tempered by the more challenging environment continuing into 2009.

Management response to the downturn

The steps we took to address the downturn in Q4 2008 were:

- We announced immediate production cutbacks in the ongoing operations of our Ferroalloys and Iron Ore Divisions of, respectively, approximately 35% and 50% (referenced to the 2007 sales volumes).
- We reduced staff costs, with a 10% pay cut for senior management, the suspension of sub-contractors, reduced working hours, job shares, unpaid leave and salary and hiring freezes. We managed to implement these measures without having to significantly reduce the workforce, which will stand us in good stead to rebuild output when the environment improves.
- We secured a reduction in raw material input costs as a result of the economic turndown.
- We reviewed our capital expenditure programme with priority being given to replacement and productivity enhancing projects, limiting the active and planned in-progress projects to US$2.4 billion. Expansion projects have been delayed and will be reviewed as to their timing with the flexibility to reinstate them when economic conditions allow. We are also reviewing opportunities to reduce delivery times, reduce costs and cut expenditure with equipment suppliers.

Our businesses remain low cost occupying the lower third or in the case of ferrochrome, at the bottom of the cost curve. This remains a key advantage that we will focus on maintaining and, where possible, reinforcing, through the present downturn. Crucial to our success is that our businesses remain underpinned by the security of our logistics and low cost energy supply.

2008 Performance

In the full year 2008, Group revenue increased 66.2%, to US$6,823 million (2007: US$4,106 million). The inclusion of Serov, from Q2 2008, Tuoli, from Q4 2008, and new aluminium sales, together added revenues of US$782 million. Excluding these new businesses, revenue (refer note 36) grew 47.2%, with the increase driven largely by higher average sales prices notably for ferrochrome and iron ore, partially offset by lower year-on-year volumes, in the Ferroalloys and Iron Ore Divisions. Total costs (excluding exceptional items) rose 18.8%, to US$2,973 million (2007: US$2,503 million). Excluding the new businesses, total costs increased 5.6%. Cost increases, particularly in the core operating divisions, were driven by labour and materials (reductants and fuel). Cost pressures abated significantly in Q4 2008, but in addition we took a number of actions to limit labour costs and to maximise our operational flexibility. Underlying EBITDA increased 116.9%, to US$4,161 million (2007: US$1,918 million) whilst profit after tax increased 229.7%, to US$2,684 million (2007: US$814 million). Earnings per share (before exceptional items) rose 111.3%, to 205 US cents (2007: 97 US cents). Our first full year dividend (paid and proposed) amounts to 31 US cents per share; a payout ratio (dividend per share as a proportion of earnings per share) of 15%.

The Group's performance was underpinned by a steady increase in overall production volumes and higher sales for the first nine months of 2008. There was a significant downturn in Q4 2008 when we announced production cuts in the Ferroalloys and Iron Ore Divisions, but for the full year 2008 ferrochrome production (excluding Serov and Tuoli) was down only 6.8% whilst primary iron ore concentrate fell 7.8%. Production continued to grow in the Alumina and Aluminium Division with alumina production at its new target capacity of 1.6 million tonnes per annum and with 106 thousand tonnes from the new aluminium smelter. The Ferroalloys Division, contributing some 67.0% (2007: 59.4%) of underlying EBITDA, benefited from strong pricing, as well as the first-time contribution of Serov, with overall revenue almost doubling and significantly outpacing growth. The Iron Ore Division, contributing 22.1% (2007: 24.5%) of underlying EBITDA, was driven by strong pricing and good control of costs. The Alumina and Aluminium Division, contributing 7.1% (2007: 11.2%) of underlying EBITDA, saw total costs rise ahead of revenues due to a weak aluminium price and the build up of the new aluminium smelter. The Energy Division's underlying EBITDA contributed 4.3% (2007: 5.6%), benefiting from stronger third-party coal sales and better power and coal pricing partially offset by an increased proportion of internal power consumption by the new smelter. The Logistics Division, contributing 1.2% (2007: 2.3%) of underlying EBITDA, was impacted by a decline in transportation volumes and reduced repairs business.

We maintained a strong balance sheet with gross available funds of US$2,768 million (31 December 2007: US$2,921 million) and outstanding debt of US$727 million (2007: US$1,424 million). Operating cash flow was very strong, increasing 156.3%, to US$2,766 million (2007: US$1,079 million). We see our funding position as a key competitive advantage in the present uncertain times and will continue to manage this position prudently.

Health and safety

Health and safety is a key focus for the Group and in 2008 we intensified our efforts toward improvement. The Group achieved a reduction in fatalities to 9 in 2008, from 15 in the prior year. Any deaths are regrettable to us and we express our condolences to the families involved. The number of injuries rose to 75 (2007: 63; 2008 exc Serov: 71). The Lost Time Injury Frequency Rate (LTIFR) rose to 0.68 (2007: 0.58; 2008 exc Serov: 0.67) per one million hours worked, reflecting improved reporting but also increased injury severity and greater lost worktime. We were pleased by the initial response to our review of workplaces where protection is required, stricter safety requirements being enforced on staff and the retraining of safety managers. In 2008 safety reporting and procedures were reviewed by international consultants, DuPont, and a new safety management system is now being implemented. The Group has adopted an aspiration of 'zero injuries' on which to focus its drive for an improved approach to health and safety.

Capital expenditure

Capital expenditure in 2008 amounted to US$1.3 billion (2007: US$0.9 billion), significantly below our original expectations of US$1.7 billion for the year. In H1 2008 capital expenditure was broadly spread across our Divisions as we invested to build up our growth profile; the highlights of 2008 were the aluminium smelter achieving its Phase 1 run-rate capacity well ahead of schedule and the refurbishment of a power generator.

To continue to support the Group's strategic plan, priority has been given to replacement and efficiency projects, amounting to US$2.4 billion in total. These projects are important to sustaining the Group's relative cost position advantage. The projects that have been delayed, amounting to some US$4.3 billion, continue to be a key part of the Group's strategy for our Kazakhstan businesses, however, their timing is dependent on future demand.

The current approved 'in progress' capital expenditure programme includes:

- Ferroalloys Division – the construction of three new Direct Current (DC) furnaces at Aktobe with a capacity of 440 thousand tonnes per annum. These will be a mixture of replacement and new production with a net increase in production of approximately 170 thousand tonnes. The introduction of new furnaces will be staggered to reflect market demand. The DC furnaces should enhance productivity by their scale, enabling a reduced exposure to coke and allow the greater use of chrome ore fines.
- Alumina and Aluminium Division – the additional 125 thousand tonnes Phase 2 capacity of the aluminium smelter, due to commence production in 2010.
- Energy Division – the construction of an additional 325MW turbine to facilitate growth in other Divisions, principally the new aluminium smelter, while maintaining a net long position in electricity and providing strategic growth optionality.
- Logistics Division – the 'China Gateway' Project. The project, for which we won a tender from the Government of the Republic of Kazakhstan, is of strategic significance to both the country and the Group. The increased capacity will enable us to better serve the market in North-West China for which we anticipate longer term growth.

For 2009 project capital expenditure is expected to amount to approximately US$0.6 billion, with a further US$0.4 billion for capital repairs and other projects.

Acquisitions

We completed the acquisition of a controlling interest in the Serov group and certain related entities ('Serov') in early April 2008. Serov is a ferroalloy producer in Russia. The total acquisition consideration amounted to US$210 million. The transaction built up our position in low- and medium-carbon ferrochrome, and we acquired additional high-carbon capacity. In mid October 2008 the Group announced the completion of the acquisition of a 50% stake in Tuoli, a Chinese ferroalloys producer, for approximately US$15 million. The acquisition of a 50% interest in BML for US$306 million was announced in early May 2008. BML is focused on the development of an iron ore deposit in the Bahia State of Brazil. The bankable feasibility study for the BML iron ore deposit project is expected to be completed in Q3 2009.

In February 2009, we announced the acquisition of a 25% interest in Shubarkol Komir JSC ('Shubarkol'), from a related party, a major semi-coke and thermal coal producer based in the Republic of Kazakhstan, for a cash consideration of US$200 million less 25% of net debt. Shubarkol is one of the Republic of Kazakhstan's largest semi-coke and thermal coal producers, producing some 6.1 million tonnes of coal in 2007 and with 1,419 million tonnes of measured and indicated coal resources within its coal lease. ENRC has entered into an off-take agreement with Shubarkol, secured a seat on Shubarkol's Board and has a right of first refusal, combined with a call option, over all or part of the remaining shares in Shubarkol. We believe that the acquisition of this stake strengthens the integrated business model through securing a reliable and cost effective supply of semi-coke and relatively high quality thermal coal, enhancing the Group's position as a low cost producer.

Acquisitions are an important element of our strategy and are intended to build further on the low cost base of the business. Leveraging our knowledge of minerals extraction as well as our integrated energy and logistics capacity, the Group will look to develop its presence in other natural resources in the Eurasian region and elsewhere in the world.

Taxation

In December 2008 the Republic of Kazakhstan introduced a new Tax Code which took effect from 1 January 2009, providing us with greater clarity and predictability. Broadly the new Tax Code is designed to encourage greater investment in value-added processing by miners in the Republic of Kazakhstan. The new Tax Code has three key changes:

Chief Executive Officer’s Statement continued

a phased reduction in the rate of Corporate Income Tax (‘CIT’) from 30% in 2008 to 20% in 2009, 17.5% in 2010 and, 15% from 2011; the introduction of new Minerals Extraction Taxes (‘MET’) with a specific rate for each type of mineral, broadly phased to offset the reduction in CIT; and revisions to the basis of calculating Excess Profits Tax (‘EPT’). The impact of the new Tax Code, going forward, is as we expected; if all of the changes were to be incorporated into the 2008 tax charge, on a pro forma basis, the impact would be an additional 1 to 2 percentage points on the underlying effective tax rate of 33.5%. ENRC’s continued commitment to invest in value-added processing in the Republic of Kazakhstan should enable us to optimise our future effective tax rate. In the short term, in the light of the current environment, we are discussing with the Government the possibility of partial or whole exemptions from MET.

Industry overview

We expect the outlook for mining and metals across our core commodities to remain positive over the longer term. However, in the short term, the industry faces considerable uncertainty and business sentiment remains appropriately cautious. This is already widely evident in the postponement or cancellation of projects by our industry peers, cutbacks in capacity in response to weak demand conditions and with many spot prices at or below the cost levels of the marginal producers. In most commodities, production capacity remains well in excess of demand and inventories are high. We expect that in 2009 discussions for negotiated price commodities will be more protracted. Near-term conditions should be gradually eased by the range of extensive fiscal stimulus packages implemented by governments worldwide. Nonetheless, we believe that the world economy is unlikely to see a sustained improvement in industrial production until credit conditions ease, the cost of capital declines and after substantial private and public sector deleveraging.

Stainless steel production in 2008 amounted to about 26.6 million tonnes (2007: 28.5 million tonnes) and may ease further in 2009. Downside risk may be limited, as industry ferrochrome capacity has been much reduced and there is limited inventory, which should help lower cost producers such as ENRC. Iron ore production will be similarly depressed and our advantage is our access to the North-West Chinese markets, however, there are few signs of recovery evident in the Russian steel industry on which we have traditionally focused. Alumina and aluminium will remain constrained by high inventory levels, however, our location, low cost position and limited scale should help our position within the Russian market.

We hold a positive view on the long-term growth prospects for the Chinese and Russian economies, which supports ENRC’s strategic

Below
Control room at SSGPO, Rudniy

Right
Marking categories of aluminim ingots, KAS, Pavlodar

Second right
Ball mill rolling drum, Donskoy GOK, Kazchrome Khromtau

Far right
Smelting facilities at Aktobe Ferroalloy Plant, Kazchrome, Aktobe

location; China in particular will be key to any turnaround in the demand for industrial metals. The potential growth in demand in Russia and China, for ferroalloys, iron ore, alumina and aluminium, and in other metals is significant, based on their populations, urbanisation and infrastructure requirements. The prospects for ENRC in these markets are enhanced by structural capacity shortages, particularly in China, that are expected to emerge with an economic recovery. The Republic of Kazakhstan, and ENRC as a leading company in the Republic of Kazakhstan, are strategically well positioned to seize the opportunities in these key markets over the longer term.

Outlook for 2009

One of management's key areas of focus has been working capital. We have successfully managed to control inventory levels and have avoided any significant issues with the recovery of receivables.

As indicated above, we expect that market conditions will remain determined largely by demand factors. Whilst sales volumes so far in 2009 have been better than expected, it is not clear that this is sustainable. Some contractual sales volumes have been reduced to date, and this trend may continue in light of overall market conditions. We do not expect that we will have certainty on any sustained general recovery before 2010 at the earliest.

The Q4 2008 production cutback in Ferroalloys will be maintained at 35% with iron ore at 40%, at least through H1 2009. We are continually reassessing the production plans for the businesses in the light of the weak global economic situation and end customer demand but, at this time, are comfortable with the scale of the cutbacks we have announced, however, their duration is uncertain. We also anticipate that pressure on prices will remain. In the present environment underlying cost growth pressures are abating somewhat, which should help the Group's efforts to control costs. In 2009 the comparative stability of the Energy Division is likely to be evident with a relatively more secure demand for coal and power.

The 25% devaluation of the Kazakhstani tenge in February 2009 has provided some benefit as a large part of our costs are incurred in tenge. The devaluation will help ensure that we maintain our competitive cost position. Any benefit from the devaluation will in part be offset by the foreign exchange forward hedge we have in place, as well as increased cost inflation and the growing incidence of pegging some supply prices to the US dollar.

We have made the decision to reaffirm our dividend policy of a payout ratio of 15%–20% of earnings, until we have better visibility of the business cycle.

We believe that ENRC has all of the essential ingredients for managing through the current challenging environment and for future success, based on our proximity to key markets, our low costs and growth opportunities. Given the current operating environment, we are focused on the tight management of cash and of the balance sheet, rigorous control of costs in our businesses, the pursuit of a range of asset productivity enhancements and replacement, and selective acquisition opportunities. All of these 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 and for their fortitude and accommodation as we manage through the current challenging times. We would not have been able to manage through the downturn as well without the cooperation of our workforce with whom we have a good working relationship.

Dr Johannes Sittard
Chief Executive Officer

Senior Management

1 Mr Randal Barker
General Counsel and Company Secretary
Mr Barker is a UK- and US-qualified lawyer and joined ENRC as General Counsel and Company Secretary in September 2008. He was previously Group Legal Director and Group Company Secretary at Resolution plc. Prior to this he held positions at General Electric Company and Lovells LLP.

2 Ms Mounissa Chodieva
Head of Communications and Investor Relations
Ms Chodieva is Head of Communications and Investor Relations at ENRC, a position she took up in 2006 having previously held the position of Vice President Corporate Finance. Prior to that she was Vice President in Corporate Restructuring at CIM Global AG.

3 Mr Jim Cochrane
Head of Sales and Marketing and Head of Business Development
Mr Cochrane is Chief Executive Officer of ENRC Marketing AG, responsible for developing and implementing the sales and marketing strategy of the Group and, from mid-2008, Head of Business Development, responsible for leading the Group's strategic planning, focusing on the organic development of the business, and mergers and acquisitions.

4 Mr Jeff Couch
Head of Business Development
Mr Couch joined the Group in January 2009 as Head of Business Development. Formerly he was a Director of Metals and Mining at Credit Suisse in London.

5 Mr Beat Ehrensberger
Mergers & Acquisitions Director
Mr Ehrensberger is the Mergers & Acquisitions Director and was appointed to this role in mid-2008. His role is to lead on the Group's mergers and acquisitions transactions and be involved in the strategic planning, supporting and deputising for the Head of Business Development. He originally joined ENRC as General Counsel in 2003 and until mid-2008 was responsible for company administration, including management of legal issues and coordination of litigation. He began his career as Associate of the Tax and Legal Department at Ernst & Young in Switzerland. He later worked at a Zurich-based law firm and was involved in projects covering corporate, commercial and contractual law, including litigation and arbitration.

6 Mr Felix Vulis
Chief Operating Officer, Kazakhstan
Mr Vulis has been Chief Operating Officer of Kazakhstan since December 2006. Prior to joining the Group in 2001, Mr Vulis was President of UNICHEM K, LLC. From 1990 until 1995 he was President and CEO of AGC Group, Inc. Mr Vulis is Deputy Chairman of the Governing Board of Kazakhstan Foreign Investors' Council Association.

7 Ms Zaure Zaurbekova
Deputy CFO and CFO Kazakhstan
Ms Zaurbekova became Deputy CFO of the Group in late 2007 and has been CFO Kazakhstan since 2001. Prior to that she was Finance Director and later, first Vice President of Kazchrome. She began her career in the Kazakh Research Institute of Automation of Planning and after that worked in the Ministry of Industry and Trade of the Republic of Kazakhstan.

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

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

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

11 Mr Victor Til
General Director of JSC Kazchrome
Mr Til started his career at one of the Kazchrome mines 'Molodejnaya' in 1977 and worked in various positions within Kazchrome. In 2004 he was appointed as the General Director of JSC Kazchrome.

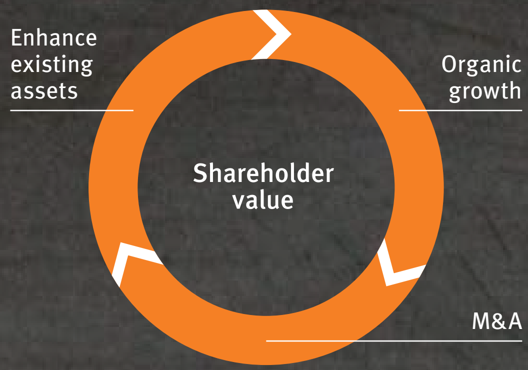
12 Mr Arif Shadiev
General Director of ENRC Logistics
Mr Shadiev held the position of Deputy General Director at LLP 'Transystema' from 1999-2006. He was appointed as General Director of ENRC Logistics in 2007.

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

Floor of the turbine hall, EEC, Aksu

Strategic priorities

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



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

The strategy is a balanced and flexible combination of: enhancing existing assets; organic growth; and acquisitions. The strategy aims to bridge the Group's current position as a leading, diversified natural resource group largely based in the Republic of Kazakhstan, to its aspiration as a more broadly based international mining group. Within the strategy is an optionality that enables the Group to respond to growth opportunities and the current challenging environment. Growth in shareholder value is achieved over time by a higher sustained performance which should then be reflected in the share price and dividend as benchmarked against our peer mining companies. Management and shareholder interests are aligned through appropriate incentives linked to the delivery of value for shareholders.

In response to the more challenging economic environment the Group's strategy for its capital expenditure was refocused in Q4 2008 on replacement and productivity enhancement of existing assets, most particularly those projects which reinforce or strengthen the Group's large-scale, low-cost, long-life assets, and exploit its strategic location between Russia and China.

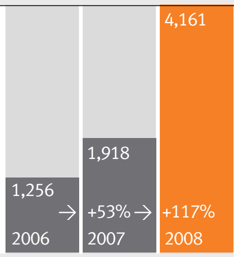
The overall capital expenditure programme, as outlined at the 2008 Half-year results, remains part of the strategic objective. The Group's current production assets have been at or near capacity, and growing capacity over the longer term, by brownfield or greenfield growth, is key. In addition there are great opportunities for the Group to develop further its value added processing of mineral resources.

In the current economic environment the Group has broadened its M&A growth strategy to cover the natural resources sector worldwide. This shift recognises that the environment offers significant opportunities that the Group, with its strong balance sheet, should look at provided that they meet our low cost criteria, offer at least our hurdle rate of return and are something that fits with our capabilities. Our aspirations for the Eurasian region and for core assets worldwide remain but today's availability of attractively valued natural resource assets offers significant opportunities for all shareholders and our strategy is flexible enough for us to capitalise on this situation.

Business Review
Key Performance Indicators

Indicator | **Description**

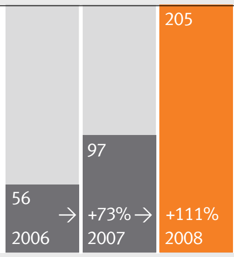
Underlying EBITDA (US$ million)



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

EPS (US cents)

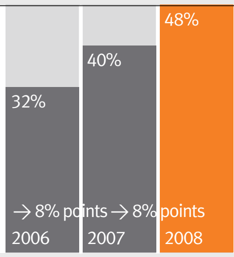
(Before exceptional items)



EPS tells us how much attributable profit per share is available for distribution to shareholders through dividends. Our dividend policy was reaffirmed by the Board with a commitment to maintain a payout ratio of 15%–20% of earnings until visibility of the business cycle improves.

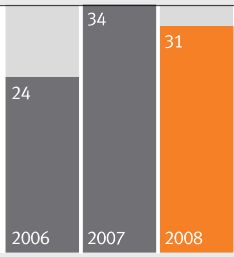
Return on Capital Employed (ROCE)

(Before exceptional items)



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

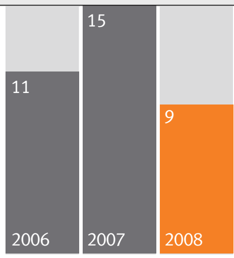
Community Social Investment (US$ million)



Our business is long term and our operations are, by their nature, often in remote areas. In a number of towns we are the principal employer and we recognise the key economic and social responsibilities that we have as a result. We have established ENRC Komek, a corporate fund, to focus our community social investment within the Republic of Kazakhstan. The investment we make in community social projects is an indication of the balanced attitude that we have to the way we do business.

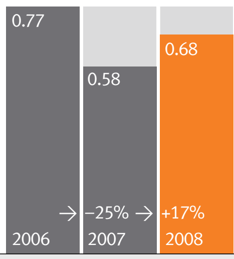
Safety

Fatalities



2008 shows a reduction in the number of fatalities suffered. The Board has adopted an aspiration of zero work-related fatal injuries to focus our efforts.

LTIFR

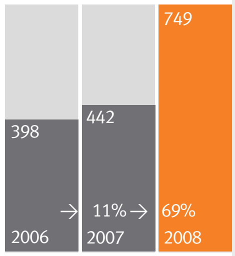


The lost time injury frequency rate (LTIFR) rose to 0.68 reflecting increased injury severity and greater lost worktime but also improved reporting. We were pleased by the initial response to our review of workplaces where protection is required, stricter safety requirements being required of staff and the retraining of safety managers. In 2008 safety reporting and procedures were reviewed by international consultants, DuPont, and a new safety management system is now being implemented.

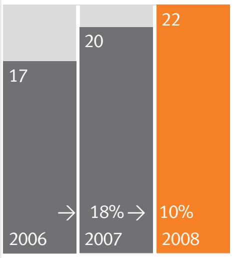
Product costs

Product costs per unit for the Ferroalloys and Iron Ore Divisions' products were adversely impacted by the Q4 production cutbacks. Most of our cost base was impacted by the fact that during the year the Kazakhstani consumer price index inflation was running above 10% only easing to 9.5% in Q4. Price increases for (inter alia) fuel, coke, soda ash, explosives and labour costs resulted in our unit costs being significantly higher than in 2007. Management has been working on measures to reduce costs which have started to show benefits in 2009.

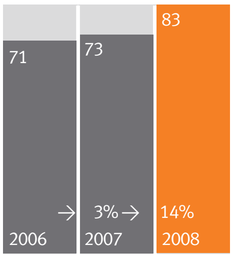
Ferroalloys total US$/tonne



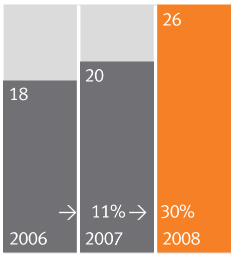
Chrome ore US$/tonne



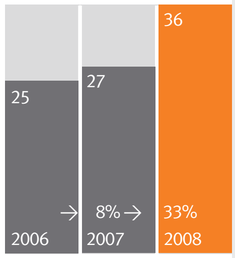
Mn concentrate US$/tonne



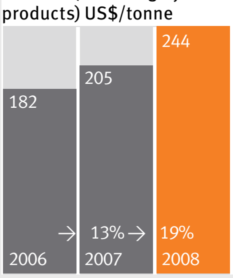
Iron concentrate US$/tonne



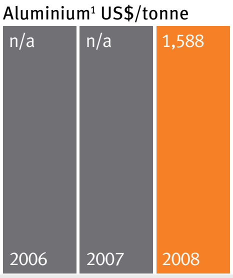
Iron pellets US$/tonne



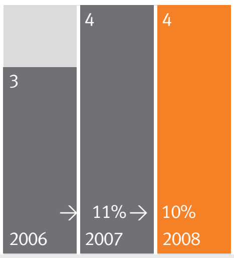
Alumina (excluding by products) US$/tonne



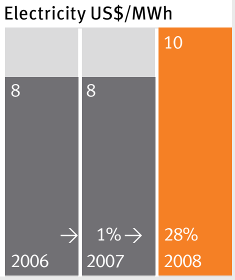
Aluminium[1] US$/tonne



Coal US$/tonne



Electricity US$/MWh

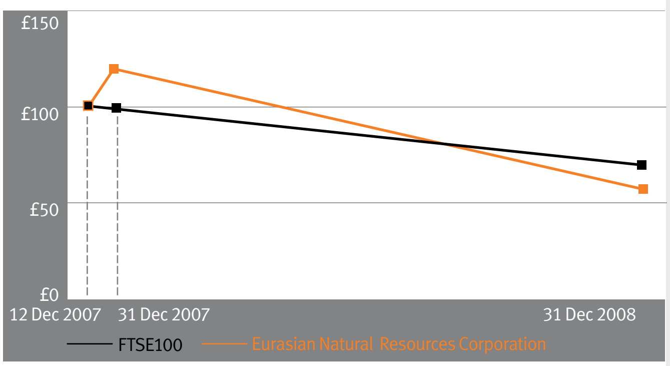


[1] Aluminium is an integrated business. The unit cost KPI excludes any in-house margin from other Group companies that would be included in the costs on a stand-alone basis.

Total shareholder return ('TSR')

The graph charts the total shareholder return of ENRC compared with the FTSE 100 since 12 December 2007 (being the first date of trading for ENRC shares). The Company has a long-term incentive plan for Executive Directors, management and senior employees that is based on TSR. Hence the goals and rewards are aligned for management and shareholders.

Total shareholder return – value of hypothetical £100 holding



Source: Bloomberg

Note: TSR based on end of year prices, shown since ENRC's listing on 12 December 2007

Business Review continued
Risk Management

Introduction
The Board is responsible for the Group's systems of Risk Management and Internal Control and for reviewing effectiveness in operation. This review is performed annually and relies on work performed by the Audit Committee with respect to the Group's compliance with the Turnbull Guidance. The assessment of risks has been in place during 2008 and up to and including the date of approval of the 2008 Annual Report and full financial statements. Further details are presented in the Corporate Governance Report on page 59.

Effective systems of Internal Control:

- play a key role in the management of risks that are significant to the fulfilment of the Group's business objectives;
- contribute to safeguarding the shareholders' interests and the Group's assets;
- facilitate the effectiveness and efficiency of operations;
- help ensure the reliability of internal and external reporting; and
- assist compliance with laws and regulations.

Key Business Risks and the responses by executive management
This section sets out the Key Business Risks being faced by the Group and the ways in which executive management have responded to these risks.

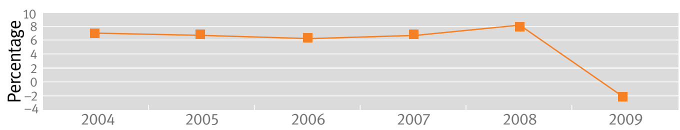
Slowdown in the growth of the economies of key customers
The Group's sales of products from some Divisions are predominantly to customers based in Russia and China. In 2008, the Group made in total 54.0% of its sales revenue to these countries. The Group made 31.6% of its ferroalloy sales, 93.1% of its iron ore sales and 62.4% of its alumina and aluminium sales to customers in Russia and China. These economies experienced high rates of growth in the first half of 2008 but these levels of growth are not expected in 2009.

The significant slowdown in the global economy as a whole and the consequential impact on the export led growth of the economies of these countries has brought about a decrease in demand for the Group's products and may also create downward pressure on sales prices.

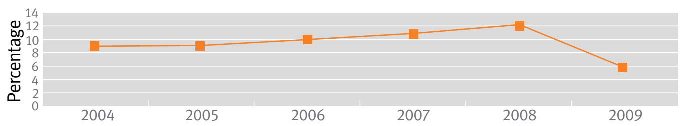
Response to the slowdown in the growth of the economies of key customers
The steps the Group took to address the downturn were:

- Production was cut back in the Ferroalloys and Iron Ore Divisions by, respectively, approximately 35% and 50%.
- Staff costs were reduced by the suspension of sub-contractors, reduced shifts, job shares, unpaid leave and salary and hiring freezes, initially on a temporary basis.
- Reductions to the costs of raw materials and other Inputs to the production processes were secured.
- The capital expenditure programme was reviewed with priority being given to replacement and productivity enhancing projects with other projects deferred.

Russia real GDP growth



China real GDP growth



Country risks
The Group's businesses could be adversely affected by any new regulations which are introduced by the Government of the Republic of Kazakhstan, such as:

- Controls on imports, exports and sales prices.
- Terms of mining and other licences.
- Restrictions on the remittance of funds from the Republic of Kazakhstan.
- New forms or rates of taxation, duties and royalties.

In addition, any increased requirements relating to regulatory, environmental and social approvals could result in significant delays in the construction of new investment projects, and may adversely impact the economics of those projects, the expansion of existing operations and the financial results of the Group's operations.

Response to country risks
Senior management of the Group's operations in the Republic of Kazakhstan are engaged in an active dialogue with the Government of the Republic of Kazakhstan and with local authorities in many regions and towns, as well as directly with the Group's workforce, to fully reflect the Group's responsibilities to these stakeholders.

The Government of the Republic of Kazakhstan is also a significant shareholder in the Group and two representatives of the Government are non-executive Directors and attend Board meetings.

Through these different types of engagement with the Government of the Republic of Kazakhstan the Group is able to anticipate likely changes in regulations and to put in place plans to respond to changes whenever they may arise, for example when the new Tax Code in the Republic of Kazakhstan was enacted in December 2008.

Health, safety and environmental exposures and regulations
The nature of the industry in which we operate means our activities are highly regulated by health, safety and environmental laws. As regulatory standards and expectations are constantly developing, we may be exposed to increased compliance costs and unforeseen environmental remediation expenses.

Response to risks related to health, safety and environmental exposures and regulations
The Corporate Responsibility Review is set out on pages 50 to 55.

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

Response to the risk of unexpected natural and operational catastrophes
We have commissioned external consultants to complete a detailed review of the adequacy of the Group's insurance contracts and to advise on the implementation of more effective contingency plans to mitigate the potential impact of these risks.

Commodity prices

The Group generates most of its revenue from the sale of commodities, primarily ferrochrome, chrome ore, iron ore, alumina and aluminium. Historically, the prices for these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries that purchase these products. This was particularly evident in the last quarter of 2008 and first quarter of 2009 when prices fell substantially.

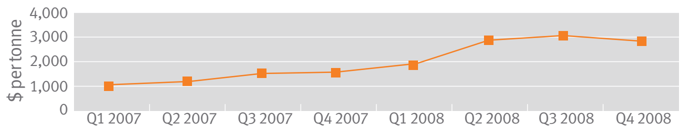
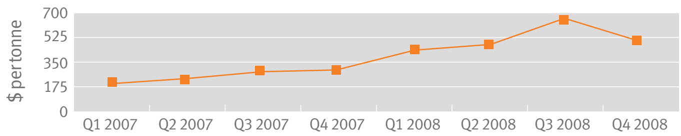
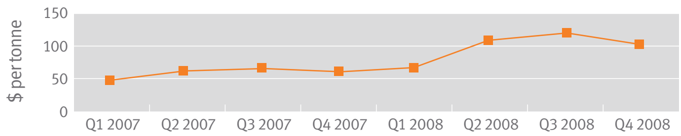
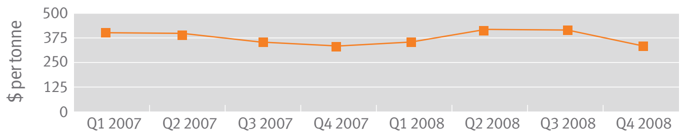
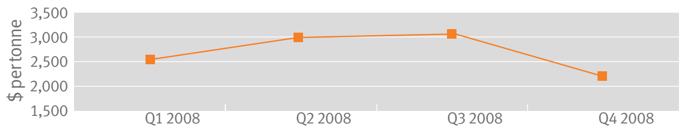
These external factors and the volatility of the commodity markets make it difficult to estimate future prices. A substantial or extended decline in commodity prices would materially and adversely affect the Group's businesses and the financial results and cash flows of operations.

Response to commodity price risks

The Group monitors market prices, global sales volumes and internal levels of inventory of key commodities to help inform production and sales planning decisions and avoid surplus inventory.

The management of the Sales and Marketing business produce regular forecasts of the sales volumes and prices for each of the Group's commodities and discuss and agree appropriate production and distribution plans with the management of the Group's operating companies.

The Group does not hedge its exposure to the risk of fluctuations in the prices of its commodity products.

Commodity	Quarterly movements in sales prices in 2007/08	US$ impact
HC FeCr		5% reduction in sales price, relative to the average price of US$2,608 for 2008, would reduce underlying EBITDA by US$112 million
Cr ore		5% reduction in sales price, relative to the average price of US$533 for 2008, would reduce underlying EBITDA by US$19 million
Iron ore		5% reduction in sales price, relative to the average price of US$101 for 2008, would reduce underlying EBITDA by US$72 million
Alumina		5% reduction in sales price, relative to the average price of US$380 for 2008, would reduce underlying EBITDA by US$26 million
Aluminium		5% reduction in sales price, relative to the average price of US$2,691 for 2008, would reduce underlying EBITDA by US$14 million

Credit default of key customers

The impact of the current economic downturn has been to place increased financial pressure on the Group's customers and on their ability to pay amounts due to the Group in accordance with agreed terms of trade.

Response to the risk of credit default by key customers

The Group continues to maintain its relationships with all its key customers but also has plans to develop new customer relationships in Russia, China and elsewhere in the region which will have the effect of diversifying customer default risk.

The Group maintains credit insurance against the risk of default by major customers, where insurance is available, and reviews the adequacy of cover regularly. In recent months the availability of credit insurance, particularly in respect of Russian customers, has been significantly reduced.

The Group sets credit limits and payment terms for all its major customers and monitors compliance with these on a daily basis and reports weekly to the Chief Financial Officer on developments in amounts receivable from customers and average days outstanding. If customers fail to comply with credit limits or payment terms the shipment of goods may be suspended until a satisfactory payment schedule has been received from the customer.

Human resource talent pool

The Group's growth and future success depend significantly upon its continued ability to attract, retain and motivate key senior management. It also depends on the ability to manage succession plans effectively. Despite the significant decreases in commodity prices and the deferral of expansion projects there still exists an increasing demand for skilled personnel and contractors across a range of disciplines. An inability of the Group to attract and retain such people may adversely impact our ability to adequately resource development projects and fill roles and vacancies in existing operations. It may also adversely impact the costs and schedule of continuing projects.

Response to human resource talent pool risks

We have continued to provide stimulating and challenging opportunities for existing and new employees and this is attractive for prospective employees . Recently this has had to be balanced with the need to manage our cost base during the current economic crisis. The Board are committed to the completion of the recruitment processes to appoint a new Chief Financial Officer in the short term and a new Chief Executive Officer in advance of Dr Sittard's retirement in September 2010.

Business Review continued
Risk Management continued

Cost pressures arising from reduced production volumes

In the last quarter of 2008 and the first quarter of 2009 the Group has significantly reduced the volume of production in its major operations to a level which is consistent with expectations of global sales volumes of the relevant commodities in the first half of 2009.

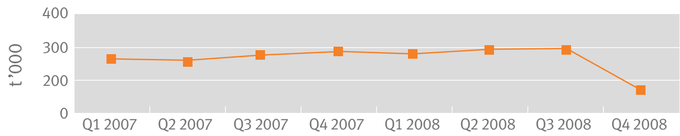
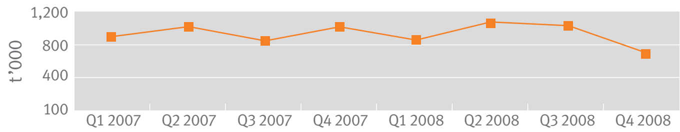
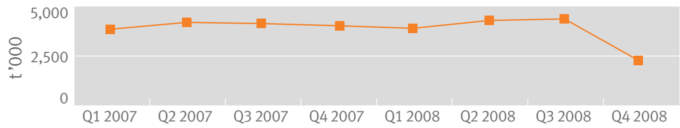
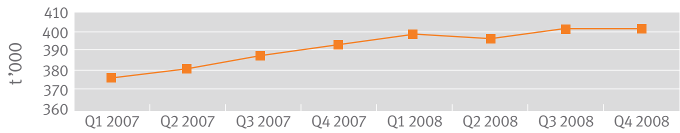
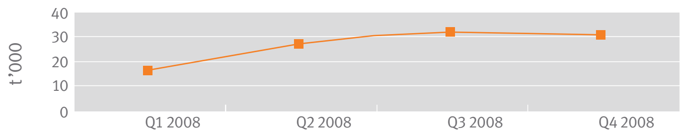
Our production cutbacks have resulted in an increase in fixed costs per unit of production. The recent devaluation of the Kazakhstani tenge against the US dollar, though initially favourable to our cost base, may also result in inflationary pressure in the medium term in the Republic of Kazakhstan.

Response to the risk of cost pressures arising from reduced production volumes

The Group's businesses remain relatively low cost typically occupying the lower third of the cost curve. This remains a key advantage that we will focus on maintaining and, where possible, reinforcing, through the present downturn. Crucial to our success is that our businesses remain underpinned by the security of our logistics and low cost energy supply.

The Group has secured reductions in staff costs, raw material input costs and in many other costs of production and distribution.

Cost control continues to be an area of great importance for the Group and one where action plans to manage reduced production volumes have been the subject of very significant management focus in the last six months and this will continue throughout 2009.

Commodity	Quarterly movements in production volumes in 2007/08
HC FeCr	
Cr ore	
Iron ore	
Alumina	
Aluminium	

Procurement

The Group acquires a significant amount of goods and services from suppliers, contractors and other third parties for both operational and capital expenditure purposes. In making these acquisitions the Group runs the risk that goods or services may not be acquired on the most economical terms from suppliers and contractors.

Response to procurement risk

The Group has issued policy documents and control procedures which are applicable to all types of procurement. These procedures seek to manage procurement risks by:

- the implementation of tendering procedures for all significant contracts;
- the creation of an open access ENRC KZ procurement internet website;
- the development of a list of approved suppliers;
- the restriction of the use of intermediaries; and
- the application of rigorous budgetary cost control.

In addition the Group has engaged Boston Consulting Group to carry out a wide ranging review of the Group's procurement procedures and to make recommendations for improvements.

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 expenditure.

Capital projects are subject to a number of risks:

- The assumptions about future commodity prices, on which the economic case for the investment was based, may prove to be too optimistic.
- The resources required to complete the project may not be available in the right volume or at the right quality or price.
- The implementation of the project may prove to be more complex or technically difficult than originally envisaged and, in extreme cases, may not be possible to complete.
- The project may be completed but may be delivered late and/or at a significantly higher cost than planned.

Response to capital project risks
The Group has redesigned the policies which are to be adopted before a capital project may obtain approval to proceed. In particular the technical and economic aspects of each significant project are subject to a detailed feasibility phase of review and those projects that pass this review are then further assessed by management.

All existing projects are subject to scrutiny by management at a quarterly review meeting to ensure that the bases and assumptions, on which the project was originally approved, continue to hold.

The Group continued the approved capital expenditure programme until the last quarter of 2008 when, in the light of the changing economic conditions, the Group reviewed all its capital expenditure plans, with priority being given to continuing with replacement investment or efficiency projects. The Group continues to re-evaluate the timing of expansion projects and may consider deferrals to the planned schedules of expenditure. The Group also plans to use this period to seek ways to reduce project costs.

The Group continues to believe that the relatively low product costs of its core commodities, derived from the quality of the Group's mining assets and its captive energy supply, underpin the long-term capital projects of the Group.

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

Response to risks in the integration of acquired businesses
We have increased the number, seniority and experience of our in-house mergers and acquisitions team and employ external advice on occasions to supplement our in-house expertise. For each acquisition which the Group has made and for all prospective acquisitions a member of the Group's management team is appointed to take responsibility for the integration of the acquired business.

Financial counterparty default
The Group has significant surplus funds, arising from IPO proceeds and from operational cash flows, which it invests with counterparties primarily in the UK and the Republic of Kazakhstan. In making these investments the Group runs the risk that a counterparty may default on the repayment of the invested funds when they fall due. At 31 December 2008 the amounts invested with financial institutions were US$2,687million.

Response to financial counterparty default risk
To minimise the risk of the default of a financial counterparty with which the Group has invested surplus funds strict criteria for investment have been adopted and were approved by the Board in December 2008.

Investments may only be made with counterparties which are included on a Permitted Investment list. Individual counterparty exposure limits are based on published credit ratings or, where these are not available, by an internal assessment of the counterparty's financial strength.

On a monthly basis the Group Treasury Committee reviews the credit ratings of all approved counterparties and may propose adjustments to the maximum credit limits. Any changes to credit limits require the approval of the Chief Financial Officer.

A consolidated counterparty exposure report is recalculated on a weekly basis and a monthly report is produced by the Group Treasurer for review by the Chief Financial Officer and is also included in the Treasury report to each meeting of the Board.

Foreign exchange rate exposure
The presentational currency of the Group is the US dollar and the majority of sales are US dollar denominated. However significant costs which are incurred in the Republic of Kazakhstan are denominated in the Kazakhstani tenge and the Group has operational exposures to other foreign currencies.

Response to foreign exchange rate risks
The Group considers the exposure to the Kazakhstani tenge to be an ongoing economic risk. Although there are hedges in place through to 2009 that were transacted in 2007 the Group is not currently entering into new contracts to actively hedge this exposure. Management review economic exposures on a regular basis.

Business Review continued
Operating Review

The Group currently sells its products around the world, including Russia, China, Japan, Western Europe and the United States.

Group revenue

2008	US$6,823 million
2007	US$4,106 million

Profit attributable to equity shareholders of the Group

2008	US$2,642 million
2007	US$798 million

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 production of iron ore pellets; 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 approximately 67,000 people (2007: 64,000 people), including about 3,000 added in H1 2008 with the acquisition of Serov and a further 600 from Tuoli in H2 2008. In 2008, the Group accounted for approximately 5% of the Republic of Kazakhstan's GDP. The Group currently sells its products around the world, with the majority of sales being to Russia, China, Japan, Western Europe and the United States. For the year ended 31 December 2008, the Group had revenue of US$6,823 million (2007: US$4,106 million) and profit attributable to equity shareholders of the Group of US$2,642 million (2007: US$798 million).

In 2008 production in the Group's ongoing operations saw steady growth in the first nine months against the comparable period in 2007. For the full year, production was reduced in the Ferroalloys and Iron Ore Divisions following the production cutbacks in Q4 2008. Ore grades remained broadly consistent. Total Ferroalloys Division production benefited from the inclusion of Serov from Q2 2008. Production in both the Energy and in the Alumina and Aluminium Division increased, with the additional benefit of the new aluminium smelter. Logistics Division total shipments fell for the year following the downturn in Q4.

Description of ENRC's business

The Group has five operating Divisions:

Ferroalloys Division

The Ferroalloys Division primarily produces and sells ferrochrome, as well as other ferroalloys for use as alloying products in the production of steel, whilst manganese and chrome ore are sold to third party producers of ferroalloys as well as the chemical industry. The Ferroalloys Division's chrome ore reserves are believed to be the largest in the CIS (183 million tonnes as at 31 December 2008) and are believed to have a higher grade of chrome content (41.4%) than those of other large scale producers. In 2008, the Ferroalloys Division produced 3,629 thousand tonnes of saleable chrome ore (2007: 3,687 thousand tonnes), 1,024 thousand tonnes of saleable manganese ore concentrate (2007: 935 thousand tonnes) and 1,551 thousand tonnes of ferroalloys (2007: 1,469 thousand tonnes), including 1,054 thousand tonnes of its primary product, high-carbon ferrochrome (2007: 1,070 thousand tonnes). For the year ended 31 December 2008,

Below
Ferrosilicochrome

Right
Aktobe Ferroalloy Plant, Kazchrome, Aktobe

Second right
Transporting carbon ferrochrome, Aktobe Ferroalloy Plant, Kazchrome, Aktobe

Far right
Heavy machinery at open pit mine, Zhairem GOK, Zhairem Karaganda region

Ferroalloys Division third party revenue

2008	US$4,151 million
2007	US$2,178 million

Percentage of the Group's consolidated revenue

2008	60.8%
2007	53.0%

the Ferroalloys Division had revenue of US$4,151 million (2007: US$2,178 million), which represented 60.8% (2007: 53.0%) of the Group's consolidated revenue.

As reported in the Chief Executive's Statement, in early April 2008 the Group announced the completion of the acquisition of a controlling interest in Serov, a ferroalloy producer in Russia. The acquisition demonstrated a number of important aspects of our strategy. This transaction was ENRC's first acquisition outside of the Republic of Kazakhstan and, longer term, reinforced our position in low-carbon and medium-carbon ferrochrome, with potential incremental annual sales, including high-carbon ferrochrome, of approximately 200 thousand tonnes of ferroalloys. In addition, the transaction will allow the Group to benefit from further scale within its ferroalloys business and provides an important asset base in Russia, supporting the Group's strategy of regional expansion.

In mid October 2008 the Group announced the completion of the acquisition of 50% of Tuoli. Tuoli is one of China's largest ferrochrome plants with a potential annual capacity of 120 thousand tonnes of high-carbon ferrochrome. The acquisition gave the Group the advantage of a direct presence in the Chinese market.

The Ferroalloys Division is vertically integrated, having its own chrome ore and manganese ore mines feeding its ferroalloy production in the Republic of Kazakhstan, Russia and China. As well as having its own ore, the Division also benefits from competitively priced electricity supplied by the Energy Division, as well as having a gas-fired power station at its Aktobe plant.

Competitive position

The Ferroalloys Division has several significant advantages over those of its major competitors. First, the Republic of Kazakhstan's geographic location is close to the key economies of China and Russia, which over the medium term are expected to achieve higher than average GDP growth. Benefiting from secure and relatively low cost transportation ENRC is well placed to take advantage of the eventual upturn in demand. Secondly, based on 2008 production data, the Ferroalloy Division is believed to be the largest producer of ferrochrome on a chrome unit basis in the world and this position has been further strengthened by the acquisitions in 2008. Thirdly, on a chrome content basis, the Group is located at the bottom of the ferrochrome production cost curve. This cost advantage is driven, largely, by the relatively low cost of electricity consumed by the Group's ferroalloys plants, with a significant proportion of this electricity being derived from the Group's low cost coal reserves and its generating capacity. In addition the higher chrome content of the Group's ore reserves renders its ferrochrome more attractive to steel producers as they prefer to limit trace elements, reduce the generation of slag and control carbon

Business Review continued
Operating Review continued

Production summary

		Years ended 31 December 2008	2007	2008 vs 2007
Chrome ore[1]				
Run-of-mine ore extraction	'000 t	**4,331**	4,590	(5.6)%
Processing of low grade stockpile	'000 t	**1,437**	1,370	4.9%
Saleable ore production	'000 t	**3,629**	3,687	(1.6)%
Internal consumption of saleable ore	'000 t	**2,594**	2,546	1.9%
– percentage		**71.5%**	69.1%	
Manganese ore				
Run-of-mine ore extraction	'000 t	**2,290**	2,382	(3.9)%
Processing of low grade stockpile	'000 t	**1,035**	1,021	1.4%
Saleable ore production	'000 t	**1,024**	935	9.5%
Internal consumption of saleable ore	'000 t	**307**	334	(8.1)%
– percentage		**30.0%**	35.7%	
Iron-manganese ore				
Run-of-mine ore extraction	'000 t	**328**	275	19.3%
Processing of low grade stockpile	'000 t	**484**	115	320.9%
Saleable ore production	'000 t	**433**	338	28.1%
Ferroalloys[2]				
Ferrochrome	'000 t	**1,196**	1,147	4.3%
– High-carbon ferrochrome	'000 t	**1,054**	1,070	(1.5)%
– Medium-carbon ferrochrome	'000 t	**69**	42	64.3%
– Low-carbon ferrochrome	'000 t	**73**	35	108.6%
Ferrosilicochrome	'000 t	**156**	126	23,8%
Ferrosilicomanganese	'000 t	**147**	160	(8.1)%
Ferro-silicon	'000 t	**52**	35	48.6%
Total ferroalloys	'000 t	**1,551**	1,469	5.6%
Internal consumption of ferroalloys	'000 t	**230**	173	32.9%
– percentage		**14.8%**	11.8%	

[1] Including Serov from Q2 2008.
[2] Including Serov from Q2 2008 and Tuoli from Q4 2008.

content. The Division also has the capability to produce a range of chromium products. These products include high-, medium- and low-carbon ferrochrome, including speciality grades such as low-phosphorus, titanium and vanadium bearing material. This allows it to supply a diverse customer base with applications in the production of steel used in the automotives sector, white goods, construction and power generation industries.

Production summary
The table to the left sets out the production volumes for each of the Ferroalloys Division's principal saleable products (including Serov from Q2 2008 and Tuoli from Q4 2008) for the years ended 31 December 2008 and 31 December 2007.

Production of saleable chrome ore remained broadly steady, a 1.6% decrease, with growth in the saleable concentrates production of manganese ore, 9.5%, and iron-manganese ore, 28.1%. Total ferroalloys production increased 5.6%, including ferrochrome, 4.3%. The greatest increase was achieved in low- and medium-carbon ferrochrome production, as well as in ferrosilicon and ferrosilicochrome production. This was mainly as a result of the inclusion of Serov.

Supply and demand
The largest geographic source of ferrochrome supplied to the stainless steel industry is South Africa, comprising 45% of 2008 global production, with the Republic of Kazakhstan as the second largest supplier at 14%. Kazakhstani ferrochrome is differentiated by its higher chromium content, approximately 68%, versus South African charge chrome with a chrome content of approximately 50% and a higher silicon and iron content. This limits the uses of charge chrome, against that of high-carbon ferrochrome which can be used universally in all types of furnace and steel production. Whilst the relative prices of ferrochrome and charge chrome fluctuate according to the supply/demand balance, the quality and chemistry of Kazakhstani high-carbon ferrochrome has consistently commanded a premium to charge chrome.

Ferrochrome consumption is largely driven by stainless steel production; otherwise chrome is sourced from scrap. This use of scrap is primarily within the production of austenitic (nickel-bearing) steels, unlike the ferritic and duplex grades of stainless steel which source chrome primarily via the use of ferrochrome.

Typically, the demand for stainless steel follows overall economic growth. The demand for stainless steel had compound growth of more than 5% per annum between 1998 and 2007 whilst in China the growth in stainless steel production was 44% per annum over the same period. To a lesser extent demand from India has also driven an increase in ferrochrome consumption through the growing use of stainless steel containing manganese. In H1 2008 global economic growth and sustained high demand from emerging economies meant stainless steel production equalled that of 2007, particularly the demand for ferritic and duplex qualities. This benefited ferrochrome demand because of the need for a higher chrome content and the limited availability of quality scrap. Demand was reinforced by issues over the continuity of supply from South Africa as a result of concerns as to power generation capacity.

Due to the deterioration in global economic activity there has been a sharp reduction in the demand for steel products as the consumption of automotive and white good products fell and construction activity declined. As a result of the over-supply a number of producers announced production cutbacks in Q4 2008 in order to balance inventory and control working capital. The net effect of the downturn in demand is that production of stainless steel will show a year-on-year drop to about 26.6 million tonnes, a level last seen in 2006. With a weak outlook for the global economy in 2009 we expect that stainless steel volumes in 2009 potentially may see some further weakness on the levels of 2008.

It is anticipated that growth in global stainless steel production and demand for ferrochrome are likely to recover in the medium term and

Sales volumes

		Years ended 31 December 2008	2007	2008 vs 2007
Ferroalloys:				
High-carbon ferrochrome	'000 t	**859**	1,033	(16.8)%
Medium-carbon ferrochrome	'000 t	**55**	35	57.1%
Low-carbon ferrochrome	'000 t	**69**	35	97.1%
Ferrosilicochrome	'000 t	**59**	59	0.0%
Ferrosilicomanganese	'000 t	**141**	173	(18.5)%
Ferrosilicon	'000 t	**48**	33	45.5%
Total ferroalloys	'000 t	**1,231**	1,368	(10.0)%
Chrome ore	'000 t	**702**	1,177	(40.4)%
Manganese ore	'000 t	**753**	615	22.4%
Ferromanganese ore	'000 t	**529**	265	99.6%

regain a growth rate of around 6% per annum with a return to capacity utilisation of around 90%. ENRC believes that the future supply/demand balance for chrome ore will depend on three key factors. First, India may continue to reduce chrome ore exports to secure supply for its domestic ferrochrome producers through increasing existing export duties on chromite. Secondly, the scale of South African chrome ore exports remains uncertain. Increased production of ferroalloys in South Africa will only occur once electricity generating capacity is available and markets have recovered sufficiently to justify investment. Finally, whilst the production of platinum group metals ('PGM') continues in South Africa, cheap by-products will continue to enter the market whilst margins allow sales to remain profitable.

Sales and pricing

Prices for ferrochrome are typically negotiated on a quarterly basis in the European and Japanese markets with volumes covered by long-term supply contracts with terms ranging from one to five years. In the US prices are adjusted according to published indices for ferrochrome.

Demand for high-carbon ferrochrome was extremely strong in H1 2008 as stainless steel production reached record levels. Demand was further enhanced by the announcement by ESKOM, the South African electricity generator, of generation constraints in South Africa, leading to increased security stocking of ferrochrome. The resulting market squeeze fuelled the largest ever single quarterly move of the benchmark price, rising US$0.72 per pound of chrome in Q2 2008 to US$1.92 per pound of chrome. Strong, although waning, demand continued into early Q3 2008, despite the effects of a slowing US economy, with the benchmark price rising a further 13 US cents. For Q4 2008 the price fell back 20 US cents to US$1.85 per pound of chrome and demand for ferrochrome dropped by around 1 million tonnes, or 50%. Although the industry initiated production cutbacks these were not enough to prevent stock increases and it is estimated that around 0.5 million tonnes of stock was added during Q4 2008. 2008 stainless steel production was estimated at 26.6 million tonnes, down 7% on 2007. Stainless steel has enjoyed annualised growth of 5% per annum over the last 10 years. Production of stainless steel, hence demand for ferrochrome, is likely to remain limited by continued destocking at least in the short term. Longer-term growth in production of stainless steel will likely recover in line with the recovery in the global economy.

Prices for low- and medium-carbon ferrochrome performed well through much of 2008 as a result of increased demand, particularly from the alloy and engineering steel sectors, with prices more than doubling on the back of a tightening supply. Chrome ore also traded at historic levels, reflecting the industry's high level of capacity utilisation and the need for high quality ore. Prices softened towards the end of 2008 in response to the economic downturn and its effect on alloy and stainless steel production.

Manganese alloys also saw record demand as a result of high production levels of carbon steel. This fuelled prices as material supply/demand balance tightened leading to greater demand for ore as the alloy industry tried to optimise its capacity utilisation and take advantage of market conditions. As with ferrochrome the demand for manganese suffered in Q4 2008.

In 2008, the Ferroalloys Division's top five customers accounted for 26.8% (2007: 30.3%) of the Division's sales revenue to third parties and included Taiyuan Iron and Steel (Group) Co. Ltd in China, Pohang Iron and Steel Company, JFE Steel Corporation, ChEMK and Nippon Steel.

Sales volumes

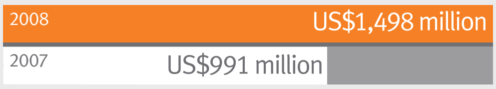
The table to the left sets out the Ferroalloys Division's volume of third party sales by product for the years ended 31 December 2008 and 31 December 2007.

Of the Ferroalloys Division's third party sales in 2008: 28.1% (2007: 23.8%) were made to Western Europe; 19.9% (2007: 18.4%) in Japan; 20.4% (2007: 19.6%) in Russia; 11.2% (2007: 17.9%) in China; 8.1% (2007: 10.8%) in North America; 7.0% (2007: 4.2%) in South Korea and

Business Review continued

Operating Review continued

Iron Ore Division third party revenue



Percentage of the Group's consolidated revenue

the Far East; and 5.3% (2007: 5.3%) in the Republic of Kazakhstan and the rest of the world.

Key initiatives

The key objectives for the Ferroalloys Division are: to expand operations with substantial margins and returns on capital based on the low-cost, large scale and high-grade ore resources available to the Group; reduce production costs by replacing outdated equipment; further strengthen the Group's leading market position in ferroalloys worldwide; and to improve the environmental and safety performance of the Division.

Following revisions to the Group's capital expenditure programme the main projects and schedule for the Division are:

- Construction of a second pelletising plant at Donskoy GOK, of 700 thousand tonnes per annum, is on schedule and its completion is expected in mid 2009. The pelletising plant will also produce saleable products from the output of an enrichment plant. The total estimated cost of the project is US$110 million. Construction of a second enrichment plant at Donskoy GOK, for completion in mid 2009, will enable a further expansion of pellet production, and allow greater control over mining volumes and operational costs while increasing the utilisation of the mined ore.
- Building new DC furnaces at the Aktobe processing plant and a mine expansion at a cost of approximately US$590 million, and with completion planned for 2012. This project is expected to enhance productivity, give incremental production of approximately 170 thousand tonnes and generate substantial cost savings, particularly for 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.

Iron Ore Division

The Iron Ore Division operates the largest iron ore mining and processing enterprise in the Republic of Kazakhstan and produces and sells iron ore concentrate and pellets primarily to steel producers. On the basis of 2008 data it is believed to be one of the world's significant exporters of iron ore and to be in the lowest third of the industry cost curve for global iron ore pellet production. The Iron Ore Division's operations include iron ore mines, crushing, beneficiation and pelletising plants and a thermal power station.

In 2008, the Iron Ore Division mined 37.8 million tonnes of iron ore (2007: 40.2 million tonnes). This was processed into 15.5 million tonnes of iron ore concentrate (2007: 16.8 million tonnes), of which 7.5 million tonnes was sold (2007: 7.4 million tonnes) and the balance was used to produce 7.0 million tonnes of iron ore pellets (2007: 8.6 million

Below
Chrome ore pelletiser, Donskoy GOK, Kazchrome, Khromtau

Right
Aktobe Ferroalloy Plant Kazchrome, Aktobe

Second right
Mining of manganese and iron, Ushkatyn III Mine, Zhairem GOK, Zhairem, Karaganda region

Far right
Magnetite iron ore, Kazmarganets, Kazchrome, Karaganda

Production summary

		Years ended 31 December 2008	2007	2008 vs 2007
Run-of-mine ore extraction	’000 t	**37,751**	40,222	(6.1)%
Primary concentrate	’000 t	**15,487**	16,791	(7.8)%
Saleable concentrate	’000 t	**7,835**	7,351	6.6%
Saleable pellets	’000 t	**6,952**	8,572	(18.9)%

tonnes). For the year ended 31 December 2008, the Iron Ore Division had revenue of US$1,498 million (2007: US$991 million), which represented 22.0% (2007: 24.1%) of the Group’s consolidated revenue.

Competitive position

The Iron Ore Division has some significant strategic advantages over its major competitors. First, the location of the Group’s large scale iron ore reserves in Northern Kazakhstan provides access to an important customer base, being the steel production plants in Russia, China and the Republic of Kazakhstan, with relatively low transportation costs. In particular, the Group’s facilities are located within 340 kilometres of its key customer, the Magnitogorsk Iron and Steel Works JSC (‘MMK’), and this proximity provides significant logistical advantages. Second, the Division operates large-scale iron ore mines and processing plants with relatively low production costs. Based on 2008 data, the Group is located in the lower-third of the industry cost curve for global iron ore pellet production. This cost advantage is largely driven by the relatively low cost of electricity, benefiting from the Group’s own power generation capacity.

Production summary

The table to the left sets out the production volumes for the Iron Ore Division’s principal saleable products for the years ended 31 December 2008 and 31 December 2007.

Annual production decreased 7.1% for total saleable products, although within this saleable concentrate production increased 6.6%. The reduction in saleable pellets in part reflected the planned reconstruction of one pelletiser unit in 2008, which was completed at the end of Q3 2008. Production in the Division was cut back in Q4 2008 in response to a significant reduction in customer demand for mined ore and saleable products.

Supply and demand

The market for iron ore is primarily regional, as iron ore is a bulk commodity and, relative to its value, is expensive to transport. China, Australia and Brazil are the largest producers of iron ore, accounting for respectively, 37%, 17% and 14% of global output in 2008 based on iron content. Other significant producers include the CIS and India. Global production of iron ore was 1,985 million tonnes in 2008 as compared to 972 million tonnes in 1998; compound annual growth of about 7%.

Typically, steel production and, as a result, demand for iron ore, follows overall growth in industrial production. Global demand for iron ore has slowed recently, primarily as a result of the economic downturn. Although demand is expected to stay relatively stable in the BRIC countries and the Middle East, steel exports from these regions would be affected by the reduced demand from developed countries. Iron ore

Business Review continued

Operating Review continued

producers were optimistic and had initiated numerous expansion projects with a risk that, despite recent cancellations, there could still be a material surplus supply of iron ore in the short term.

Sales and pricing

In April 2007, the Group entered into a long-term contract with MMK, the Division's largest single customer, accounting for 64.1% (2007: 67.4%) of the Iron Ore Division's sales revenue. The contract extends until 2017 and requires MMK to purchase specified quantities at prices determined by reference to the published world price benchmarks for iron ore concentrate and pellets. Prices are revised annually on 1 April by reference to the world price benchmarks.

In light of the current economic downturn and the impact on our customer MMK, in Q4 2008 the Group agreed to temporarily waive the minimum contractual sales volume. Contractual sales volumes will continue to be reviewed on a regular basis, taking into account developing market conditions.

The current structure of industry pricing benchmarks have historically been set between the three major iron ore producers – BHP Billiton, Rio Tinto, and Vale – and the major steel producers in China, Europe and Japan, for fines and pellets, and take effect from 1 April annually.

Tightness in the iron ore market abated in H2 2008, with spot prices falling below contract prices, and markedly so in Q4 2008. As global steelmakers started to reduce production dramatically and defer expansions, iron ore producers restrained production and delayed new projects. Market expectations anticipate reduced benchmark prices from Q2 2009.

The table to the left sets out the Iron Ore Division's volume of third party sales by product for the years ended 31 December 2008 and 31 December 2007.

Third party sales by product

Product		Years ended 31 December 2008	2007	2008 vs 2007
Iron ore concentrate	'000 t	**7,464**	7,422	0.6%
Iron ore pellets	'000 t	**6,797**	8,534	(20.4)%

Key initiatives

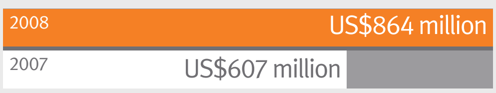
The Iron Ore Division's strategic objectives are: to maintain production capacities; utilise the Group's access to low cost, large-scale deposits of iron ore and low cost energy; and to diversify sales geography, product and customer mix.

The Division is also focusing on finalising the feasibility study in BML, the Brazilian iron ore joint venture.

The Alumina and Aluminium Division

The Alumina and Aluminium Division produces and sells alumina to aluminium producers and, from the end of 2007, aluminium. ENRC believes, based on 2008 data, that the Alumina and Aluminium Division is the world's ninth largest supplier of traded alumina by volume and is at the lower end of the global industry cost curve for both alumina and aluminium.

Alumina and Aluminium Division third party revenue



Percentage of the Group's consolidated revenue

The Alumina and Aluminium Division's vertically integrated operations include two bauxite mines, a limestone mine, an alumina refinery, an aluminium smelter, and a power station. The new aluminium smelter allows the Alumina and Aluminium Division to process its alumina into aluminium. The smelter presently has an annual capacity of 125 thousand tonnes achieved in Q2 2008. The Group will complete construction of Phase 2 of the smelter which will increase the production capacity of aluminium to 250 thousand tonnes per annum in 2010.

In 2008, the Alumina and Aluminium Division mined 5.2 million tonnes of bauxite (2007: 5.0 million tonnes) and produced 1.6 million tonnes of alumina (2007: 1.5 million tonnes) and 106 thousand tonnes (2007: 12 thousand tonnes) of aluminium. For the year ended 31 December 2008, the Alumina and Aluminium Division had revenue of US$864 million (2007: US$607 million) representing 12.7% (2007: 14.8%) of the Group's consolidated revenue.

Production summary

		Years ended 31 December		2008
		2008	2007	vs 2007
Run-of-mine bauxite extraction	'000 t	**5,160**	4,963	4.0%
Alumina	'000 t	**1,600**	1,537	4.1%
Internal alumina consumption	'000 t	**209**	27	674.1%
– percentage		**13.1%**	1.8%	
Aluminium	'000 t	**106**	12	783.3%
Gallium	kg	**18,666**	18,666	0.0%

Sales volumes

		Years ended 31 December		2008
Product		**2008**	2007	vs 2007
Alumina	'000 t	**1,393**	1,500	(7.1)%
Aluminium	'000 t	**104**	–	–

Competitive position

2008 was the first full year of operation of ENRC's new primary smelter – the Kazakhstan Aluminium Smelter (KAS), in Pavlodar – which reached its run rate capacity of 125 thousand tonnes per annum in Q2 2008. Construction of a further 125 thousand tonnes capacity, bringing the total capacity to 250 thousand tonnes, is well under way.

The Division's focus on cost control, with the implementation of several cost-reduction programmes in 2008, enabled ENRC to retain its competitive cost position. The Group's bauxite reserves guarantee an ongoing low-cost supply of raw material for alumina production. Alumina and aluminium production benefit from the ability to buy low-cost energy from internal Group sources. As a result ENRC's alumina and aluminium are both at the lower end of the industry cost curves which enables us to be one of RUSAL's preferred suppliers.

Production summary

The table to the left sets out the production volumes for each of the Alumina and Aluminium Division's principal saleable products for the years ended 31 December 2008 and 31 December 2007.

Alumina production grew in line with the approved capacity expansion plan with growth of about 4% in bauxite mining and alumina production. The new aluminium smelter achieved its Phase 1 capacity run rate of 125 thousand tonnes in Q2 2008, well ahead of schedule. Despite the impact of the economic downturn on the aluminium industry worldwide, stable demand for alumina from the Division's main customers – UC RUSAL and ENRC's own Kazakhstan Aluminium Smelter – supported the production and expansion programme.

Supply and demand

Global alumina production reached 77.7 million tonnes in 2008 (2007: 73.0 million tonnes). Total aluminium production was 40.0 million tonnes of which the largest part, 13.2 million tonnes, or 33%, originated from China.

After a promising start to the year demand weakened significantly in H2 2008. Demand is anticipated to have grown only 2%, outpaced by supply which is estimated to have risen by as much as 5%. As a result worldwide aluminium stocks (London Metal Exchange ('LME')) stood at 2.3 million tonnes at the end of 2008, rising 1.6 million tonnes over the year. Total inventories at the year end were equivalent to around six weeks of estimated current worldwide demand. Significant reductions in planned capacity expansions have been announced by the aluminium producers

ENRC believes that in 2009, an even larger production surplus, potentially 2 million tonnes, is possible, driven by a decline in worldwide demand of about 4%. Since aluminium has a heavy exposure to both the construction and transportation sectors, with approximately 50% of end use, demand looks set to slow in the coming year. Further production cutbacks will be necessary to avoid a significant inventory build-up, and are likely to come first from high-cost operations.

Sales and pricing

In 2008 the Group shipped 1.4 million tonnes of alumina to United Company RUSAL ('UC RUSAL') under a long-term supply contract expiring in 2016. The pricing under this contract is linked to the LME price of primary aluminium. As a result ENRC is not exposed to the alumina spot price. In 2008 UC RUSAL, the Division's largest single customer, accounted for 60.2% (2007: 79.5%) of the Division's sales revenue.

Sales of aluminium via Glencore International represented 30.3% of the Division's revenue in 2008. The Group shipped approximately 104 thousand tonnes of primary aluminium, almost all of which was distributed by Glencore International which acts as our agent. The LME cash price is the basis for the pricing of all aluminium contracts.

The table to the left sets out the Alumina and Aluminium Division's volume of third party sales by product for the years ended 31 December 2008 and 31 December 2007.

Business Review continued
Operating Review continued

Energy Division total revenue

2008	US$436 million
2007	US$314 million

Energy Division third party revenue

2008	US$203 million
2007	US$181 million

Percentage of the Group's consolidated revenue

2008	3.0%
2007	4.4%

LME aluminium prices showed unusually high volatility in 2008. Prices were driven higher in the early months of 2008 by Chinese weather-related production closures and power issues in South Africa. The average sales price was US$2,571 per tonne (2007: US$2,639 per tonne); the LME aluminium price reached a record high in early July 2008 at US$3,292 per tonne with the lowest closing level in the year of US$1,430 per tonne in mid-December. Prices fell with falling demand in key sectors, commodity fund deleveraging and increasing LME inventory. The demand outlook remains weak and prices can be expected to remain under pressure in the short term.

Key initiatives

The Alumina and Aluminium Division's principal strategic objectives are: to increase the capacity of aluminium production in the Republic of Kazakhstan; to exploit the surplus of low-cost electricity, bauxite and alumina; and to provide internally produced anodes.

Following revisions to the Group's capital expenditure programme the main projects and schedule for the Division are:

- Increasing the annual capacity of the aluminium smelter by an additional 125 thousand tonnes to start-up 2010 (Phase 2) at a cost of US$305 million. As part of the smelter expansion we are constructing an anode plant at an additional cost of US$200 million, which will allow the Group to be independent of third-party suppliers and, from 2011, to provide enough anodes for the increased aluminium production.

Energy Division

The Energy Division is one of the largest electricity providers in the Republic of Kazakhstan, accounting for approximately 14.5% of the country's recorded electricity production in 2008. The Energy Division provides a cost-effective energy supply to the Group's principal operating divisions as well as producing a surplus for sales to third parties in the Republic of Kazakhstan. In 2008 the Energy Division produced 11,640 GWh (2007: 12,121 GWh) of which 68.5% (2007: 58.0%) was used internally within the Group. The share of internal consumption increased as the new aluminium smelter increased its production to its full Phase 1 run rate capacity. Coal production increased 7.6% to 19.8 million tonnes (2007: 18.4 million tonnes). In addition to sales of surplus electricity, the Energy Division also sold 8.0 million tonnes of coal to third parties (2007: 6.4 million tonnes) which represented 40.4% of total coal mined (2007: 34.7%). For the year ended 31 December 2008, the Energy Division had revenue of US$436 million (2007: US$314 million), of which US$203 million was derived from third party sales (2007: US$181 million), representing 3.0% (2007: 4.4%) of the Group's consolidated revenue.

Below
Magnetite – raw ore

Right
Aluminium ingot, KAS, Pavlodar

Second right
Central maintenance control room at EEC, Aksu

Far right
Control room at SSGPO, Rudniy

In February 2009, the Group announced the acquisition of a 25% interest in Shubarkol Komir JSC ('Shubarkol'), a major semi coke and thermal coal producer based in the Republic of Kazakhstan, for a cash consideration of US$200 million less 25% of net debt. Shubarkol is one of the Republic of Kazakhstan's largest thermal coal producers, producing some 6.1 million tonnes of coal in 2007 and with 1,419 million tonnes of measured and indicated coal resources within its coal lease, of which there were 365 million tonnes of probable coal reserves. The Group has a right of first refusal and a call option to purchase the remaining 75% of Shubarkol. Shubarkol products are used for gasification in alumina production and could potentially be used to produce synthetic gas in the event we were to build DRI production facilities.

Production summary

The table on the left sets out the production volumes for each of the Energy Division's principal saleable products for the years ended 31 December 2008 and 31 December 2007.

The Energy Division is focused on both supplying other ENRC Divisions with coal and electricity and sales of coal and electricity to third parties. Annual coal production and sales increased 7.3% due to strong demand for coal, both in the Republic of Kazakhstan and in export markets. Power generation capacity was limited in 2008 with one turbine down for planned maintenance until Q4 2008. In addition, with the impact of the economic downturn in Q4 2008, electricity demand in the Republic of Kazakhstan fell and electricity generation decreased 4.0% for 2008. Whilst the electricity consumption of other ENRC Divisions increased 13.4%, primarily as a consequence of the new aluminium smelter, third party sales fell 32.6%.

Sales and pricing

The table on the left sets out the Energy Division's volume of third party sales by product for the years ended 31 December 2008 and 31 December 2007.

Electricity

Supply constraints were anticipated for 2008, as the new ENRC aluminium smelter increased production to its Phase 1 run rate of 125 thousand tonnes per annum. This was attained in Q2 2008, creating the largest ever single increase in electricity demand in the Republic of Kazakhstan. An electricity deficit for the country continued for the first nine months of 2008. However, any increase in electricity prices was limited as the Government of the Republic of Kazakhstan, in order to control inflation, advised producers to maintain 2007 prices from 1 January 2008. Electricity producers were permitted to adjust prices from Q2 2008. Following the recommendations of the Government, the Energy Division increased prices for companies involved in the supply and transmission of electric power by 13.6% from 1 April 2008 whilst

Production summary

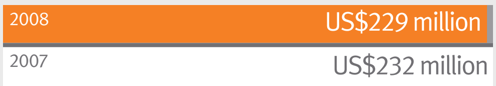
		Years ended 31 December		2008
		2008	2007	vs 2007
Run-of-mine coal extraction	'000 t	**19,790**	18,442	7.3%
Energy Division consumption of coal	'000 t	**7,148**	7,423	(3.7)%
– percentage		**36.1%**	40.3%	
Sale of coal to other Group Divisions	'000 t	**4,773**	4,584	4.1%
– percentage		**24.1%**	24.9%	
Third-party sales	'000 t	**8,044**	6,397	25.7%
– percentage		**40.6%**	34.7%	
Electricity generation	GWh	**11,640**	12,121	(4.0)%
Sale of electricity to Group Divisions	GWh	**7,974**	7,033	13.4%
– percentage		**68.5%**	58.0%	
Third-party sales	GWh	**2,825**	4,192	(32.6)%
– percentage		**24.3%**	34.6%	

Sales volume

		Years ended 31 December		2008
Product		**2008**	2007	vs 2007
Coal	'000 t	**8,044**	6,397	25.7%
Electrical energy	GWh	**2,825**	4,192	(32.6)%

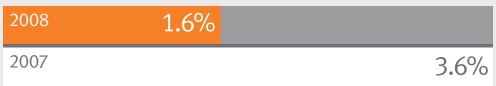
Business Review continued
Operating Review continued

Logistics Division total revenue



Logistics Division third party revenue

Percentage of the Group's consolidated revenue



securing a larger increase from the industrial sector. The average sales price to third parties increased 27.2% to KZT2.65 (2.20 US cents) per kWh (2007: KZT2.12 (1.73 US cents) per kWh). The economic downturn forced domestic power producers to cut output and electricity consumption in Q4 2008, moving the domestic electricity market back into surplus. Despite a moderate decline in electricity consumption in the Republic of Kazakhstan in Q4 2008, over the year the market grew approximately 4.4% to 80.0 billion kWh. Due to the economic climate, a surplus of electricity is likely to persist in the Republic of Kazakhstan in 2009 creating more competition in the sale of excess electricity to third parties.

Coal

In the Republic of Kazakhstan, ENRC sold 3.1 million tonnes of coal to third parties (2007: 2.5 million tonnes) at an average sales price of KZT721 (US$5.99) per tonne (2007: KZT688 (US$5.61) per tonne), an increase of 4.8%. Prices for the sale of coal in the domestic market are subject to government regulation. In Russia, as a result of gas prices rising 27% in early 2008, the cost efficiency of coal-fired power generation improved compared to gas powered generation, eventually leading to stronger coal demand from heat and power stations. Growth of consumption in Russia resulted in the Group selling additional coal. The Energy Division sold 5.0 million tonnes of coal to Russia (2007: 3.9 million tonnes). In 2008 Omskenergy, the Division's largest single customer, accounted for 25.7% (2007: 25.5%) of the Division's revenue. The average annual selling price for Russian customers increased 18.8% to US$24.6 per tonne (2007: US$20.7 per tonne). With gas prices still forecast to grow in Russia, it is expected that further increases in domestic prices will be experienced in 2009. However, coal consumption could be constrained due to warmer than expected weather in Russia and in the Republic of Kazakhstan during the 2008/09 winter and prolonged economic slowdown with production cuts and a consequent fall in electricity consumption.

Key initiatives

The Energy Division's principal objectives are: to provide low-cost power and coal for the Group's existing operations, utilising its large scale coal reserves; and a progressive expansion of production in the Republic of Kazakhstan. Additional energy capacity will ensure power supply to Group's Divisions and allow it to maintain its presence on the Republic of Kazakhstan power market where it sells electric energy into the wholesale market.

Following revision to the Group's capital expenditure programme the main projects and schedule for the Division are:

- Install overburden stripping equipment at a cost of US$85 million, to increase efficiency, by 2010.
- Invest approximately US$200 million to construct a new turbine and generator by 2011. It is expected that this will increase total installed electricity generating capacity by 325MW.

Logistics Division

The Logistics Division provides transportation and logistics services to the Group's 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 Republic of Kazakhstan/China border, facilitating the Group's access to the Chinese market.

For the year ended 31 December 2008, the Logistics Division transported 58.5 million tonnes of goods (2007: 60.9 million tonnes), of which 80.7% (2007: 87.7%) was intra-Group. Reduced transportation volumes for the year reflected a slowdown in Q4 2008 in the key commodities: iron ore, chrome ore and ferroalloys. For the year ended 31 December 2008, the Logistics Division had revenue of US$229 million (2007: US$232 million), of which US$107 million (2007: US$149 million), derived from third party sales representing 1.6% (2007: 3.6%) of the Group's consolidated revenue. A significant factor impacting the 2008 revenue and cost of sales was that the main customer, the Kazakhstani State railway company, used its own material for some railroad repair works. In addition there were delays in the tendering process for some contracts.

Key initiatives

On 21 March 2008, ENRC Logistics won the Republic of Kazakhstan open tender for the concession for the construction and running of about 300 kilometres of a new railway line in South-East Kazakhstan (the ‘China Gateway Project’), connecting the Republic of Kazakhstan with China. The new railway will facilitate an increased cargo capacity, by up to 30 million tonnes per annum, and will provide ENRC’s operations with a secure transportation route for products to be sold into the Chinese market. The construction period is estimated to be approximately four years with a required investment of approximately US$910 million. The operational period of the concession is 24 years from the completion of construction. The design review and financial and technical report are expected to be completed in Q2 2009.

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.

Capital expenditure

Our businesses are capital intensive. Managing projects efficiently and effectively is a key skill for our industry. The successful implementation and commissioning of assets is very important to our success and our delivery of shareholder value. Our capital expenditure projects are designed to address our strategic aims which include maintenance and improvement of low cost operations, expansion and development of existing reserves and capacity, and expanding our product portfolio.

As mentioned in the Chief Executive Officer's Statement (page 13) two of the highlights achieved in 2008 were the aluminium smelter (covered in the 2007 Annual Report) achieving its phase 1 run-rate capacity well ahead of schedule and secondly the refurbishment of a power generating unit.

Reconstruction of Power Generating Unit 1 at Aksu Power Station of JSC EEC

During 2008, we completed the refurbishment of one of the Energy Division's power generating units ahead of the planned completion date. The refurbishment included the installation of new turbines and two Alstom electrical filters with 99.6% end-gas purification efficiency as well as replacement of a generator, transformers and other key elements. In addition to the refurbishment of the power generating unit, a new automated turbine control system was installed. As a result of the refurbishment, we managed to increase the power generating unit's capacity in line with international efficiency levels.

Despite the significant cost pressures for key equipment, labour and materials, management successfully managed to complete the refurbishment in line with the original budget of US$100 million.

The successful refurbishment of the power generating unit is part of a long-term refurbishment programme designed to ensure that we increase the Group's electricity generating capacity and maintain our competitive advantage by being self sufficient in electricity for the Group's power intensive ferroalloys and aluminium smelting operations. Also it will allow us to maintain our strong presence in the Republic of Kazakhstan's wholesale power market.

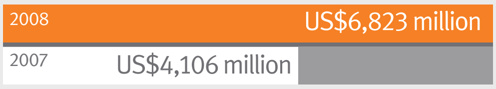
Ferroalloy smelting, Aksu Ferroalloy Plant,
Kazchrome, Aksu

Business Review continued

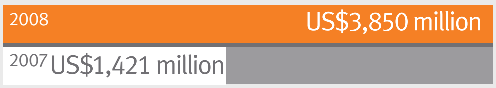
Financial Review

Year ended 31 December 2008 compared to the year ended 31 December 2007

Group's revenue



Group's operating profit



Ferroalloy Division's operating profit

Group

The Group continued its growth in 2008, achieving record financial results. Commodity prices rose strongly throughout the first nine months of the year underpinning this growth, partially offset by production cutbacks impacting in Q4 2008 introduced in response to the economic downturn.

Revenue increased US$2,717 million, or 66.2%, to US$6,823 million (2007: US$4,106 million). Higher sales prices accounted for 104.4% of this growth, whilst reduced sales led to a fall of 4.4%. The inclusion of Serov, the new aluminium smelter and Tuoli added revenues of, US$496 million, US$280 million and US$6 million respectively. Like-for-like revenue increased US$1,937 million, or 47.2% to US$6,040 million. The Ferroalloys Division accounted for 76.0% of the increase; and the Iron Ore Division for 26.2%.

Whilst benefiting from strong commodity prices, the Group maintained a good control of operating costs. Cost of sales rose US$387 million, or 22.8%, to US$2,088 million (2007: US$1,701 million). Like-for-like Group cost of sales increased US$121 million, or 7.1%, to US$1,819 million (2007: US$1,698 million). Higher materials and labour costs were the main factors driving this increase. The Alumina and Aluminium Division experienced the largest underlying cost increase, mainly due to a significant increase in raw materials prices. The inclusion of Serov, the new aluminium smelter and Tuoli increased the cost of sales by, respectively, US$155 million, US$103 million and US$11 million.

Distribution costs increased US$58 million, or 15.5%, to US$431 million (2007: US$373 million). There was an increase of US$29 million in the Ferroalloys Division, a consequence of increased transportation costs mainly due to increases in certain costs that are set in relation to sales price (duties, commissions and insurance), higher freight costs driven up by increased fuel costs and the adverse impact of a strong euro. There was an increase of US$17 million in the Iron Ore Division, as proportionally more product was transported to China.

Selling, general and administrative expenses declined US$184 million, or 30.4%, to US$422 million (2007: US$606 million). This decline was principally due to US$182 million of expenses attributable to the IPO in 2007.

Group operating profit increased US$2,429 million, or 170.9% to US$3,850 million (2007: US$1,421 million). The Ferroalloys Division contributed 68.0% of this growth, or US$1,651 million (including US$197 million from Serov). The Iron Ore Division contributed 19.6%, or US$476 million. Exchange rates did not have a material impact on the Group's financial results.

Group finance income increased US$74 million, or 127.6%, to US$132 million (2007: US$58 million) primarily due to interest income on IPO proceeds invested in money market securities and increased bank interest income. Group finance costs decreased US$15 million, or 9.5%, to US$143 million (2007: US$158 million) primarily due to the paying down of the trade finance facility offset by foreign exchange losses.

Impairment

Due to the global economic crisis and the consequent impact on commodity prices and demand, we have considered the recoverability of long-term assets. We have adopted the value-in-use approach and used our strategic planning models, which are on a life-of-mines basis, to calculate future discounted cash flow for each cash-generating unit. The impairment review concluded that no impairment provisions were required.

Ferroalloys Division

The Ferroalloys Division achieved outstanding results in the year, although the heightened pressures of the economic slowdown began to impact in Q4 2008. The results reflected much higher average sales prices for the year and a good control of costs.

In response to the significant weakening in demand following the economic slowdown, production was cut back in Q4 2008 by approximately 35% (referenced to the 2007 sales volumes run rate), or 85 thousand tonnes, principally high-carbon ferrochrome, with an accompanying reduction in chrome ore extraction. In addition the Group cut back production in the higher cost operations of Serov, by approximately 40% against Q3 2008, and in Tuoli, where production was suspended. Late in 2008 the Division cut back a further 15 thousand tonnes, sales being supplied from inventory, in order to minimise stock being carried forward. In Q4 2008 total ferroalloys production (excluding Serov and Tuoli) declined 34.4% relative to Q3 2008, reducing full year production of the ongoing businesses to below that of the prior year. Manganese related production, a product of opportunity for the Group although not a significant business, was reduced in response to the market environment.

Despite these cutbacks in Q4 2008 production volumes achieved a solid performance compared to the prior year, largely due to the strong results achieved in the first nine months of 2008.

Chrome ore extraction declined 5.6% to 4,331 thousand tonnes, or 4,207 thousand tonnes excluding Serov (2007: 4,590 thousand tonnes). 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 partially offset by a 4.9% growth in the processing of low-grade stockpiled ore. The internal consumption of saleable chrome ore rose to 71.5% (2007: 69.1%). A modest decline of 1.6% was evident in the production of saleable chrome ore from 3,687 thousand tonnes in the year ended 31 December 2007 to 3,629 thousand tonnes in the year ended 31 December 2008 (of which Serov added 77 thousand tonnes). Saleable manganese ore and iron manganese production achieved good growth.

Ferroalloys production achieved solid growth, with additional volume coming from the acquisition of Serov and Tuoli. Ferrochrome production increased 5.6% to 1,551 thousand tonnes (2007: 1,469 thousand tonnes), including 178 thousand tonnes from Serov in the period from Q2 2008. Serov provided additional high-carbon ferrochrome and ferrosilicon-chrome capacity, but its greatest impact on the scale of the business was additional medium- and low-carbon ferrochrome production. The acquisition of Tuoli, completed in Q4 2008, had little impact on volumes or revenues as production was suspended in response to market conditions. Tuoli added 4 thousand tonnes of high-carbon ferrochrome in Q4 2008.

The Ferroalloys Division's third party revenue increased US$1,973 million, or 90.6%, to US$4,151 million (2007: US$2,178 million). Higher prices led to a US$2,202 million growth in revenue. Average ferroalloy prices increased 2.2 times to US$1.85 per pound of chrome (2007: US$0.85 per pound of chrome). In addition higher chrome ore prices were realised, which increased to US$533 per tonne (2007: US$250). The Group reallocated production capacity in response to this opportunity. A 10.1% drop in ferroalloys sales volumes and a 40.4% decrease in external chrome ore sales, reflecting the consolidation of Serov, were partially offset by a 22.4% growth in manganese concentrate sales and a two-fold growth in iron-manganese concentrate sales; together these accounted for a US$223 million fall in revenue. Sales from Serov were consolidated by the Group from early April 2008 and added revenue of US$496 million.

Cost of sales increased US$263 million, or 34.9%, to US$1,017 million (2007: US$754 million). Serov and Tuoli cost of sales contributed, respectively, US$155 million and US$11 million to this increase. The underlying increase was mainly due to higher material costs (principally coke), energy and labour costs. The average unit cost of high-carbon ferrochrome was US$0.42 per pound of chrome (2007: US$0.28 per pound of chrome). This increase mainly reflected the higher costs of Serov where the unit cost is about three times higher than in Kazchrome with a unit cost of chrome ore of US$22 per tonne (2007: US$20 per tonne). As well as increased material and labour costs there was a change in the product mix towards greater manganese content which also added to refining costs.

Distribution costs increased US$29 million, or 11.7%, to US$277 million (2007: US$248 million). Serov's distribution costs contributed US$20 million to the increase.

Ferroalloys Division

In millions of US$	Years ended 31 December 2008	2007	2008 vs 2007
Revenue	**4,156**	2,178	90.8%
Third parties	**4,151**	2,178	90.6%
Intercompany	**5**	–	n/a
Cost of sales	**(1,017)**	(754)	34.9%
Gross profit	**3,139**	1,424	120.4%
Gross margin	**75.5%**	65.4%	
Distribution costs	**(277)**	(248)	11.7%
General and administrative expenses	**(159)**	(141)	12.8%
Net other operating income/expenses	**(14)**	3	(566.7)%
EBIT	**2,689**	1,038	159.1%
EBIT margin	**64.7%**	47.7%	
Depreciation, amortisation and impairment	**(100)**	(100)	0.0%
Underlying EBITDA	**2,789**	1,140	144.6%
Underlying EBITDA margin	**67.1%**	52.3%	

Key facts

		Years ended 31 December 2008	2007
Sales Volumes			
Ferroalloys	'000t	**1,231**	1,368
Chrome ore	'000t	**702**	1,177
Manganese concentrate	'000t	**753**	615
Ferromanganese concentrate	'000t	**529**	265
Prices			
Ferroalloys – total	US$/lbCr	**1.85**	0.85
Chrome ore	US$/tonne	**533**	250
Manganese concentrate	US$/tonne	**342**	122
Ferromanganese concentrate	US$/tonne	**60**	25
Unit Costs[1]			
Ferroalloys – total	US$/lbCr	**0.49**	0.29
Chrome ore	US$/tonne	**22**	20
Manganese concentrate	US$/tonne	**83**	73
Ferromanganese concentrate	US$/tonne	**10**	4

[1] Unit costs: Cost of sales divided by sales volumes.

Business Review continued
Financial Review continued

Iron Ore Division's operating profit

Iron Ore Division

In millions of US$	Years ended 31 December 2008	2007	2008 vs 2007
Revenue	**1,499**	991	51.3%
Third parties	**1,498**	991	51.2%
Intercompany	**1**	–	n/a
Cost of sales	**(468)**	(417)	12.2%
Gross profit	**1,031**	574	79.6%
Gross margin	**68.8%**	57.9%	
Distribution costs	**(113)**	(96)	17.7%
General and administrative expenses	**(74)**	(86)	(14.0)%
Net other operating income/expenses	**(9)**	(33)	(72.7)%
EBIT	**835**	359	132.6%
EBIT margin	**55.7%**	36.2%	
Depreciation, amortisation and impairment	**(84)**	(89)	(5.6)%
Underlying EBITDA	**919**	470	95.5%
Underlying EBITDA margin	**61.3%**	47.4%	

Key facts

		Years ended 31 December 2008	2007
Sales Volumes			
Iron ore concentrate	'000t	**7,464**	7,422
Iron ore pellets	'000t	**6,797**	8,534
Prices			
Iron ore	US$/tonne	**80**	45
Iron ore pellets	US$/tonne	**126**	73
Unit Costs[1]			
Iron ore	US$/tonne	**26**	20
Iron ore pellets	US$/tonne	**36**	27

[1] Unit costs: Cost of sales divided by sales volumes.

Selling, general and administrative expenses increased US$18 million, or 12.8%, to US$159 million (2007: US$141 million). Serov's selling, general and administrative expenses contributed US$20 million.

The Division's operating profit increased US$1,651 million to US$2,689 million (2007: US$1,038 million). Serov contributed US$195 million to the increase from April 2008. Tuoli had no material impact in Q4 2008.

Iron Ore Division

Iron ore extraction volumes during the first nine months of 2008 exceeded those in the comparable period of 2007. However, in response to the significant weakening in demand as a result of the economic slowdown, production of primary concentrate was cut in Q4 2008 by approximately 50% (referenced to the 2007 sales volumes), or approximately 2 million tonnes, with an accompanying reduction in iron ore extraction. In Q4 2008 ore extraction declined 43.3% relative to Q3 2008 reducing the full year performance to below that of the prior year.

Extraction of iron ore fell 6.1% to 37,751 thousand tonnes (2007: 40,222 thousand tonnes).

From the extracted ore, primary concentrate production decreased 7.8% to 15,487 thousand tonnes (2007: 16,791 thousand tonnes), with extraction also affected 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 6.6% against a decline of 18.9% in saleable pellets. The reduced pellet production largely reflected the reconstruction of a pelletiser unit which was not in operation for much of 2008.

The Iron Ore Division's third party revenue increased US$507 million, or 51.2%, to US$1,498 million (2007: US$991 million). Of this increase 124.0% reflected higher sales prices. Iron ore concentrate and pellets price rises contributed 23.1% to the Group's revenue increase. The average price of iron ore concentrate rose 78.5% to US$79.6 per tonne (2007: US$44.6 per tonne). The iron ore pellets price rose 73.6% to US$126.2 per tonne (2007: US$72.7 per tonne).

Cost of sales increased US$51 million, or 12.2%, to US$468 million (2007: US$417 million). The increase largely reflected higher material prices, labour and energy costs. The unit cost of iron ore concentrate was US$26 per tonne (2007: US$20 per tonne) whilst the unit cost of iron ore pellets was US$36 per tonne (2007: US$27 per tonne). The increase in unit costs was mainly caused by increased material prices and higher maintenance and transportation costs.

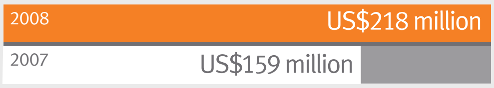
Below
Chrome ore mine Donskoy GOK, Kazchrome, Khromtau

Right
Smelting facilities at Aktobe Ferroalloy Plant, Kazchrome, Aktobe

Second right
Railway delivering ferroalloys to processing plant, Kazchrome, Aksu.

Far right
SSGPO, Rudniy

Alumina and Aluminium Division's operating profit



Alumina and Aluminium Division

In millions of US$	Years ended 31 December 2008	2007	2008 vs 2007
Revenue	**867**	608	42.6%
Third parties	**864**	607	42.3%
Intercompany	**3**	1	200.0%
Cost of sales	**(551)**	(352)	56.5%
Gross profit	**316**	256	23.4%
Gross margin	**36.4%**	42.1%	
Distribution costs	**(42)**	(30)	40.0%
General and administrative expenses	**(60)**	(74)	(18.9)%
Net other operating income/expenses	**4**	7	(42.9)%
EBIT	**218**	159	37.1%
EBIT margin	**25.1%**	26.2%	
Depreciation, amortisation and impairment	**(77)**	(61)	26.2%
Underlying EBITDA	**295**	214	37.9%
Underling EBITDA margin	**34.0%**	35.2%	

Key facts

		Years ended 31 December 2008	2007
Sales Volumes			
Alumina	'000t	**1,393**	1,500
Aluminium	'000t	**104**	n/a
Prices			
Alumina	US$/tonne	**380**	370
Aluminium	US$/tonne	**2,691**	n/a
Unit Costs[1]			
Alumina	US$/tonne	**244**	205
Aluminium	US$/tonne	**1,728**	n/a

[1] Unit costs: Cost of sales divided by sales volumes.

Distribution costs increased US$17 million, or 17.7%, to US$113 million (2007: US$96 million) reflecting higher labour and transportation costs and greater depreciation and amortisation.

Selling, general and administrative expenses decreased US$12 million, or 14.0%, to US$74 million (2007: US$86 million); 2007 included an impairment charge of US$12 million.

The Division's operating profit increased US$476 million, or 132.6%, to US$835 million (2007: US$359 million).

Alumina and Aluminium Division

The Alumina and Aluminium Division achieved 4.0% growth in bauxite extraction to 5,160 thousand tonnes (2007: 4,963 thousand tonnes). This growth resulted from a development programme to secure the supply of bauxite for the planned expansion in alumina production to 1,600 thousand tonnes per annum in 2008 (2007: 1,537 thousand tonnes), an increase of 4.1%.

Production at the new aluminium smelter commenced in December 2007. In 2008 the new smelter consumed 209 thousand tonnes, or 13.1%, of internal alumina production. The new aluminium smelter achieved its Phase 1 run-rate production target of 125 thousand tonnes per annum in Q2 2008, well ahead of its scheduled year-end date.

The Alumina and Aluminium Division's third party revenue increased US$257 million, or 42.3%, to US$864 million (2007: US$607 million). This was principally due to new aluminium sales revenue of US$280 million. The underlying US$23 million reduction in revenue was due to a 7.1% decline in third-party alumina sales volumes, partially offset by higher prices.

Cost of sales increased US$199 million, or 56.5%, to US$551 million (2007: US$352 million). Excluding the new aluminium smelter, cost of sales increased US$99 million, or 28.4%, to US$448 million (2007: US$349 million). The underlying increase was due to higher materials, labour and other costs, partially offset by lower inventory. On a per tonne basis, the cost of sales of alumina rose to US$244 per tonne (2007: US$205 per tonne).

Distribution costs increased US$12 million, or 40.0%, to US$42 million (2007: US$30 million), principally transportation costs related to the new aluminium production.

The Division's operating profit increased US$59 million, or 37.1%, to US$218 million (2007: US$159 million).

Business Review continued
Financial Review continued

Energy Division's operating profit

Energy Division

In millions of US$	Years ended 31 December 2008	2007	2008 vs 2007
Revenue	**436**	314	38.9%
Third parties	**203**	181	12.2%
Intercompany	**233**	133	75.2%
Cost of sales	**(194)**	(161)	20.5%
Gross profit	**242**	153	58.2%
Gross margin	**55.5%**	48.7%	
Distribution costs	**(71)**	(55)	29.1%
General and administrative expenses	**(21)**	(33)	(36.4)%
Net other operating income/expenses	**(4)**	6	(166.7)%
EBIT	**146**	71	105.6%
EBIT margin	**33.5%**	22.6%	
Depreciation, amortisation and impairment	**(31)**	(36)	(13.9)%
Underlying EBITDA	**177**	107	65.4%
Underlying EBITDA margin	**40.6%**	34.1%	

Key facts

		Years ended 31 December 2008	2007
Sales Volumes			
Third-party coal	'000t	**8,044**	6,397
Third-party electrical energy	GWh	**2,825**	4,192
Prices			
Coal	US$/tonne	**17**	15
Electrical energy	US$/MWh	**22**	17
Unit Costs[1]			
Coal	US$/tonne	**4**	4
Electrical energy	US$/MWh	**10**	8

[1] Unit costs: Cost of sales divided by sales volumes.

Logistics Division

In millions of US$	Years ended 31 December 2008	2007	2008 vs 2007
Revenue	**229**	232	(1.3)%
Third parties	**107**	149	(28.2)%
Intercompany	**122**	83	47.0%
Cost of sales	**(152)**	(179)	(15.1)%
Gross profit	**77**	53	45.3%
Gross margin	**33.6%**	22.8%	
Distribution costs	**–**	–	n/a
General and administrative expenses	**(47)**	(29)	62.1%
Net other operating income/expenses	**2**	3	(33.3)%
EBIT	**32**	27	18.5%
EBIT margin	**14.0%**	11.6%	
Depreciation, amortisation and impairment	**(18)**	(17)	5.9%
Underlying EBITDA	**50**	44	13.6%
Underlying EBITDA margin	**21.8%**	19.0%	

Energy Division

In 2008 the Energy Division extracted 19,790 thousand tonnes (2007: 18,442 thousand tonnes) of coal from the Vostochny mine, in line with the planned expansion. The Division's internal coal consumption fell 3.7% to 7,148 thousand tonnes, or 36.1% of total extraction (2007: 7,423 thousand tonnes; 40.3%), as one power generation turbine was taken off-line for planned refurbishment. The turbine was back on-line in Q4 2008.

Sales of coal to other Group Divisions saw solid growth, rising 4.1% to 4,773 thousand tonnes, or 24.1% of total extraction, (2007: 4,584 thousand tonnes; 24.9%). There was growth in external coal sales to 8,044 thousand tonnes (2007: 6,397 thousand tonnes). Electricity generation fell 4.0% to 11,640 GWh (2007: 12,121 GWh), with lower capacity due to the planned maintenance of one turbine for much of the year that came back on stream in Q4 2008 and reduced demand in Q4 2008 with the effects on demand of the economic downturn. Sales of electricity to other Group Divisions increased to 68.5% of electricity generated (2007: 58.0%), reflecting the impact of the new aluminium smelter.

The Energy Division's third party revenue increased US$22 million, or 12.2%, to US$203 million (2007: US$181 million). This growth was due to a US$44 million increase in revenue from sales of coal to third parties, resulting from growth of 25.7% in the volume of coal sold and a 13.3% increase in the average price achieved. A 29.4% increase in the average electricity tariff led to additional revenue of US$13 million. This was offset by a 32.6% reduction in the volume of electricity sold as more electricity was consumed within the Group and, as mentioned previously, because of reduced generator capacity. The Division's sales to other Group entities increased US$100 million, or 75.2%, to US$233 million (2007: US$133 million).

Cost of sales increased US$33 million, or 20.5%, to US$194 million (2007: US$161 million). The increase was driven largely by growth in labour costs, partially offset by reduced material costs.

Distribution costs increased US$16 million, or 29.1%, to US$71 million (2007: US$55 million). This was due to higher tariffs imposed by the Republic of Kazakhstan state railroad.

The Division's operating profit increased US$75 million, or 105.6%, to US$146 million (2007: US$71 million).

Logistics Division

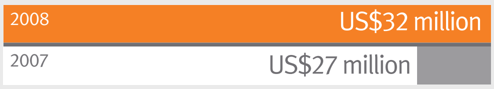
During the first nine months of 2008 there was a solid growth in the tonnage of the Group's internal products transported by railway by the Logistics Division. In Q4 2008 transportation volumes dropped 16.7% compared to Q3 2008. In 2008 the Logistics Division transported 58,489 thousand tonnes (2007: 60,855 thousand tonnes), a decline of 3.9%. The volume of third-party freight forwarding rose 50.1% to 11,248 thousand tonnes (2007: 7,495 thousand tonnes).

External railroad repair services volumes decreased 22.9% to 408 kilometres (2007: 529 kilometres). This was due to delays in the tendering process for some contracts. In addition the Kazakhstani state railway company, the major customer, used its own materials for some railroad repair works which impacted revenue and related cost of sales.

The Division's third party revenue declined US$42 million, or 28.2%, to US$107 million (2007: US$149 million), mainly due to a reduced volume of railway repairs. Sales to other Group Divisions increased US$39 million, or 47.0%, to US$122 million (2007: US$83 million).

Cost of sales decreased US$27 million, or 15.1%, to US$152 million (2007: US$179 million), mainly as a result of reduced volumes of railroad repairs and customers' own materials being utilised in some projects, reducing costs incurred for repairs and maintenance.

Logistics Division's operating profit



Key facts

		Years ended 31 December 2008	2007
Sales Volumes			
Third-party freight forwarding	'000t	11,248	7,495
Railway line repairs	km	408	529
Prices			
Freight forwarding	US$/tonne	0.95	0.94
Railway line repairs	US$ '000km	215	232
Unit Costs[1]			
Freight forwarding	US$/tonne	1.2	0.8
Railway line repairs	US$ '000km	204	207

[1] Unit costs: Cost of sales divided by sales volumes.

Summarised cash flow statements

In millions of US$	Years ended 31 December 2008	2007
Net cash generated from operating activities	**2,766**	1,079
Net cash used for investing activities	**(1,919)**	(1,351)
Net cash (used for)/generated from financing activities	**(854)**	2,481
Net changes in cash and cash equivalents	**(7)**	2,209
Cash and cash equivalents at the beginning of the year	**2,548**	336
Exchange (loss)/gain on cash and cash equivalents	**(48)**	3
Cash and cash equivalents at the end of year	**2,493**	2,548

Selling, general and administrative expenses increased US$18 million, or 62.1%, to US$47 million (2007: US$29 million).

The Division's operating profit increased US$5 million, or 18.5%, to US$32 million (2007: US$27 million).

Corporate

The Group has corporate offices in the United Kingdom (London) and the Republic of Kazakhstan (Astana). The London office was established in mid-2007 and through 2007/08 staff numbers were increased to meet the requirements of a public limited company. The increase in Corporate's costs largely reflects this growth although, in addition, the increase also reflected the introduction of a Long Term Incentive Plan during 2008. Corporate costs in 2007 included US$182 million of exceptional items relating to the IPO.

Income tax expense

The Group's income tax expense for the year ended 31 December 2008 is US$1,143 million (2007: US$507 million) an effective tax rate of 29.9% (2007: 38.4%).

The tax expense in 2008 benefited from a release of deferred tax liabilities of US$177 million. This arose from the new Tax Code of the Republic of Kazakhstan effective 1 January 2009, announced in mid-December 2008, which reduced the future rates of Corporate Income Tax. This was partly offset by a higher charge for Excess Profit Tax, arising from increased revenue, amounting to US$90 million (2007: US$38 million).

Excluding the one-off benefit from the release of the deferred tax liability and the effects of one-off statutory provisions the effective tax rate was 33.5%.

The tax rate in 2007 was adversely affected by non-allowable IPO-related costs and other disallowed expenses.

Liquidity

The Group aims to manage liquidity risk through the maintenance of sufficient cash to finance the ongoing operating and investing activities of the Group. Healthy production volumes and record prices in many of our key commodities during 2008 has resulted in the generation of strong cash flows throughout our operations.

Overview

The table on the left provides a summarised cash flow statement for the years ended 31 December 2008 and 31 December 2007.

Net cash generated flow from operating activities

The Group generated cash of US$2,766 million (2007: US$1,079 million) from operating activities. The increase of US$1,687 million was largely due to the rise in revenue from higher commodity sales prices in the first nine months of 2008.

Net cash used for investing activities

In 2008 the Group utilised US$1,919 million for investing activities (2007: US$1,351 million), an increase of US$568 million, or 42.0%. This largely consisted of purchases of property, plant and equipment amounting to US$1,479 million, and the acquisitions of Serov: US$72 million; BML, US$317 million; and Tuoli, US$15 million.

Net cash flow used for financing activities

The Group used cash resources of US$854 million for its financing activities in 2008, primarily for the repayment of bank borrowings of US$704 million and dividends paid to shareholders in the period of US$148 million.

Business Review continued
Financial Review continued

Capital expenditure
During the year ended 31 December 2008 the Group's capital expenditure amounted to US$1,294 million (2007: US$911 million), an increase of US$383 million, or 42.0%.

The allocation of capital expenditures for the new construction and development projects is presented in the table below. We will, where possible, seek external financing to fund a number of the major capital expenditure projects.

Approximately US$4.3 billion of the expansionary capital expenditure has been deferred with management focusing its attention on replacement and productivity enhancing capital expenditure.

In millions of US$	Estimated total cost[1]	Capex budget 2009	Project status	Date of commissioning
Ferroalloys				
700 thousand tonnes pelletiser	110	10	In Progress	2009
Mine expansion	30	5	In Progress	2012
440 thousand tonnes expansion/replacement of ferroalloy smelting capacity (Aktobe)[2]	590	120	In Progress	2012
460 thousand tonnes expansion of ferroalloys smelting capacity (Aksu)	540	20	Deferred	TBD
Iron ore				
Mine expansion (9mtpa)	525	–	Deferred	TBD
Pelletiser (5 mtpa) and DRI plant (2.8 mtpa)	1,300	–	Deferred	TBD
Alumina and Aluminium				
Aluminium smelter (Phase 2: 125 ktpa)	305	120	In Progress	2010
Anode production plant	200	75	In Progress	2011
Alumina production expansion – remaining 200 thousand tonnes	240	–	Deferred	TBD
Sandy alumina production, soda plant	240	–	Deferred	TBD
Energy				
Overburden stripping equipment	85	50	In Progress	2010
Construction of Turbine 2 – 325 megawatt	200	100	In Progress	2011
Construction of 2 x 600 megawatt turbines	1,260	–	Deferred	TBD
Coal mine expansion (5 mtpa)	230	–	Deferred	TBD
Logistics				
'China Gateway' Project	910	100	In Progress	2011
Sub-total	6,765	600		
Capital repairs and other projects[3]	400	400		
Total approved capital expenditure	**7,165**	1,000		

[1] Original estimated total cost approved by the Board.
[2] Approximately 270 thousand tonnes per annum of existing ferroalloys capacity is expected to be retired after the new capacity is operational.
[3] Includes investment in planned mine expansion and other small investments.

Below
Refined alumina, AoK, Pavlodar

Right
Ferroalloys, Serov, Russia

Second right
Employee at AoK

Far right
Dump truck loading bauxite, Krasnyoktyabrsk AoK Pavlodar

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 of 1.2 million tonnes of alumina per annum, plus an option to supply an additional 200 thousand tonnes per annum. The contract expires on 31 December 2016. Pricing is determined by a formula linked to the LME aluminium price.
- Iron ore – ENRC has a contract with MMK, a large Russian steel producer, to supply, up to 15 million tonnes per annum of saleable iron ore concentrate and pellets. This contract expires in 2017. Pricing is determined by reference to published price indices for iron ore concentrates and pellets.

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 Q1 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.

In light of the current economic downturn and the impact on our customer MMK, in Q4 2008 we agreed to temporarily waive the minimum contractual sales volume (refer to Operating Review).

Initial Public Offering ('IPO')

The Group undertook an Initial Public Offering in Q4 2007. This resulted in the receipt of US$ 3.1 billion of cash proceeds in December 2007. In 2007 costs amounting to US$278 million were incurred in connection with the IPO. Of these US$96 million were recorded in the share premium account as directly attributable to the equity cost and US$182 million were recorded within 'selling, general and administrative expenses' in the Income Statement. Given the non-recurring nature of these costs, they have been classified in the Income Statement as 'exceptional items' and hence excluded from underlying EBITDA.

Production cutbacks in Q4 2008

In the Ferroalloys Division, in response to the significant weakening in demand following the economic slowdown, ferrochrome production volumes were cut in Q4 2008 by approximately 35% (referenced to the 2007 sales volumes), or 85 thousand tonnes, principally high-carbon ferrochrome, with an accompanying reduction in chrome ore extraction. In addition the Group cut back production in the higher cost operations of Serov, by approximately 40% against Q3 2008, and in Tuoli where production was suspended. Late in 2008 the Ferroalloys Division cut back a further 15 thousand tonnes, sales being supplied from inventory, in order to minimise stock being carried forward. In Q4 2008 total ferroalloys production (excluding Serov and Tuoli) declined 33.9% relative to Q3 2008, reducing full year production of the like-for-like businesses to below that of the prior year. Manganese related production, a product of opportunity for the Group although not a significant business, was reduced in response to the market environment.

In the Iron Ore Division, production of primary concentrate was cut in Q4 2008 by approximately 50% (referenced to the 2007 sales volumes run rate), or approximately 2 million tonnes, with an accompanying reduction in iron ore extraction.

Acquisitions

We completed the acquisition of a controlling interest in the Serov group and certain related entities ('Serov') in early April 2008. Serov is a ferroalloy producer in eastern Russia. In mid-October 2008 the Group announced the completion of the acquisition of a 50% stake in Xinjiang Tuoli, a Chinese ferroalloys producer.

The acquisition of a 50% interest in BML was announced on 19 May 2008. BML is focused on the development of an iron ore deposit in the Bahia State of Brazil.

Our people

ENRC is committed to operating in the global market and to have the right people with the right skills to pursue this commitment. ENRC is therefore on a journey to develop a workforce that is engaged and fit for the purpose and best able to address the demands of this global market. Whilst labour standards, health and safety compliance, security and welfare are still very important the perspective has broadened to include this global market goal.

Our people are one of our key assets and an important resource of the Company it is therefore a high priority for ENRC to retain qualified people and create incentives for their further development.

To meet the requirements of operating to global standards ENRC has changed its approach to training and is currently working on a comprehensive Personnel Training and Development company policy. The new training policy will be targeting the implementation of an international performance based approach targeting zero injuries, performance beyond compliance, and behavioural change ensuring the active participation of all employees in this change implementation.

Aktobe Ferroalloy Plant, Kazchrome, Aktobe

Business Review continued

Corporate Responsibility Review

Introduction

We believe that corporate responsibility means ensuring that we conduct our operations in a way that brings benefits to our employees, customers, wider stakeholders and the communities in which we operate. We believe that it encompasses elements such as trust and reliability and the process of reducing costs and identifying and mitigating risks within the corporate strategy. For us, sustainable development is about managing the total impact of our business for the longer term.

We are committed to improving our performance over the long term so as to operate in line with international expectations and mining practices. We use the International Council for Mining and Metals (ICMM) to guide our action plans as we move towards international standards. We already operate to the standards consistent with best practice in the Republic of Kazakhstan, but as we develop our international presence there are increased expectations that we move away from emerging market standards to achieve international standards. This is an ongoing objective for the Group and one that will continue to remain in focus for the foreseeable future.

Governance

The Group believes it is important to have a high standard of governance with clear line of sight objectives in order to achieve its sustainable strategy. The Health, Safety, Environment and Sustainability Committee (HSES) is a Committee of the Board and was established in late 2007. The Committee is chaired by Dr Johannes Sittard, the Chief Executive Officer. The other members include two non-executive Directors, Mr Eduard Utepov and Mr Abdraman Yedilbayev, and Mr Felix Vulis, the Chief Operating Officer of the Republic of Kazakhstan.

During the year the HSES Committee met three times. In particular the Committee focused upon:

- formulating a policy on health, safety and environmental issues, with a particular emphasis on health and safety;
- monitoring the development of the governance framework in the Republic of Kazakhstan and strengthening the divisional reporting lines; and
- initiating a review of areas of corporate responsibility where new or revised policies are required.

The HSES Committee is supported by the HSES Working Group which comprises the Group Heads of Environment, Health and Safety, Human Resources and Social Policy. The Working Group has responsibility for monitoring HSE programme implementation, changing regulatory requirements, the development of action plans and proposals for operational improvements. During the year new terms of reference for the Working Group were adopted.

Below
Music students at the Metallugist Cultural Centre, Kazchrome, Aktobe. Dombra is a traditional two stringed lute instrument of Cenral Asia

Right
Central maintenance control room at EEC, Aksu.

Second right
Employees of Aktobe Ferroalloy Plant, Kazchrome, Aktobe

Far right
Football game, Zhairem GOK Sports Centre, Zhairem, Karaganda region

The responsibilities of divisional heads for sustainable issues were increased during the year to facilitate wider implementation of new policies and standards and develop consistent standards of reporting to senior management. There was a particular focus on responsibility for health and safety issues in accordance with the implementation of new safety standards across all operating sites.

The Board adopted a Code of Conduct during 2007 which sets the required standards of behaviour for each employee throughout the Group. In addition, a number of policies including a whistleblowing policy and a new procurement policy were established and rolled out during 2008 and early in 2009 with the intention of reinforcing the high ethical standards which the Group expects of all its employees.

ENRC was the first organisation in the Republic of Kazakhstan to become a signatory to the UN Global Compact and this has provided a framework for greater interaction with other corporations in the Republic of Kazakhstan. ENRC is also an active member of the Kazakhstan Business Council for Sustainable Development which was formed in line with the World Business Council for Sustainable Development and progress continues to be made in developing the remit of the Business Council in the Republic of Kazakhstan.

Key areas for HSES governance developments in 2009
Our goals for 2009 are to:

- continue to monitor the implementation of the new safety management programme and performance under the programme at the nominated operational sites;
- incorporate sustainable development risk management into the governance structure;
- further strengthen the divisional reporting of performance to the HSES Committee and achieve consistency in the provision of key management information; and
- establish a framework to set measurable targets for selected sustainable development indicators in line with GRI/ICMM.

Health and safety

Safety

Mining is a hazardous industry and the failure to adopt high standards of health and safety impacts on both our employees and the communities in which we operate. Safety was identified as a key area of focus during 2007 and has continued to be so during 2008.

There were nine fatal accidents at ENRC sites during 2008 (2007: 15). Whilst any fatality is a major disappointment to the management team, we believe that the significant reduction in fatal accidents is an indication of the impact of the increased level of focus on safety within the Group. This provides us with an added incentive to continue

Business Review continued

Corporate Responsibility Review continued

raising standards with the intention of reducing both the number of incidents and the number of fatal accidents in line with our stated goal of zero accidents.

Safety performance

	2008	2007
Lost Time Injury Frequency Rate (LTIFR)[1]	**0.68**	0.58
Fatal accidents	**9**	15
Fatal Injury Frequency Rate (FIFR) [1]	**0.08**	0.13

[1] Measured per million hours worked

Analysis of the causes of fatal accidents showed the following:

Fatal accidents	2008	2007
Falling	**3**	2
Moving machinery	**3**	9
Fire	**2**	0
Falling objects	**1**	2
Other causes	**0**	2

During the year the Group engaged the services of DuPont in order to carry out a full safety management evaluation at a number of our operational sites in the Republic of Kazakhstan. The work carried out by DuPont included detailed investigation of safety standards, quality of equipment and cultural and behavioural attitudes towards safety.

DuPont identified a strong commitment at senior management and divisional management level to improve safety at operational sites. In addition, comprehensive training programmes and physical inspection programmes were operating and safety departments were well organised and staffed by well qualified people. There were established safety procedures and several locations had been awarded or were in the process of applying for OSHAS 18001 accreditation. However, cultural and behavioural attitudes have a significant impact on the number of accidents and DuPont identified that the majority of accidents at ENRC sites were due to behavioural issues or as a result of violations of safety rules.

As a result of the DuPont findings, the Safety Policy was reviewed and the following changes made:

- The goal of zero fatalities was changed to one of zero injuries. Whilst management recognises that this is extremely difficult to achieve in a hazardous industry such as mining, they also believe that implementing this objective will raise aspirations amongst the workforce to improve safety at all levels.
- A clear statement was issued that safety is deemed to be equal in priority to production and other business parameters and that safety principles will not be sacrificed for business gain.

Below
Train engineer at the underground mine, Donskoy GOK, Kazchrome, Khromtau

Right
Children's hockey team, Serov, Russia

Second right
Employee checking the calcination kiln, AoK Pavlodar

Far right
Classical ballet students at the Metallurgist Cultural Centre, Kazchrome, Aktobe

In addition, DuPont recommended the introduction of corporate safety standards to be used by each operating company by the use of a formal risk assessment standard to be applied at all locations. The risk assessment standard would be used to reduce the level of risk in the operation and set a maximum acceptable level of risk for any activity.

In order to develop an established culture of safe working, management selected Kazchrome to function as a pilot site where new levels of safety management will be introduced. This second stage involves implementing new safety standards at all levels within the plant and the development of a formal safety performance appraisal system with specific, measurable objectives for all managers and the achievement of the safety objectives to be linked to bonus, salary and promotion.

It is intended that once sustained change in behavioural attitudes towards safety standards has been established in Kazchrome, these practices will then be rolled out across all the Group's operational sites in order to develop a higher standard of safety culture in ENRC and significantly reduce the number of accidents. It is anticipated that it will take approximately two years to complete the transition process.

As part of the ongoing focus on improved safety standards, two health and safety training modules were developed by the Group and introduced to all Divisions. These modules have been designed in line with the UK National Examination Board of Occupational Safety and Health (NEBOSH). To date 59 managers have received training under these modules.

Looking ahead
Safety will remain an area of key focus during 2009 and will include:

- Implementation of the new safety management standards in Kazchrome and preparatory work to establish a framework to roll the standards out to all operational sites.
- Further training of employees to NEBOSH standards.
- Development of safety performance appraisal systems and risk assessment standards.
- Further develop reporting procedures to align against international norms.

Health
The provision of employee health and medical programmes is an expected element of corporate duties and these programmes have been a core element of management focus for a number of years. We provide extended programmes to our employees and their families on a voluntary basis and we believe the programmes we operate are amongst best practice in the Republic of Kazakhstan. No major health concerns have arisen during the year.

Business Review continued

Corporate Responsibility Review continued

There is an ongoing focus on reducing the health risk to our employees by replacing old equipment with equipment featuring enhanced health and safety design. In addition, new policies to enforce the use of personal protective equipment have been adopted during the year as part of the new safety management system.

Looking ahead
Goals for occupational health improvement in 2009 will include:

- Continued investment in improved preventative measures to reduce occupational health exposures in areas of dust control, ventilation, noise control, vibration and machine guarding.
- Further focus on training to reduce occupational health risks.

Social policy
The Group has a solid reputation in the Republic of Kazakhstan for being a socially orientated and responsible business. It works closely with the Kazakh Government to implement governmental agreements, programmes and initiatives related to implementing the Law of the Republic of Kazakhstan 'On Social Partnership'.

During the year ENRC has produced a social framework to replace separate operating site policies. The social policy focuses on two key areas: Employees and Communities.

Employees
ENRC is one of the largest employers in the Republic of Kazakhstan. During 2008 the Group employed 66,567 employees (2007: 64,150). As a consequence, our success as a Group depends significantly on our ability to attract, retain and motivate key management and employees and this is an area of focus for senior management. In particular, management is keen to introduce innovative training programmes to help develop employees and encourage them to reach their maximum potential.

As part of the development of a corporate culture throughout the organisation, members of senior management regularly visit the Republic of Kazakhstan to meet with employees at the operational sites.

The Group benefits from good labour relations and has not experienced any material strikes or stoppages at any of its operating sites since it acquired its operating assets. The majority of employees in the Republic of Kazakhstan are members of trade unions and the Group makes significant efforts to engage and work with the trade unions. As a result, the Group has well-balanced industrial agreements and these serve as a basis for the collective agreements each Group company has signed with employees. In addition to the social rights and benefits guaranteed by the Kazakhstani Labour Code, these agreements provide for free medical treatment, loans at favourable mortgage rates, training of employees and their children and preferential packages to sanatoriums, recreation centres and children's recreation camps. Special social programmes are developed for both young people and pensioners.

The impact of the current economic downturn started to be felt most keenly by the Group during the fourth quarter of 2008. The imposition of production cuts, particularly during the winter, and the resulting effect on our employees has been an area of concern for senior management. Steps have been taken to try and mitigate the impact of production cuts on employees by utilising shorter working hours, job sharing and unpaid leave. A number of the Group's plants are located in remote and inaccessible areas in the Republic of Kazakhstan and the community infrastructure, including housing, is largely provided by ENRC. Management is particularly focused on ensuring that no employee loses the right to housing during the current difficulties.

In addition to the social programmes provided for employees in the Republic of Kazakhstan, ENRC has continued to develop the Talent Management Programme during the year. This was introduced in order to provide training and development related programmes for employees. The main training programmes seek to develop the skills of employees to better equip them for their current roles and to upgrade their capabilities so as to enable them to progress within the organisation.

The Talent Management Programme is also designed to accelerate the development of management skills within the Group. The Programme offers training for junior management via the ENRC Manager Standard; the ENRC Mini-MBA for middle management and the MBA programme of Moscow State University Higher School of Business for senior management. During the year 650 employees benefited from management training under one of the above schemes and the Group intends to maintain the level of participation during 2009.

During 2008 the Company made the first awards under its Long Term Incentive Plan. The Plan is designed to incentivise and retain key employees, many of whom work at operational sites in the Republic of Kazakhstan or in ENRC's Astana office.

Looking ahead
During 2009 the areas for focus will include:

- Continuation of the Talent Management Programme.
- Development of skills improvement upgrades.
- Re-training where appropriate.
- Ethics training.

Communities
ENRC operating sites are often located in remote areas of the Republic of Kazakhstan and frequently the Group is the only industry operating in that area. Maintenance of a responsible social contract with these communities is an established practice in ENRC because many of the towns and cities rely on the infrastructure development provided by the Group.

Each year the Group signs agreements with regional Governors in the Republic of Kazakhstan and provides financial support, latterly through the funds Umit Oty and Kokzhiek, and during 2008 through Komek.

The ENRC Komek Corporate Foundation was established during 2008 and is a non-commercial and charitable organisation which will finance cultural, educational and other social activities in the Republic of Kazakhstan. Its long term focus is on the implementation of programmes aimed at supporting ENRC's own workforce, such as improvements to housing conditions, professional staff training and education, as well as the programmes aimed at improving the welfare of the general public, such as development of scientific, technical and artistic creativity, protection of public health, supporting children's homes, schools and higher education institutions, as well as environmental protection.

The Foundation signed agreements with the Governors of Aktobe, Kostanai, Karaganda and Pavlodar regions to finance social projects in these regions during 2008.

In Aktobe the projects included donations to Alginsk Orphanage, support to families and the construction of churches and mosques in Chromtau and Aktobe. In Kostanai the contributions included support for several sports initiatives, including the development of ice hockey facilities. In Karaganda most of the funds were allocated to the provision of housing and in Pavlodar the funds were used for the development of sports facilities and the provision of housing in Ekibastuz and Aksu.

The Group expenditure for Community Social Investment in 2008 amounted to US$31 million (2007: US$34 million).

Looking ahead
During 2009 we will continue to focus on:

- the continued development of Komek;
- continued social housing construction in collaboration with local authorities; and
- closer engagement with local NGOs and other stakeholders to identify community needs and social projects.

Environment
Improvements in environmental protection have been an area of focus for ENRC management for a number of years. ENRC commenced the phased implementation of formal management systems in 2003 including the implementation of ISO 9001 systems for all operations and ISO 14001 environmental management systems for Ferroalloys, Iron Ore, Alumina and Aluminium and Energy divisions. ENRC was the first organisation in the Republic of Kazakhstan to implement an environmental management system certified for ISO 14001.

As the Group develops internationally, it is keen to raise its environmental standards to match international norms. A new environmental code was adopted in the Republic of Kazakhstan in 2007 and it is anticipated that environmental regulations will tighten in future to correspond with tightening regulations across the world. The Group hopes to anticipate such regulations by investing in projects to reduce its environmental impact. These include:

- Investing in new technologies to replace older technologies and minimise environmental impact.
- Resource conservation – use less to produce more.
- Improving performance measurement systems.

ENRC monitors its air emissions, wastewater discharges and the amount of waste generated and tests the quality of ambient air, nearby surface water, soil and groundwater. Renewal of environmental permits requires the submission of an annual statistical report on the monitoring results to the Republic of Kazakhstan's environmental authorities. The provision of such permits may require an environmental payment to be made in respect of routine operations and non-compliance may result in penalties.

The environmental authorities in the Republic of Kazakhstan conduct regular inspections of ENRC site operations and penalties may be imposed as a result of the findings. In 2008 the amount of state inspection penalties was US$31,000 (2007: US$ 42,000).

During the year, ENRC made progress in respect of wastewater management and waste disposal. A new Chemicals Policy was adopted during 2008 and management focused on reducing the impact of hazardous waste by introducing a chemical waste management system.

There were no major environmental incidents during 2008.

Looking ahead
In 2009 we will focus on:

- maximising reuse and recycling water at operational sites to reduce consumption of fresh water;
- reducing energy consumption;
- designing a framework for setting targets in relation to waste management, air emissions and water discharges;
- continue to focus on replacing older technology with new technology with improved air emissions standards; and
- developing the existing environmental database, performance indicators and benchmarks to move towards common international approaches for reporting.

Corporate Governance
Directors' Report

The Directors have pleasure in presenting the second Annual Report and Consolidated Financial Statements of Eurasian Natural Resources Corporation PLC (the 'Company' and, together with its subsidiaries, the 'Group') for the year ending 31 December 2008.

Principal activities
The Group is a leading diversified natural resources group with integrated mining, processing, energy, logistical and marketing operations. Production assets are located in the Republic of Kazakhstan, Russia and China. The Group has five operating divisions: Ferroalloys, Iron Ore, Alumina and Aluminium, Energy and Logistics.

Business review
The Business Review has been prepared to provide the Company's shareholders and other interested parties with a fair review of the business of the Company and a description of the principal risks and uncertainties facing it. In accordance with Section 417 of the Companies Act 2006, the Business Review is incorporated by reference into this report as follows:

Chairman's Statement on pages 08 and 09
Chief Executive Officer's Statement on pages 12 to 15
Key Performance Indicators on pages 20 and 21
Risk Management on pages 22 to 25
Operating Review on pages 26 to 37
Financial Review on pages 40 to 47
Corporate Responsibility Review on pages 48 to 55

Dividends
The Company paid an interim dividend of 12 US cents per ordinary share (2007: nil) in November 2008. The Directors recommend a final dividend of 19 US cents per share in respect of the year ended 31 December 2008, making a total for the year of 31 US cents per share (2007: nil) payable on 17 June 2009 to shareholders on the register at the close of business on 3 April 2009. The default payment currency of the final dividend is US dollars, but registered shareholders may elect to receive their dividend in pounds sterling.

On 6 December 2007, the Company declared a pre-IPO interim dividend of US$500 million, which was paid on 19 December 2007.

Annual General Meeting
The 2009 Annual General Meeting will be held on Wednesday 10 June 2009 at The Lincoln Centre, 18 Lincoln's Inn Fields, London. A separate circular containing the Notice of Meeting, together with an explanation of the items of special business, is enclosed with this Annual Report.

Directors
Details of the current Directors of the Company and their biographies are set out on pages 10 and 11. On 20 February 2008, Mr Daulet Yergozhin resigned as a Director of the Company and Mr Marat Beketayev was appointed in his place. Mr Beketayev, and formerly Mr Yergozhin, are both representatives of the Government of the Republic of Kazakhstan.

Mr Miguel Perry has announced his intention to step down as Chief Financial Officer and from the Board and will leave the Group on 30 June 2009.

At the forthcoming Annual General Meeting, Sir David Cooksey, Gerhard Ammann, Sir Paul Judge and Kenneth Olisa will retire by rotation in accordance with the Company's articles of association and, being eligible, offer themselves for re-election. The Board believes that each Director seeking re-election is an effective member of the Board and demonstrates commitment to his respective role. Further details and biographical information can be found in the Notice of Meeting accompanying this document.

Directors' interests
The number of ordinary shares of the Company in which the Directors were beneficially interested at the date of this report is as follows:

	As at		
	31 March 2009	31 December 2008	31 December 2007
Dr Johannes Sittard	1,600,000	1,850,000	1,850,000
Mr Miguel Perry	601,832	601,832	601,832
Sir David Cooksey	560,185	560,185	560,185
Mr Gerhard Ammann	22,222	22,222	22,222
Mr Marat Beketayev	–	–	–
Mr Mehmet Dalman	212,500	92,500	92,500
Mr Michael Eggleton	–	–	–
Sir Paul Judge	–	–	–
Mr Kenneth Olisa	–	–	–
Sir Richard Sykes	18,471	18,471	18,471
Mr Roderick Thomson	–	–	–
Mr Eduard Utepov	–	–	–
Mr Abdraman Yedilbayev	–	–	–
Mr Daulet Yergozhin	–	–	–

Share capital
As at 31 December 2008 the Company's authorised share capital was $400,000,000 divided into 2,000,000,000 ordinary shares of US$0.20 each. The issued share capital of the Company at 31 December 2008 was 1,287,750,000 ordinary shares of US$0.20 each. The Ordinary shares are listed on the London Stock Exchange and the Kazakhstan Stock Exchange.

The rights and obligations attaching to the Company's shares, in addition to those conferred on their holders by law, are set out in the Articles of Association, a copy of which can be obtained from the General Counsel and Company Secretary at the Company's Registered Office. The holders of Ordinary shares are entitled to receive all shareholder documents, to attend and speak at general meetings of the Company, to appoint proxies and to exercise all voting rights and to participate in distributions of income or capital.

At the 2008 Annual General Meeting ('AGM') shareholders authorised the Company to make market purchases of up to 128,775,000 ordinary shares (representing 10% of the issued share capital of the Company as at 25 April 2008.) No market purchases of shares were made during the year.

At the forthcoming AGM the Board will again seek shareholders' approval to renew the annual authority for the Company to make purchases of its own shares through the market.

Amendments to the articles of association
The Company's articles of association may only be amended by a special resolution at a general meeting of the shareholders. A special resolution proposing further amendments to the articles of association required as a result of the Companies Act 2006, and to amend the Company's borrowing powers to reflect current practice, will be proposed at the forthcoming AGM.

Conflicts of interest
The articles of association were amended at the 2008 AGM with effect from 1 October 2008 to accommodate the changes implemented by the Companies Act 2006 relating to Directors' conflicts of interest. The new articles permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has a formal system in place for Directors to declare any conflicts or potential conflicts and for these to then be considered for authorisation by the Nomination Committee. In deciding whether to authorise such conflicts or potential conflicts, the Nomination Committee members must act in the way they consider would be most likely to promote the success of the Company and they may impose limits or conditions when giving authorisation or subsequently if they think this is appropriate. The Nomination Committee will provide a formal report to the Board on conflicts of interest on an annual basis.

Major interests in shares
The Company has been notified that as at 31 March 2009, the following shareholders own more than 3% of the issued share capital of the Company:

	Number of voting rights	%
Kazakhmys PLC together with Kazakhmys Eurasia BV	334,824,860	26.00
Mr Chodiev	187,836,250	14.59
Mr Ibragimov	187,836,250	14.59
Mr Mashkevitch	187,836,250	14.59
The State Property & Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan	150,047,116	11.65

Relationship agreements
On 7 December 2007, Mr Chodiev, Mr Ibragimov and Mr Mashkevitch entered into a separate relationship agreement with the Company to regulate the ongoing relationship between each Founder Shareholder and the Company. The principal purpose of the relationship agreements is to ensure that transactions and relationships between the Group and the Founder Shareholders are at arm's length and on a normal commercial basis. Under the terms of the relationship agreements, each Founder Shareholder has a right to appoint a Director to the Board as detailed in the Corporate Governance Report on pages 59 to 63. As at the date of this Report, only Mr Ibragimov has exercised this right.

Branches outside the UK
The Group operates sales and marketing offices in Beijing, Dubai, Moscow and Zurich.

Employees
Detailed information about employees is disclosed in the Corporate Responsibility Review on pages 48 to 55.

Creditor payment policy
The Group's policy is to agree terms of trading with suppliers in advance and to make payment in accordance with these terms. Suppliers in the Republic of Kazakhstan often require prepayment and the average number of creditor days outstanding for the Group as at 31 December 2008 was 34 days (2007: 24 days). The average creditor days outstanding as at 31 December 2008 for the Company was nil days (2007: nil days).

Post balance sheet events
The Company acquired an interest in Shubarkol Komir JSC which was announced 16 February 2009. Details can be found in note 37 to the Consolidated Financial Statements on pages 115 and 116.

Political and charitable donations
Sponsorship and donations amounted to US$31 million (2007: US$34 million). During the year, the Group provided the bulk of its charitable financial support through ENRC Komek, a corporate foundation established in the Republic of Kazakhstan during 2008. Komek is a non-commercial and charitable organisation which will finance cultural, educational and other social activities in the Republic of Kazakhstan. The Group regards the provision of charitable donations as an important part of its strategy to maintain good working relationships with local authorities.

For the year ended 31 December 2007, certain Kazakh operating entities of the Group made charitable donations to the 'Umit Oty' fund and the 'Kokzhiek' fund registered in the Republic of Kazakhstan and controlled by the Founder Shareholders. The total donated to these funds amounted to US$22.1 million.

A further description of donations can be found in the Corporate Responsibility Review.

Financial instruments
Details of the Group's financial risk management, objectives and policies, together with details of financial instruments are described in the Risk Management section on pages 22 and 25 notes 19 and 34 to the Consolidated Financial Statements on pages 96 and 108 to 111.

Value of land
Most of the Group's interests in mining properties and leases, and in other land and buildings have been included in the financial statements at cost in accordance with its accounting policies. It is not possible to estimate the market value of such interests in land as this will depend on product prices over the long term which will vary with market conditions

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

Corporate Governance continued
Directors' Report continued

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

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

(i) the Founder Shareholders together no longer have Shareholder Control or Effective Control; or
(ii) a person or persons acting in concert had Effective Control or Shareholder Control or owns more shares in the relevant holding company of the Group than are held by the Founder Shareholders at the date of the Facility; or
(iii) ENRC Marketing and Kazchrome cease to be subsidiaries of the same holding company,

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

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

Auditors and disclosure of information to auditors
The Group's external auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the forthcoming AGM.

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

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

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Corporate Governance
The Group's statement on Corporate Governance is included in the Corporate Governance Report on pages 59 to 63 of these financial statements.

Electronic access to ENRC publications
A copy of the 2008 Annual Report, along with other corporate publications, reports and press releases, is available on the Company's website at www.enrc.com

By order of the Board

Randal Barker
General Counsel and Company Secretary
8 April 2009

Corporate Governance Report

Compliance with the Combined Code

ENRC is committed to high standards of corporate governance. This report details how the Company has applied the principles and provisions of the Combined Code on Corporate Governance (the 'Code') published in June 2006. ENRC has complied fully with the Code during the financial year ended 31 December 2008.

Role of the Board

The Board is responsible for promoting the long-term success of the Company and ensuring that its principal goal is to enhance the Company's long-term value for the benefit of shareholders, whilst having regard to the interests of other stakeholders. At its regular meetings the Board reviews the Company's long-term strategic direction, capital expenditure and budget plans and monitors on a regular basis the Company's operating and financial performance and its approach to risk management. The Board also reviews management performance and assesses whether the Company has the necessary resources in place to meet its objectives. The Board has established a formal schedule of matters which are reserved for its attention and which are published on the Company's website.

Board composition

The roles of Chairman and Chief Executive Officer are clearly separated and their responsibilities have been set out in writing. The Board is chaired by Sir David Cooksey and he is responsible for leading the Board and ensuring it functions effectively. Dr Johannes Sittard is the Chief Executive Officer and he is responsible for the operational management of the Group and the execution of the Group's strategy.

The Board currently comprises, in addition to the Chairman, two executive Directors and ten non-executive Directors, seven of whom are independent according to the definition in the Code.

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

Under the Relationship Agreements between the Company and each of the Founder Shareholders (as disclosed in the Directors' Report on pages 56 to 58), each of the Founders Shareholders has the right to appoint one Director to the Board, for so long as his shareholder group controls 10% or more of the voting rights exercisable at general meetings of the Company. Pursuant to this right, Mr Ibragimov has appointed Mr Yedilbayev to the Board. He is not considered to be independent under the Code.

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

Details of the individuals' skills and experience are contained within the Directors' biographies on pages 10 and 11.

Directors' attendance at Board and Committee meetings during 2008

During 2008 there were eight formal Board meetings and attendance at these meetings and the meetings of the Board's main Committees was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee	HSES Committee
Total number of meetings held in year	**8**	**5**	**4**	**4**	**3**
Gerhard Ammann	7	5		3	
Marat Beketayev[2]	6				
Sir David Cooksey	8			4	
Mehmet Dalman	7		3	3	
Michael Eggleton	8	5		2	
Sir Paul Judge	7	3	2	3	
Kenneth Olisa	8	4	2	4	
Miguel Perry	8				
Dr Johannes Sittard	8				3
Sir Richard Sykes	8		4	4	
Roderick Thomson	7	5		3	
Eduard Utepov	6				2
Abdraman Yedilbayev	5				2
Daulet Yergozhin[1]	1				

[1] Resigned 20 February 2008.
[2] Appointed 20 February 2008.

In addition, a further four meetings of a Sub-Committee of the Board were held during the year to issue formal approvals such as those required in respect of the Preliminary or Interim Results announcements, or deal with other specific matters which had been delegated to the Sub-Committee for approval.

Corporate Governance continued
Corporate Governance Report continued

Information and professional development of the Board
The Board is supplied with regular and timely information in a form that enables it to discharge its duties. Board papers are generally distributed five days in advance of meetings to enable Directors to obtain a thorough understanding of the matters to be discussed. The Board also holds at least one formal meeting per year in the Republic of Kazakhstan to enable Directors to gain a greater understanding of the Group's operating environment.

All Directors have access to the advice and services of the General Counsel and Company Secretary, who is responsible for advising the Board on corporate governance matters and ensuring that Board procedures and applicable laws and regulations are followed. The General Counsel and Company Secretary provides regular updates to the Board on the legal and regulatory environment and is responsible for ensuring that any other training needs are identified and met. On appointment, Directors are provided with adequate information to ensure that they fully understand the business of the Group and their legal and regulatory responsibilities as a Director of the Company. The appointment and removal of the General Counsel and Company Secretary is a matter for the Board.

The Board has put in place a procedure whereby all Directors have access, through the General Counsel and Company Secretary, to independent professional advice at the expense of the Company. The Company also maintains an appropriate level of Directors' and Officers' liability insurance. An indemnity was put in place during 2008 for the benefit of current Directors and Officers of the Company and those of its subsidiaries to enable the Company to fund the costs incurred by Directors in defending certain claims against them in relation to their duties as Directors. The indemnity operates only to the extent that the Directors' and Officers' liability insurance does not afford protection.

Board Evaluation
As 2008 was the first full year in which the Board worked together, the decision was taken to appoint an external consultant to carry out the first annual Board Evaluation. This was facilitated by means of an in-depth structured interview with each Director. Questions focused on the operation of the Board and its committees, the contributions of individual Directors and a review of the Chairman's performance. The results of the review were then considered with the Chairman and subsequently discussed collectively by the Board.

The Board was satisfied that considerable advances had been made during the first year of working together but additional progress was to be expected over time. There will be additional follow-up meetings during the early part of 2009 to ensure that further improvements in effectiveness are implemented during the year and in 2010.

The non-executive Directors, led by Sir Richard Sykes as Senior Independent Director, carried out an evaluation of the Chairman.

Re-election of Directors
All the Directors offered themselves for election at the AGM held in June 2008 because this was the first general meeting to take place since incorporation. Under the current articles of association, a minimum of one-third of the Directors retire by rotation each year. This ensures that each Director is re-elected at least every three years. Details of the Directors retiring by rotation at the forthcoming AGM are contained in the Notice of Meeting which accompanies the Report & Accounts. The Board remains satisfied that each Director proposed for re-election is competent to carry out his responsibilities as a member of the Board.

Board committees
The Board has established four principal committees.

Audit Committee
The Audit Committee is chaired by Mr Gerhard Ammann, who is considered to have recent and relevant financial experience. The other members of the Audit Committee are Mr Michael Eggleton, Sir Paul Judge, Mr Kenneth Olisa and Mr Roderick Thomson, all of whom are independent non-executive Directors. Each member is considered to have extensive commercial and business leadership experience.

Under its terms of reference the Audit Committee is required to meet at least four times a year at appropriate times in the reporting and audit cycle. Meetings are timed so as to enable the Committee to review the Group's key financial announcements prior to release. The Audit Committee Chairman provides a verbal update on the Committee findings and recommendations at the next Board meeting, identifying any matters in respect of which action or improvement is required.

Invitations to attend Audit Committee meetings are extended to the Chief Financial Officer, the Deputy Chief Financial Officer, the Head of Internal Audit, the General Counsel and Company Secretary and the Group Risk Manager, none of whom attend by right. In addition, the external auditors attend each Committee meeting and also meet separately with the Committee to facilitate discussions without the presence of management.

The primary responsibilities of the Audit Committee include the following:

- To monitor the integrity of the Company's financial reporting.
- To review the Group's internal control and risk management systems.
- To monitor the effectiveness of the Group's internal audit function.
- To oversee the relationship with the Group's external auditors.

Committee activities
The Committee met five times during 2008.

During the year the Committee reviewed the Company's Preliminary and Interim announcement of results and received regular reports from the internal audit function, the external auditors and updates on risk management and internal controls. The Committee also reviewed the 2008 Budget and financial reporting procedures to be operated by the Group.

External audit
The overall performance of the auditors is reviewed annually by the Audit Committee. Since 2008 was the first full year since the Company's IPO, this review was carried out shortly after the year end so as to enable full consideration to be given to performance over the year in question.

The Audit Committee is responsible to the Board for ensuring that the external auditor remains independent of the Company in all material respects and that PricewaterhouseCoopers LLP, as external auditors, are adequately resourced so as to enable the delivery of an objective audit to the shareholders. The Audit Committee is also responsible for making formal recommendations each year to the Board in respect of the continuation of the external auditor in office.

The Audit Committee also reviews the level and nature of any non-audit work to be performed during the year and considers whether it is appropriate for this work to be carried out by the external auditors. The auditors are precluded from engaging in non-audit services that would compromise their independence or violate any laws or regulations affecting their appointment as auditors.

Internal Audit

During the first half of 2008 the internal audit function was in a developmental stage and the Audit Committee appointed Deloitte & Touche to assist with some of the internal audit work whilst the recruitment of a full team of internal auditors was completed. Deloitte & Touche carried out internal audit work in accordance with the initial annual internal audit plan which was approved by the Audit Committee in February 2008 and regular updates on progress were provided to the Committee during the year.

During the second half of 2008 a new Head of Internal Audit was appointed and his team continued to develop its working practices. The 2009 Internal Plan was approved in December 2008. The Head of Internal Audit reports to the Audit Committee at each of its meetings and provides assurance, independent of the assurance provided by the Chief Financial Officer, that control activities, which have been subject to audit by his team, are operating effectively.

Whistleblowing

The whistleblowing policy approved by the Board in July 2007 was disseminated throughout the Group during 2008. The policy enables employees to raise any concerns they may have about workplace fraud or mismanagement with local management on a confidential basis. The complaint will then be investigated in the first instance and a decision taken about further steps. Feedback is provided to the person making the complaint. Written records are kept of all whistleblowing incidents and a regular status report is presented to the Board.

Health, Safety, Environment & Sustainability Committee (HSES Committee)

The HSES Committee is chaired by Dr Johannes Sittard. The other members comprise Mr Abdraman Yedilbayev and Mr Eduard Utepov who are both non-executive Directors of the Company and Mr Felix Vulis, the Chief Operating Officer for the Republic of Kazakhstan.

The primary role of the HSES Committee is to assist the Board in its oversight of health, safety and environmental risks and to monitor the Group's health and safety performance and its compliance with applicable legal and regulatory requirements.

Further details of the work of the HSES Committee are set out in the Corporate Responsibility Review on pages 48 and 55.

Nomination Committee

The Nomination Committee is chaired by Sir David Cooksey. The other Committee members are Mr Gerhard Ammann, Mr Mehmet Dalman, Mr Michael Eggleton, Sir Paul Judge, Mr Kenneth Olisa, Sir Richard Sykes and Mr Roderick Thomson.

The Committee is responsible for reviewing the size, structure and composition of the Board, taking into account the skills, knowledge and experience of Directors and for recommending to the Board any potential new candidates. The Committee also gives consideration as to whether non-executive Directors have sufficient time to devote to the proper performance of their duties and makes recommendations in relation to the retirement and re-election of Directors at the Company's AGM. In addition, the Committee has assumed day to day responsibility for monitoring Directors' situational conflicts of interest or potential conflicts of interest in accordance with the Companies Act 2006 and will provide a formal report to the Board on an annual basis. However, the actual approval of any conflicts or potential conflicts remains the responsibility of the Board.

The Committee is required to meet at least twice a year and during 2008 it met four times. One of these meetings was to consider a replacement non-executive Director representing the Government of the Republic of Kazakhstan following the resignation of Mr Daulet Yergozhin on 20 February 2008. Accordingly, Mr Marat Beketayev was recommended and subsequently appointed to the Board.

At its other meetings during the year, the Committee reviewed the composition of the Board and considered the succession planning process for the senior management team, including the process around the extension of the CEO's contract and the CFO's decision to step down in June 2009.

The Committee's terms of reference are available on the Company's website.

Remuneration Committee

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

The main roles of the Remuneration Committee are as follows:

- To determine and recommend to the Board the broad policy for the remuneration of Executive Directors and members of the senior management team.
- To determine the policy and scope for pension rights for each Executive Director.
- To approve the design of any performance related pay schemes operated by the Group and determine the relevant performance targets as well as approving annual payments made under such schemes.
- To review the design of any share incentive plans for approval by the Board and shareholders and to determine the performance targets and the appropriate level of annual awards to be made.
- To ensure that any compensation payments made in respect of termination of contracts are fair to the individual but do not reward failure and that the duty to mitigate loss is fully recognised.

The remuneration of the Chairman and non-executive Directors is a matter for decision by the full Board.

During 2008 the Remuneration Committee met four times. The Committee met to approve the bonus payments awarded in respect of performance in 2007 and to determine and approve the performance targets for bonus arrangements in respect of 2008. The Committee also determined the performance targets for the Long Term Incentive Plan and approved the awards made under the Plan in May 2008.

The Directors' Remuneration Report is set out on pages 64 to 67. A resolution to approve the Remuneration Report will be proposed at the forthcoming AGM.

The Group's approach to Risk Assessment, Management and Internal Control

The Board is responsible for the Group's approach to Risk Management as described in the Risk Management section on pages 22 to 25.

Risk assessment

Assessment of the risks which may adversely affect the achievement of the Group's objectives operates throughout the Group. Management reviewed the Key Business Risk Assessment in June 2008 and reports on Risk Management have been provided to the Audit Committee at each meeting during 2008. Management reviews the risk assessment on a regular basis.

Corporate Governance continued

Corporate Governance Report continued

As part of the risk assessment process the Group has adopted the following approach during 2008:

Management considers risks to the Group under the headings of:

- Strategic Objectives – these relate to the Group's long term business objectives.
- Operational Objectives – these relate to effectiveness and efficiency of the Group's operations, including performance and profitability goals and safeguarding resources against loss.
- Compliance Objectives – these relate to adherence to the laws and regulations to which Group companies are subject.
- Financial Objectives – these relate to the financial status of the Group and Group companies and their arrangements for financial reporting, including the prevention of fraudulent public financial reporting.

This approach considers the potential impact of each risk and the likelihood of the risk materialising at an 'inherent' level, for example, before considering any controls which may be in place to manage or mitigate the risk.

Response to key business risks

The output of each risk assessment meeting of management is an updated list of key business risks which are those risks which have a high overall risk rating and therefore most critically require an appropriate response; this will require control procedures to be implemented to manage or mitigate those risks to a level which is consistent with the Group's overall risk appetite.

The Group recruited a Group Risk Manager in May 2008 to co-ordinate the process of responding to Key Business Risks and to report on these matters to the Chief Financial Officer and the Audit Committee. Each significant Group Company has appointed a Business Risk Manager to be the principal point of contact on matters of risk and control within that business.

A list of the Key Business Risks arising from the assessment process, and the responses to those risks, is maintained by the Business Risk Managers. The Group risk matrices are tabled annually for review and adoption by the Audit Committee and the Committee receives quarterly reports on the risk management activities.

Assurance on the operation of systems of internal control

The Board considers risk assessment and internal control to be fundamental to achieving the Group's strategic corporate objectives. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Key elements of the internal control process are as follows:

- The Board regularly reviews and updates the Group's strategy and those of its operating companies.
- The Board reviews performance through a system of reporting, based on an annual budget with monthly business reviews against actual results.
- The Board seeks assurance that effective control is being maintained and deficiencies addressed through regular reports from the Audit Committee.

The Audit Committee, on the basis of delegated authority from the Board, has completed an annual assessment of the effectiveness of the systems of internal control of the Group as required by the Code. The 2009 assessment represented the first time this process had been carried out.

The Group decided to focus the annual assessment on workshops which took place in February 2009 and which were attended by the General Directors and Financial Directors of each of the Group's operations, supported by senior financial, sales and marketing, legal and operational management from throughout the Group.

The workshops focused on policies and guidelines designed to address areas identified by management and Internal Audit during 2008 as requiring improvement as well as the control procedures which the Group had already established to manage Key Business Risks. These included:

- Financial reporting – the adoption of more focused monthly management reporting formats, increased interaction between London, Astana and operational business units before each month end and by improved monitoring controls in London and Astana.
- Procurement – the development of a list of approved suppliers, the implementation of tendering procedures for all significant contracts, the creation of an open access procurement website, the restriction of the use of intermediaries and the application of rigorous budgetary cost control.
- Customer credit default – the use of credit insurance for certain commodities, the setting of strict credit limits for each customer, the production of weekly information on outstanding receivables and close monitoring by the Finance Director of Sales and Marketing and the Chief Financial Officer.
- Financial counterparty default – creating a list of approved counterparties on the basis of their credit ratings, or where these are not available, by an internal assessment of the counterparty's financial strength and by restricting the amounts which may be placed with each counterparty.
- Capital projects – adopting new procurement policies for all projects, by greater use of external technical advice at the feasibility stage of a new project, by subjecting all existing and proposed projects to scrutiny by the management of the Group on a regular basis and by challenging the inclusion of project spending within the 2009 Budget process.

The Audit Committee has reviewed a report from the Chief Financial Officer setting out the contents and proceedings of the workshops and explaining the basis on which he has obtained assurance as to the operation of the Group's systems of internal controls.

The workshops enabled the Group to make progress in the development of systems of internal control. The Board recognises that there is still significant progress to be made to achieve improved and consistent standards of internal control across the Group.

Relations with shareholders

During 2008 the Group met with a large number of investors in the United Kingdom, continental Europe and the United States of America.

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

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

Information on investor relations activity and analysts' and brokers' reports are regularly circulated to the Board. The Chairman and non-executive Directors are free to attend investor relations meetings or to request meetings with investors or analysts independent of the Group's management.

The second Annual General Meeting is due to be held on 10 June 2008 and the Board welcomes the opportunity to answer questions put forward to them by shareholders of the Company.

Going concern

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

Corporate Governance continued
Remuneration Report

Introduction
The Remuneration Report has been prepared by the Remuneration Committee and approved by the Board and sets out the Group's remuneration policy for the year ended 31 December 2008.

Role of the Remuneration Committee
The Remuneration Committee is a formal committee of the Board. Its remit is set out in terms of reference formally adopted by the Board in 2007 and which were reviewed and amended in April 2008. The terms of reference are designed to enable the Committee to comply with the requirements relating to remuneration policy set out in the Code. A copy of the terms of reference can be found on the Company's website.

The principal responsibilities of the Remuneration Committee are:

- to determine and recommend to the Board a broad framework for the remuneration of the Executive Directors, the Chairman, the General Counsel and Company Secretary and other senior executives of the Group;
- to monitor the effectiveness of the Group's remuneration policy;
- to approve the design and performance targets of any performance related pay schemes operated by the Group and to approve the total annual payments made under such schemes; and
- to review the design of share based incentives and determine the level and extent to which awards are made during the year.

Membership of the Remuneration Committee
The members of the Committee, all of whom are independent non-executive Directors and were appointed on 6 December 2007, are as follows:

- Sir Richard Sykes (Chairman)
- Mehmet Dalman
- Sir Paul Judge
- Kenneth Olisa

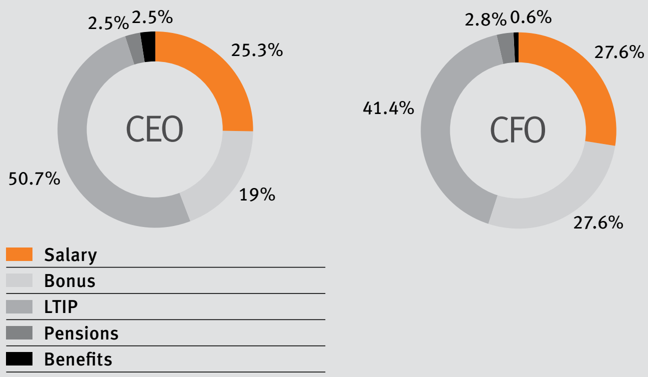
The General Counsel and Company Secretary acts as Secretary to the Committee. The Chief Executive Officer and the Head of Human Resources also attend Committee meetings by invitation, but none is present when the Committee discusses issues relating to their own remuneration.

Advisors to the Remuneration Committee
During the year, the Committee retained New Bridge Street Consultants and Kepler Associates to provide advice in relation to the Long Term Incentive Plan. Neither advisor provided any other service to the Group during the year. In making its decisions, the Committee has consulted with the Chief Executive Officer and the General Counsel and Company Secretary.

Remuneration policy
The Group's remuneration policy is focused upon providing a level of remuneration which attracts, retains and motivates Directors and senior executives of sufficient calibre to achieve the Group's strategic goals and enhance shareholder value, whilst ensuring that remuneration is consistent with best practice and provides an appropriate alignment with personal and business performance. The Committee recognises that there is a competitive market for successful executives with experience in the mining industry and that the provision of appropriate rewards for superior performance is important for the continued growth of the business. The Committee's aim in formulating remuneration policy is to assess relevant benchmark data from sources such as other FTSE 100 companies of a similar size and complexity, international mining companies and the market generally. In setting remuneration within this framework, the Committee aims to give senior executives every encouragement to enhance the Group's performance whilst ensuring that they are fairly, but responsibly, rewarded for their personal contributions.

The Committee believes that it is important to benchmark the remuneration packages of senior executives, particularly during the current economic turmoil. Accordingly, at the beginning of 2009, the Committee instructed Kepler Associates to carry out a full review of senior executive remuneration packages. As a consequence of this review, the Committee has decided to make some changes for 2009 to the Annual Performance Bonus as disclosed in the relevant section below.

Components of Executive Directors' remuneration
Remuneration packages are structured to provide an appropriate balance between fixed and variable elements. The main components of the two Executive Directors' remuneration and the percentage of each element as part of the total package are detailed below.



Base Salary
Base salaries are reviewed annually by the Committee and take account of the relevant benchmark data (as described above), and pay quantum and structure more generally throughout the Group.

Annual Bonus
During the year ended 31 December 2008, Executive Directors participated in an annual bonus arrangement with performance measures based on Group financial performance (80% of bonus potential), personal performance (10% of bonus potential) and health and safety performance (10% of bonus potential). Specific financial targets have not been disclosed as they are considered to be commercially confidential but they are deemed to be appropriately challenging by the Committee and will only pay out in full for exceptional performance.

The maximum bonus potential for 2008, payable for exceptional levels of performance, was set at 100% of base salary for the Chief Executive Officer and 100% of base salary for the Chief Financial Officer. Half of the maximum bonus potential was payable at target performance levels. Details of the actual amounts paid for 2008 are set out in the Directors' emoluments table on page 65.

For the year ending 31 December 2009, the performance measures for the annual bonus arrangements have been amended slightly so that they are based on Group financial performance (75% of bonus potential), health and safety performance (15% of bonus potential) and personal performance (10% of bonus potential).

Long Term Incentive Plan (LTIP)
The LTIP awards made on 7 May 2008 had a performance condition based on the Company's Total Shareholder Return performance measured against a comparator group of 22 other international mining companies. The comparator companies are BHP Billiton, Rio Tinto, Xstrata, Alcoa, Freeport-McMoRan Copper & Gold, Teck Cominco, Vedanta Resources, Mount Gibson, Antofagasta, Cameca, Kazakhmys, Peabody Energy, Forescue Metals, CVRD, Grupo Mexico, Ferrexpo,

Aricom, Portman, Aluminium Corp of China, Mitsubishi Materials Corp, Outokumpo OYJ and Cleveland Cliffs Inc. Of these comparator companies, Portland was acquired by Cleveland Cliffs Inc on 11 December 2008 and awards made in 2009 will be measured against a resulting comparator group of 21 companies. The performance condition will be measured over the three year period from 1 January 2008 until 31 December 2010 and the final number of shares released to employees will depend on the final ranking of the Company against its comparators in terms of Total Shareholder Return. If the ranking is equal to the upper quartile then 100% of the allocated shares will be released; if the ranking is equal to the median ranked company then 25% of the allocated shares will be released. Between these two levels of performance, vesting is on a pro-rata basis. No shares will be released if the ranking is below median.

In addition to the above, the awards will not vest unless the Remuneration Committee is satisfied that the Company's Total Shareholder Return over the performance period reflects the underlying financial performance of the Group.

The Committee considers that Total Shareholder Return remains the most appropriate measure of long-term Company performance, providing alignment of interests between management and shareholders, and therefore intends that 2009 LTIP awards will be subject to the same performance condition. Any acquired comparator companies will be dropped from the comparator group.

In 2008, the maximum level of award under the LTIP was set at 200% of base salary for the Chief Executive Officer and 150% of base salary for the Chief Financial Officer, based on the average market value of the shares over the five days preceding the date of grant.

Long Term Incentive Plan Director	Share awards held at 1 January 2008	Share awards granted during the year[1]	Share awards held at 31 December 2008
Dr Johannes Sittard	–	249,792	249,792
Miguel Perry	–	74,938	74,938

[1] The average market value of the Company's ordinary shares over the five days preceding the date of grant was £12.01.

Pensions and benefits

Both Executive Directors are members of the ENRC Personal Pension Plan, a defined contribution pension scheme. An employer contribution of 10% of base salary is made to the Plan on behalf of each Executive Director, subject to the UK Government's annual cap on such contributions. Accordingly, for the year ended 31 December 2008 amounts of £150,000 and £60,000 were paid into the Plan in respect of the Chief Executive Officer and the Chief Financial Officer respectively.

Benefits comprise life assurance, private healthcare, travel insurance and income protection insurance. The Chief Executive Officer receives a fully funded car and driver, and a gardener. The taxable value of these benefits is included in the emoluments table below.

Directors' remuneration for the period 1 January 2008 to 31 December 2008

The following table gives details of Directors' remuneration for the period 1 January to 31 December 2008:

Stated in £'000 sterling	Base salary and fees	Annual performance bonus	Value of LTIP awards	Benefits in kind	Pension contributions	**Total 2008**	Total 2007
Executive Directors							
Dr Johannes Sittard	1,500	1,125	3,000	150	150	**5,925**	13,879
Miguel Perry	600	600	900	13	60	**2,173**	3,803
Non-executive Directors							
Sir David Cooksey	500	–	–	–	–	**500**	2,108
Gerhard Ammann	120	–	–	–	–	**120**	8
Marat Beketayev[2]	84	–	–	–	–	**84**	0
Mehmet Dalman	100	–	–	–	–	**100**	7
Michael Eggleton	100	–	–	–	–	**100**	7
Sir Paul Judge	100	–	–	–	–	**100**	7
Kenneth Olisa	100	–	–	–	–	**100**	7
Sir Richard Sykes	250	–	–	–	–	**250**	17
Roderick Thomson	100	–	–	–	–	**100**	7
Eduard Utepov	100	–	–	–	–	**100**	7
Abdraman Yedilbayev	100	–	–	–	–	**100**	7
Daulet Yergozhin[1]	16	–	–	–	–	**16**	7
Total	3,770	1,725	3,900	163	210	**9,768**	19,871

[1] Daulet Yergozhin resigned from the Board on 20 February 2008.
[2] Marat Beketayev was appointed as a Director on 20 February 2008.

Remuneration Report continued

Directors' contracts

Executive Directors

Both Executive Directors have service agreements which can be terminated by either the Group or the Executive Director giving 12 months' notice. Under the terms of the contracts, the Group reserves the right, in its absolute discretion, to terminate an Executive Director's employment by making a payment in lieu of notice. In the event of a contract being terminated, the Remuneration Committee would determine the level of any compensation to be paid, normally by reference to fixed elements of remuneration and the notice period. Any annual bonus payment or vesting of shares under the Long Term Incentive Plan would be at the discretion of the Remuneration Committee. Payments would normally be pro-rated and subject to the performance conditions under which the awards were granted.

Dates of the service agreements are:

Name	Date of contract	Notice period
Dr Johannes Sittard	1 May 2007	12 months
Miguel Perry	12 March 2007	12 months

The Company announced on 25 March 2009 that the Chief Executive Officer had agreed to extend his contract of employment and will remain with the Group up until 30 September 2010. The Company also announced that Mr Miguel Perry would step down as Chief Financial Officer and from the Board and will leave the Group with effect from 30 June 2009.

Subject to Board approval, Executive Directors are permitted to accept outside appointments on external boards or committees so long as these are not deemed to interfere with the business of the Company. Any fees in respect of those appointments are retained by the Executive Directors concerned. During 2008, the Chief Executive Officer received US$200,000 in respect of external directorships (2007: US$2,036,074).

Non-executive Directors

Non-executive Directors do not have service contracts with the Company, but each has a Letter of Appointment. These specified that each non-executive Director would be appointed until the conclusion of the Company's AGM in June 2008. They retired and were all duly re-elected at this meeting. Each appointment was then continued a further three years from the date of the 2008 AGM. Details of the Letters of Appointment are summarised below.

Non-executive Director	Effective date of letter of appointment	Unexpired term
Sir David Cooksey	15 November 2007	2 years 3 months
Gerhard Ammann	9 November 2007	2 years 3 months
Marat Beketayev	20 February 2008	2 years 3 months
Mehmet Dalman	23 November 2007	2 years 3 months
Michael Eggleton	15 November 2007	2 years 3 months
Sir Paul Judge	14 November 2007	2 years 3 months
Kenneth Olisa	14 November 2007	2 years 3 months
Sir Richard Sykes	4 December 2007	2 years 3 months
Roderick Thomson	15 November 2007	2 years 3 months
Eduard Utepov	9 November 2007	2 years 3 months
Abdraman Yedilbayev	21 November 2007	2 years 3 months
Daulet Yergozhin (resigned 20 February 2008)	9 November 2007	n/a

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

Non-executive Directors' fees

The remuneration of the non-executive Directors (other than the Chairman) is a matter for the Chairman and the Executive Directors. Fees are designed to ensure that the Company attracts and retains high calibre individuals. They are reviewed on an annual basis and account is taken of the level of fees paid by other companies of a similar size and complexity. Non-executive Directors do not participate in any annual bonus plan, long-term incentive plan or pension arrangements. The Company reimburses the reasonable expenses that non-executive Directors incur in carrying out their duties as Directors.

The fees payable to the Chairman are determined by the Remuneration Committee and following a review, the level of fees remain unchanged for 2009.

During 2008 the base fee for non-executive Directors was £100,000 per annum. There was no increase in this fee for 2009.

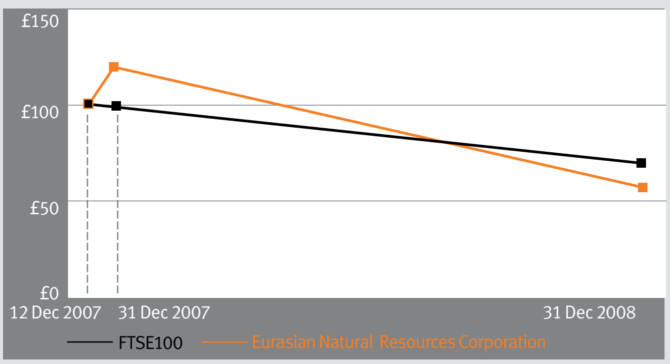
Additional fees of £20,000 per annum are payable to Gerhard Ammann as chairman of the Audit Committee and additional fees of £150,000 per annum are payable to Sir Richard Sykes in relation to his chairmanship of the Remuneration Committee and his role as Senior Independent Director. There was no increase in these additional fees for 2009.

As members of the Kazakh Government, neither Mr Beketayev nor Mr Utepov are permitted to receive their fees personally. The fee for Mr Beketayev and Mr Yergozhin was donated to the London School of Economics and Political Science. As part of a larger and already ongoing engagement with the Republic of Kazakhstan to facilitate the training and development needs of its Government, the School kindly offered to support two study visits for small groups of government officials from the Republic of Kazakhstan in 2009. Mr Utepov intends to donate his fee to a charitable organisation to be determined in 2009.

Performance graph

As required by Schedule 7A of the Companies Act 1985, the Company's TSR performance is shown against a recognised share index. ENRC became a constituent of the FTSE 100 index on 28 March 2008 and this index is considered to be the most appropriate. The following graph charts the total cumulative shareholder return of ENRC compared with the FTSE 100 since 12 December 2007 (being the first date of trading for ENRC shares).

Total shareholder return – value of hypothetical £100 holding



Source: Bloomberg

Note: TSR based on end of year prices, shown since ENRC's listing on 12 December 2007

The mid-market price of ENRC shares at 31 December 2008 was 330p and between 31 December 2007 and 31 December 2008, the lowest and highest share price was 183p and 1,550p respectively.

Auditors

This Report contains both audited and non-audited information. As required under Part 3 of Schedule 7A to the Companies Act 1985, PricewaterhouseCoopers LLP has audited the following elements of the Report:

- Short-term employee benefits including basic salaries and fees, cash bonuses and non-monetary benefits which are included in the table of Directors' remuneration and its footnotes.
- The awards made during 2008 under the Long Term Incentive Plan.
- The disclosure of Directors' defined contribution pension costs.

Annual General Meeting

The Committee Chairman is available at the Company's AGM to answer any questions on the Committee's activities and shareholders will be asked to vote on this Remuneration Report at the AGM.

Signed on behalf of the Board of Directors

Sir Richard Sykes
Chairman of the Remuneration Committee
8 April 2009

Corporate Governance continued
Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the parent company financial statements in accordance with applicable law and regulations.

Company law requires The Directors to prepare financial statements for each financial year. Under that law The Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, The Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state that the Group financial statements comply with IFRSs as adopted by the European Union and with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Each of the Directors, whose names and functions are listed on pages 10 and 11, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report and Business Review include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Independent Auditors' Report to the members of Eurasian Natural Resources Corporation PLC

We have audited the consolidated financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2008, which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Change in Equity and the related notes to the consolidated financial statements. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2008 and on the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

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

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the consolidated financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
8 April 2009

Consolidated Income Statement

		Years ended 31 December	
In millions of US$	Note	**2008**	2007
Revenue	6	**6,823**	4,106
Cost of sales	7	**(2,088)**	(1,701)
Gross profit		**4,735**	2,405
Distribution costs	8	**(431)**	(373)
Selling, general and administrative expenses	9	**(422)**	(606)
Net other operating expenses	10	**(32)**	(5)
Operating profit		**3,850**	1,421
Finance income	13	**132**	58
Finance costs	14	**(143)**	(158)
Share of loss of joint ventures	35	**(12)**	–
Profit before income tax		**3,827**	1,321
Income tax expense	15	**(1,143)**	(507)
Profit for the year		**2,684**	814
Profit attributable to:			
Equity shareholders of the Group		**2,642**	798
Minority interests		**42**	16
Earnings per share – basic and diluted (US cents)	16	**205**	79
Earnings per share before exceptional items (2008: US$ nil, 2007: US$182 million) – basic and diluted (US cents)	9,16	**205**	97

The notes on pages 74 to 116 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

In millions of US$	Note	As at 31 December 2008	2007
Assets			
Non-current assets			
Property, plant and equipment	17	**4,282**	3,232
Goodwill and intangible assets	18	**495**	390
Investments in joint ventures	35	**313**	–
Loans receivable	20	**70**	7
Deferred tax assets	15	**32**	8
Other non-current assets	21	**429**	322
Total non-current assets		**5,621**	3,959
Current assets			
Current assets held for sale		**3**	–
Inventories	22	**724**	438
Trade and other receivables	23	**1,090**	1,045
Financial assets	19	**81**	170
Loans receivable	20	**2**	28
Cash and cash equivalents	24	**2,493**	2,548
Total current assets		**4,393**	4,229
Total assets		**10,014**	8,188
Equity			
Share capital and share premium	25	**3,257**	3,257
Reserves		**4,915**	2,457
Attributable to the Group's equity shareholders		**8,172**	5,714
Minority interests		**126**	75
Total equity		**8,298**	5,789
Liabilities			
Non-current liabilities			
Borrowings	26	**372**	1,065
Deferred tax liabilities	15	**183**	295
Asset retirement obligations	27	**69**	86
Employee benefit obligations	28	**37**	52
Derivative financial instruments	33	**–**	51
Other non-current liabilities		**5**	–
Total non-current liabilities		**666**	1,549
Current liabilities			
Borrowings	26	**355**	359
Trade and other payables	29	**411**	351
Derivative financial instruments	33	**54**	19
Current income tax payable		**181**	28
Other taxes payable	30	**49**	93
Total current liabilities		**1,050**	850
Total liabilities		**1,716**	2,399
Total liabilities and equity		**10,014**	8,188

These Group consolidated financial statements on pages 70 to 73 and the accompanying notes on pages 74 to 116, were authorised for issue by the Board of Directors on 8 April 2009 and were signed on its behalf by:

Dr Johannes Sittard
Chief Executive Officer

Miguel Perry
Chief Financial Officer

Consolidated Cash Flow Statement

In millions of US$	Note	Years ended 31 December 2008	2007
Net cash generated from operating activities	31	**2,766**	1,079
Cash flow from investing activities			
Purchase of property, plant and equipment		**(1,479)**	(1,042)
Proceeds from sales of property, plant and equipment		**5**	71
Purchase of intangible assets		**–**	(1)
Purchase of joint ventures	35	**(317)**	–
Proceeds from sales of investments		**–**	24
Purchase of financial assets at fair value through profit and loss		**(76)**	–
Purchase of available-for-sale financial assets		**(15)**	–
Purchase of financial assets held to maturity		**(4)**	–
Payments of pre-acquisition dividends on subsidiaries acquired		**(61)**	–
Acquisition of subsidiaries, net of cash acquired	35	**(86)**	–
Prepayments for acquisition of subsidiary	21,35	**–**	(100)
Loans and deposits granted to related parties		**(54)**	(119)
Loans and deposits granted		**(150)**	(243)
Proceeds from repayment of loans and deposits to related parties		**144**	21
Proceeds from repayment of other loans and deposits		**174**	38
Net cash used for investing activities		**(1,919)**	(1,351)
Cash flow from financing activities			
Bank borrowings – proceeds		**24**	1,423
Bank borrowings – repayments		**(704)**	(229)
Related party borrowings – repayments		**–**	(1,011)
Bond repayments		**(21)**	–
Dividends paid to equity shareholders		**(148)**	(500)
Dividends paid to minority interests		**(5)**	(66)
Proceeds from issuance of shares		**–**	3,055
Shareholders’ Settlement Agreement – repayment		**–**	(191)
Net cash (used for)/generated from financing activities		**(854)**	2,481
Net changes in cash and cash equivalents		**(7)**	2,209
Cash and cash equivalents at beginning of year		**2,548**	336
Exchange (loss)/gain on cash and cash equivalents		**(48)**	3
Cash and cash equivalents at end of year	24	**2,493**	2,548

Consolidated Statement of Changes in Equity

		Attributable to equity holders of the Group								
In millions of US$	Note	Share capital	Share premium	Retained earnings	Translation reserve	Revaluation reserve of financial assets available-for-sale	Hedge reserves	**Total**	Minority interests	**Total equity**
Balance as at 31 December 2006		200	–	1,799	212	–	–	2,211	61	2,272
Profit for the year		–	–	798	–	–	–	798	16	814
Currency translation differences		–	–	–	165	–	–	165	3	168
Total recognised income and expense for year ended 31 December 2007		–	–	798	165	–	–	963	19	982
Dividends paid	16	–	–	(500)	–	–	–	(500)	–	(500)
Shares issued on initial public offering	25	58	2,999	–	–	–	–	3,057	–	3,057
Unrealised loss on cash flow hedge	33	–	–	–	–	–	(17)	(17)	–	(17)
Other changes in minority interest		–	–	–	–	–	–	–	(5)	(5)
Balance as at 31 December 2007		**258**	**2,999**	**2,097**	**377**	**–**	**(17)**	**5,714**	**75**	**5,789**
Profit for the year		–	–	2,642	–	–	–	2,642	42	2,684
Currency translation differences		–	–	–	(20)	–	–	(20)	(3)	(23)
Total recognised income and expense for year ended 31 December 2008		**–**	**–**	**2,642**	**(20)**	**–**	**–**	**2,622**	**39**	**2,661**
Dividends paid	16	–	–	(155)	–	–	–	(155)	(4)	(159)
Share-based payments		–	–	3	–	–	–	3	–	3
Other changes in minority interest		–	–	–	–	–	–	–	16	16
Unrealised loss		–	–	–	–	(8)	(4)	(12)	–	(12)
Balance as at 31 December 2008		**258**	**2,999**	**4,587**	**357**	**(8)**	**(21)**	**8,172**	**126**	**8,298**

Notes to the Consolidated Financial Statements

1. Principal accounting policies

a) Basis of preparation

Eurasian Natural Resources Corporation PLC (the 'Company') was incorporated and registered under the laws of England and Wales on 8 December 2006. The address of the Company's registered office is 16 St. James's Street, London, SW1A 1ER, United Kingdom. The consolidated financial statements as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (the 'Group') and the Group's interest in joint ventures.

The accounting policies used in preparing these consolidated financial statements ('financial statements') are described below and are based on International Financial Reporting Standards ('IFRS'), as adopted by the European Union ('EU'), the Listing Rules of the United Kingdom Financial Services Authority ('FSA') and Article 4 of the European Union IAS Regulation. These standards are subject to interpretations issued from time to time by the International Financial Reporting Interpretation Committee ('IFRIC'). These consolidated financial statements have also been prepared under the historical cost convention as modified for the revaluation of certain financial instruments.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also necessitates management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The financial statements have been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2007. The Group has made certain presentational changes to further improve comparability of its results and certain comparative amounts have been reclassified accordingly. New accounting policies and pronouncements and the effects of these policies have been outlined in note 3.

b) Basis of consolidation

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

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

c) Joint ventures

Joint ventures are all entities over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group has elected to use the equity method to account for interests in jointly controlled entities, which are disclosed as joint ventures in the financial statement and are initially recognised at cost. The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment losses.

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 equity. 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 to the extent of the Group's interest in the joint ventures unless the transaction provides evidence of an impairment of the asset transferred. If an asset is sold at a loss and the loss provides evidence of impairment, then the full amount of the loss is recognised.

d) Minority interests

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

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

e) Functional and presentational currency

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

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

1. Principal accounting policies continued

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

	Rate	
Period	Period end	Average
Year ended 31 December 2008	**120.77**	**120.30**
Year ended 31 December 2007	120.30	122.55

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

	Rate	
Period	Period end	Average
Year ended 31 December 2008	**29.38**	**24.86**

f) Foreign currency translation

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

g) Translation from functional to presentational currency

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

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

h) Revenue recognition

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

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

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

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

i) Finance income and costs

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

Finance income and costs include foreign exchange gains and losses that relate to loans receivable, borrowings, cash and cash equivalents, term deposits and financial assets.

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

Notes to the Consolidated Financial Statements continued

1. Principal accounting policies continued

j) Income tax

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred assets to be utilised.

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

k) Excess profits tax

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

Where the Group's operations, within one production cycle, along with operations conducted under a subsurface use contract (subsurface use operations) include also other operations (eg processing of products derived from subsurface use operations), for the purpose of the excess profits tax calculation, revenue resulted from the internal transfer of a product from the subsurface use operations to such other operations is assumed to be equal to the cost of extraction of the product. In all other cases, for the purposes of the excess profits tax calculation, revenue from external sales of a product from subsurface use operations is taken at the price at which the product was sold.

l) Dividends

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

m) Finance leases and hire purchase commitments

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

n) Operating leases

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

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

o) Exploration and evaluation

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

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

Identifiable exploration assets acquired as part of a business combination are recognised as assets at their fair value, as part of a business combination.

1. Principal accounting policies continued

p) Property, plant and equipment

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

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

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

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

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

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

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

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

(i) Mining assets

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

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

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

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

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

(ii) Assets under construction

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

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

(iii) Stripping costs

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

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

Notes to the Consolidated Financial Statements continued

1. Principal accounting policies continued

q) Impairment

The carrying amounts of property, plant and equipment and all other non-financial assets are reviewed for impairment if facts and circumstances indicate that impairment may exist.

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

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

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

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the balance sheet to its recoverable amount. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

r) Business combinations and goodwill

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

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

Goodwill acquired through business combinations has been allocated to groups of cash-generating units that are being managed as a combined business. These groups of cash-generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes and these groups are not larger than the Group's reporting segments which are its product groups.

Goodwill is tested for impairment annually in accordance with the impairment policy described in the note above. Goodwill is measured at cost less accumulated impairment losses.

s) Intangible assets

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

t) Financial assets

Classification

The Group classifies its financial assets into the following measurement categories: loans and receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'loans receivable', 'trade and other liabilities' and 'cash and cash equivalents' in the balance sheet.

(ii) Financial assets at fair value through profit or loss

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

1. Principal accounting policies continued

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(iv) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Recognition and measurement

Purchases and sales of financial instruments are recognised on the relevant settlement date, which is the date that an asset is delivered to or by the Group. The change in value between the trade date and settlement date is not recognised for assets carried at cost or amortised cost. The change in value between the trade date and settlement date is recognised in the income statement for financial assets as 'at fair value through profit or loss'.

Loans and receivables are recognised initially at fair value plus transaction costs. Subsequently, loans and receivables are stated at amortised cost using the effective interest method. Where a loan is provided at interest rates different from market rates, the loan is remeasured at origination at its fair value, which is represented by future interest payments and principal repayments discounted at market interest rates for similar loans. The difference between the fair value of the loan at origination and its cost (fair value of the contribution to the borrower, net of transaction costs) represents an origination gain or loss. The origination gain or loss is recorded in the income statement within finance income/costs unless it qualifies for recognition as an asset, liability or a charge to equity in accordance with the substance of the arrangement. Subsequently, the carrying amount of the loans is adjusted for amortisation of the origination gain or loss and the amortisation is recorded as finance income/costs using the effective interest method.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Changes in fair value of available-for-sale financial assets, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

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

u) Derivative financial instruments and hedging activities

The Group holds derivative financial instruments, such as forward currency contracts, to hedge its foreign currency exposure in relation to operating costs.

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

- hedges of the exposure to changes in the fair value of recognised assets or liabilities or unrecognised firm commitment (fair value hedge);
- hedges of the exposure to variability in cash flows that is either attributable to particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

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

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

Cash flow hedge

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

Notes to the Consolidated Financial Statements continued

1. Principal accounting policies continued

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

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

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

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

v) Inventories

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

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

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

w) Trade and other receivables

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

x) Cash and cash equivalents

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

y) Borrowings

Borrowings are initially recorded at fair value net of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds net of transaction cost and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

z) Provisions for liabilities and charges

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

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

1. Principal accounting policies continued

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

aa) Asset retirement obligations and other environmental provisions

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

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

ab) Employee benefit obligations

Defined benefit plans

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

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

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

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

Defined contribution plans

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

Other post-retirement/long-term service benefits

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

Payroll expense and related contributions

Wages, salaries, and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the countries in which it operates. These payments are expensed as incurred.

Share-based bonus awards

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

The Group has introduced a separate equity-settled, share-based compensation plan, under which the Group receives services from qualifying employees as consideration for equity instruments. The employee services received in exchange for the grant of the equity-settled payments are measured at fair value and are recognised as expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards subject to the Group's estimate of the number of awards which will lapse, due to the employees leaving the Group prior to vesting. The amount recognised in the income statement as an expense is adjusted to reflect the actual number of awards that vest. The fair values of equity-settled payments are measured at the dates of grant using a Monte Carlo pricing model.

ac) Trade payables

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

Notes to the Consolidated Financial Statements continued

1. Principal accounting policies continued

ad) Share capital

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

ae) Financial guarantees

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

2. Critical accounting estimates and judgements in applying accounting policies

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

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

a) Ore reserve estimates

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

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

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

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

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

b) Life of mines

Contracts for subsurface use expire between 2017 and 2041. Management expects that the subsurface use contracts will be extended at nominal cost until the end of the lives of the related mines. Any change to this assumption may impact the Group's financial results by affecting depreciation charges, asset carrying values and asset retirement obligations, as these have been recorded on the assumption that the subsurface use contracts will be extended until the end of the mine life. During 2007, the Government of the Republic of Kazakhstan confirmed by letter, addressed to the Group, that the Group is entitled to prolong the contracts under the contractual terms and the subsurface use legislation. If the contracts are not renewed at their current expiry dates, the carrying amount of property, plant and equipment existing at the expiry date to be written off at the date of expiry is valued at US$757 million as at 31 December 2008 (2007: US$450 million).

c) Provision for asset retirement obligations

Provision is made for asset retirement obligations when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs as outlined in note 27.

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

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

The inflation rate currently applied in the calculation is 7.0%–8.6% as at 31 December 2008 (2007: 8.3%) being the estimate of the rate of inflation over the mine lives. The discount rate currently applied in the calculation is 10.6%–11.4% at 31 December 2008 (2007: 7.4%) being the estimate of the risk-free pre-tax cost of borrowings over the life of mines. Rehabilitation expenditure is largely expected to take place at the end of the respective mine lives, which varies from 14 to 40 years, with an average, weighted by the estimated closure date, of 32 years.

2. Critical accounting estimates and judgements in applying accounting policies continued

d) Impairment

As stated in note 2 (f) below, the Group considers, at least annually, the recoverability of the values of goodwill recognised in its financial statements. The Group also considers the recoverability of all assets if there have been any indications of impairment and the recent significant fall in commodity prices constitutes such an indication for the Group.

The recoverability of the value of current assets is addressed through the Group's usual procedures, for example the assessment of counterparty default risk, both customer and financial counterparties, and is not part of this impairment review.

Long-term assets require there to be a reasonable expectation of recoverability of the carrying value of those assets through profitability and cash flow. Accordingly the Group's approach has been to consider the ability of its groups of cash-generating units, which have no goodwill or other intangible assets in their financial statements, to generate future economic benefits which exceed the value of the related tangible assets in the financial statements.

The Group's strategic planning models, which are on a life of mines basis, were used to calculate an appropriate value of the future economic benefits for each of these cash-generating units in terms of discounted future cash flows.

The impairment review, as at 31 December 2008, concluded that no impairment provisions are required for long-term tangible assets.

e) Tax legislation

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

f) Business combinations and goodwill

The Group made a number of acquisitions during the year. Where necessary, the Group hired external valuation consultants to advise on the fair value and asset lives of acquired assets, otherwise these were estimated internally.

The portion of the purchase price not allocated to specific assets, liabilities and contingent liabilities as identified by management has been attributed to goodwill.

The Group considers, at least annually, the recoverability of goodwill recognised in its financial statements.

For groups of cash-generating units the Group's strategic planning models were used to calculate discounted future cash flows (using the 'value-in-use' method as defined under IAS 36) and thus assess the recoverability of the carrying value of the goodwill. The models were prepared on a life of mines basis as this period properly reflects the long-term nature of the Group's assets, as is described in the report on Ore Reserves and Mineral Resources on pages 123 to 130.

The key assumptions which formed the basis of forecasting future cash flows in the models are:

- commodity prices, which are based on internal forecasts by the management of the Group's sales and marketing business. These internal forecasts are consistent with the forecasts of industry market researchers;
- that long-term costs will be in line with current operational performance, as adjusted for future inflation rates in the Republic of Kazakhstan and, where applicable, the expected movements in key input costs;
- the successful extraction, processing and sale of reserves in accordance with the quantities described in the report on Ore Reserves and Mineral Resources;
- that the long-term US inflation rate will average 2.5% per annum, in line with external forecasts; and
- in calculating the discount rate to be applied to the future cash flows the Group consulted with external advisors. The rate which was used, applied to pre-tax cash flows, was the equivalent of a post tax rate of 14.1% which is the advisor's opinion on the Weighted Average Cost of Capital for the Group.

g) Long Term Incentive Plan ('LTIP')

In May 2008, the Group introduced the Eurasian Natural Resources Corporation PLC Long Term Incentive Plan ('LTIP') which covers 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 the performance target described below.

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 through 31 December 2010.

The estimated fair value of each share granted is calculated by applying a Monte Carlo pricing model. The assumptions adopted to arrive at the estimated fair value are disclosed in note 12.

Notes to the Consolidated Financial Statements continued

3. New accounting pronouncements

The Group has adopted the following standard and interpretation:

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', which provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the standalone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

IFRIC 13	Customer loyalty programmes (effective from period beginning on or after 1 July 2008)

The following new standards and interpretations have been published that are not mandatory for the Group's accounting year ended 31 December 2008 which the Group has not early adopted:

IFRS 1, IAS 27 (Amendment)	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective from period beginning on or after 1 January 2009)
IFRS 8	Operating segments (effective from period beginning on or after 1 January 2009)
IAS 23 (Revised)	Borrowing costs (effective from period beginning on or after 1 January 2009)
IAS 1 (Revised)	Presentation of financial statements (effective from period beginning on or after 1 January 2009)
IFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellations (effective from period beginning on or after 1 January 2009)
IFRS 3 (Revised)	Business combinations (effective from period beginning on or after 1 July 2009)
IAS 27 (Amendment)	Consolidated and separate financial statements (effective from period beginning on or after 1 July 2009)
IAS 32, IAS 1 (Amendment)	IAS 32 financial instruments: presentation and IAS 1 presentation of financial statements – puttable financial instruments and obligations arising on liquidation (effective from period beginning on or after 1 January 2009)
IFRIC 14, IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from period beginning on or after 1 January 2009)
IFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations (effective from period beginning on or after 1 January 2010)
IAS 23 (Amendment)	Borrowing costs (effective from period beginning on or after 1 January 2009)
IAS 28, IAS 32, IFRS 7 (Amendment)	IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from period beginning on or after 1 January 2009)
IAS 36 (Amendment)	Impairment of assets (effective from period beginning on or after 1 January 2009)
IAS 38 (Amendment)	Intangible assets (effective from period beginning on or after 1 January 2009)
IAS 19 (Amendment)	Employee benefits (effective from period beginning on or after 1 January 2009)
IAS 39 (Amendment)	Financial instruments: Recognition and measurement (effective from period beginning on or after 1 January 2009)
IAS 1 (Amendment)	Presentation of financial statements (effective from period beginning on or after 1 January 2009)
IAS 16 (Amendment)	Property, plant and equipment (effective from period beginning on or after 1 January 2009)
IAS 31 (Amendment)	Interests in joint ventures (effective from period beginning on or after 1 January 2009)
IFRIC 12	Service Concession Arrangements

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

4. Segment information

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

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and receivables and mainly exclude investments, financial assets, IPO funds, term deposits 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, financial assets, IPO funds, term deposits, borrowings, finance income, finance costs and taxation.

4. Segment information continued

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 the extraction, processing and manufacturing of iron ore products.
- Alumina and Aluminium – comprises the extraction and processing of bauxite and limestone, and the smelting of alumina and aluminium.
- Energy – comprises coal mining and power generation.
- Logistics – the Republic of 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 on a commercial basis.

Segment information for the main reportable business segments of the Group for the years ended 31 December 2008 and 31 December 2007 is set out below.

2008 Segmental analysis In millions of US$	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Corporate	Intra Group eliminations	Total
Revenue	4,151	1,498	864	203	107	–	–	6,823
Inter-segment revenue	5	1	3	233	122	–	(364)	–
Segment revenue	4,156	1,499	867	436	229	–	(364)	6,823
Segment operating profit	2,689	835	218	146	32	(70)	–	3,850
Finance income								132
Finance costs								(143)
Share of loss of joint ventures[1]								(12)
Profit before income tax								3,827
Income tax expense								(1,143)
Profit for the year								2,684
Depreciation, amortisation and impairment	(100)	(84)	(77)	(31)	(18)	(1)	–	(311)
Underlying EBITDA (refer note 36)	2,789	919	295	177	50	(69)	–	4,161
Capital expenditure	330	278	502	136	48	–	–	1,294
Segment assets	3,151	1,628	1,935	702	268	99	(45)	7,738
Segment liabilities	(292)	(127)	(146)	(28)	(37)	(44)	45	(629)
								7,109
Unallocated assets and liabilities (net)								199
Investment in joint ventures*								313
IPO funds								1,557
Financial assets								81
Loans receivable								72
Borrowings								(727)
Deferred and current income taxation (net)								(306)
Total equity								8,298
Average number of employees	24,681	17,905	14,094	6,658	2,998	231	–	66,567

[1] This relates to BML (iron ore).

Geographical segment information for the main reportable business segments of the Group for the year ended 31 December 2008 is set out below:

In millions of US$	Eurasia[1]	Europe and Middle East	Asia Pacific[1]	Rest of World	Total
Revenue	2,947	1,456	2,022	398	6,823
Assets	6,894	744	67	33	7,738
Capital expenditure	1,291	1	2	–	1,294

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

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

Notes to the Consolidated Financial Statements continued

4. Segment information continued

2007 Segmental analysis In millions of US$	Ferroalloys Division	Iron Ore Division	Alumina and Aluminium Division	Energy Division	Logistics Division	Corporate	Intra Group eliminations	Total
Revenue	2,178	991	607	181	149	–	–	4,106
Inter-segment revenue	–	–	1	133	83	–	(217)	–
Segment revenue	2,178	991	608	314	232	–	(217)	4,106
Segment operating profit	1,038	359	159	71	27	(233)	–	1,421
Finance income								58
Finance costs								(158)
Profit before income tax								1,321
Income tax expense								(507)
Profit for the year								814
Depreciation, amortisation and impairment	(100)	(89)	(61)	(36)	(17)	–	–	(303)
Exceptional items	–	–	–	–	–	(182)	–	(182)
Underlying EBITDA (refer note 36)[1]	1,140	470	214	107	44	(57)	–	1,918
Capital expenditure	168	227	365	89	57	5	–	911
Segment assets	1,962	1,222	1,396	514	245	52	(27)	5,364
Segment liabilities	(259)	(145)	(117)	(37)	(39)	(76)	27	(646)
								4,718
Unallocated assets and liabilities (net)								201
Prepayment – Serov								100
IPO proceeds								2,461
Loans receivable								35
Borrowings								(1,424)
Deferred and current income taxation (net)								(302)
Total equity								5,789
Average number of employees	21,020	19,420	13,870	6,420	3,200	220	–	64,150

[1] In 2008 a decision was taken to report underlying EBITDA (refer note 36) rather than the previously reported EBITDA measure.

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

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

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

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

5. Balances and transactions with related parties

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding are detailed below.

5. Balances and transactions with related parties continued

Founder Shareholders

The Group was formed from a collection of entities jointly controlled by the three Founder Shareholders, Mr Patokh Chodiev, Mr Alijan Ibragimov and Mr Alexander Mashkevitch. For the years ended 31 December 2008 and 31 December 2007, the Group undertook significant related party transactions with entities controlled by the three Founder Shareholders. In 2008, all transactions with related parties over US$1 million had to be and were approved by the Board.

The principal activities conducted with related parties are shown below.

The tables below summarise the related party transactions with entities under common control of the Founder Shareholders:

		Years ended 31 December	
In millions of US$	Note	**2008**	2007
Revenue from sale of goods			
Ferroalloys[1]		**37**	95
Iron ore		**2**	5
Energy		**5**	8
Other income			
Insurance, commission and other income		**13**	23
Expenses			
Purchases of raw materials[2]		**(115)**	(79)
Insurance		**(27)**	(45)
Purchases of services		**(16)**	(3)
Other		**(11)**	(28)
Rental expenses		**(10)**	(7)
Bank charges		**(7)**	(8)
Finance income		**11**	28
Finance costs[3]	14	**(3)**	(36)

[1] Mainly to Serov pre-acquisition.
[2] Purchase of raw material largely comprises purchase of coal and coke from Shubarkol and IMR BV.
[3] During the year ended 31 December 2007, US$8 million of interest was incurred in relation to the promissory notes to the State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan.

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

		As at 31 December	
In millions of US$	Note	**2008**	2007
Non-current assets			
Loans receivable	20	**51**	7
Other non-current assets	21	**29**	114
Current assets			
Trade and other receivables	23	**31**	107
Loans receivable net of provisions for impairment of US$1 million (2007: nil)	20	**2**	26
Term deposits	23	**1**	138
Cash and cash equivalents		**319**	76
Current liabilities			
Borrowings		**–**	1
Trade and other payables	29	**13**	6

Other rights and obligations with entities under common control of the Founder Shareholders at 31 December 2008 and 31 December 2007 are set out below:

	As at 31 December	
In millions of US$	**2008**	2007
Guarantees issued by the Group	**19**	19

Notes to the Consolidated Financial Statements continued

5. Balances and transactions with related parties continued

The table below summarises the outstanding balances with Eurasian Bank JSC, a company controlled by the Founder Shareholders:

		As at 31 December	
In millions of US$	Note	**2008**	2007
Long-term deposit and restricted cash	21	**3**	5
Term deposits	23	**1**	138
Cash and cash equivalents		**319**	76
Letters of credit	21,23	**30**	16
Net position		**353**	235

The effective interest rate for short-term deposits for the year ended 31 December 2008 is 8.4% (2007: 8.4%). Cash and cash equivalents held at Eurasian Bank JSC bear zero interest rate (2007: zero).

In 2007 the Group agreed to maintain certain existing term deposits with Eurasian Bank JSC until October 2008. As at 31 December 2007 such deposits amounted to US$123 million and had been fully withdrawn at 31 December 2008. There were no restrictions on the balance of US$320 million in cash and cash equivalents and term deposits at 31 December 2008.

Acquisitions

The Group acquired Serov from companies controlled by the Founder Shareholders. Connected with this transaction pre-acquisition dividends of US$57 million were paid to the Founder Shareholders and US$4 million was paid to an associated company (related to coal profits which were not included in the acquisition). The Group paid a 'finders fee' of US$9 million in respect of the acquisition of the BML stake. The Group also paid US$1 million consideration for the acquisition of Metallurg to a company controlled by the Founder Shareholders. Further related party transactions were made after the balance sheet date. Refer note 37.

In the period since acquisition, several loan facilities have been granted to BML and Ardila Investments NV to finance certain capital and operating expenditure. Refer note 35.

Shareholders' Settlement Agreement

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

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

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

Kherson Holding BV

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

CIM Global Investments BV

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

ENRC Kazakhstan Holding BV

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

Kazakhstan Minerals Resource Corporation ('KMRC')

The Eurasian Energy Corporation JSC ('EEC') concluded an Investment Agreement with KMRC according to which KMRC had committed to invest US$5 million annually from 2000 until 2009 and US$20 million annually from 2010 until 2024. The total amount to be invested was equal to US$344 million. In light of the legal restructuring, the State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan (the 'Committee') agreed to annul KMRC's obligation, during 2007, on condition that Eurasian Natural Resources Corporation PLC committed in writing to the planned capital expenditure investment programme at EEC.

5. Balances and transactions with related parties continued

The Republic of Kazakhstan

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

- provision of railway repair services through Company Zhol Zhondeushi LLP;
- supply of electricity through EEC; and
- operating costs, including appropriate taxes.

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

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

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

	Years ended 31 December	
In millions of US$	**2008**	2007
Revenue from the provision of services	**89**	134
Revenue from the sale of goods	**5**	6

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

Key management compensation

Key management compensation is summarised below:

	Years ended 31 December	
In thousands of US$	**2008**	2007
Salaries and other short-term employee benefits, including bonuses	**34,898**	29,349
IPO bonus	**–**	85,899
Total	**34,898**	115,248

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

	As at 31 December	
In thousands of US$	**2008**	2007
Receivable from key management	**5,985**	5,388
Payable to key management	**(9,651)**	(13,887)

Board compensation

Compensation payable to Directors of the Company is for the services performed for the Group.

Directors' detailed emoluments are disclosed in the Remuneration Report on pages 64 to 67.

IPO bonus

In 2007, the Company granted US$150 million cash and share awards to Directors, management, senior employees and other advisers in respect of their contribution to the Group's preparations for Admission. US$41 million cash awards and US$109 million worth of ordinary shares, (10,000,000 shares with a nominal value of US$0.20 each) were awarded.

6. Revenue

	Years ended 31 December	
In millions of US$	**2008**	2007
Sales of goods, net of discounts	**6,618**	3,861
Logistics	**107**	149
Sales of by-products and other income	**98**	96
Total revenue	**6,823**	4,106

Notes to the Consolidated Financial Statements continued

7. Cost of sales

In millions of US$	Years ended 31 December 2008	2007
Materials and components used	**(1,172)**	(835)
Staff costs	**(423)**	(354)
Depreciation and amortisation	**(296)**	(271)
Power and energy	**(108)**	(71)
Royalties and other taxes	**(88)**	(52)
Repairs and maintenance	**(58)**	(35)
Insurance	**(25)**	(28)
In-plant carriage costs	**(6)**	(11)
Realised gain on the cash flow hedge	**17**	4
Changes in inventories of finished goods and work-in-progress	**160**	38
Other	**(89)**	(86)
Total cost of sales	**(2,088)**	(1,701)

8. Distribution costs

In millions of US$	Years ended 31 December 2008	2007
Transportation costs	**(342)**	(269)
Agency and commission fees	**(32)**	(17)
Insurance	**(7)**	(19)
Staff costs	**(5)**	(3)
Taxes and duties	**–**	(18)
Other	**(45)**	(47)
Total distribution costs	**(431)**	(373)

9. Selling, general and administrative expenses

In millions of US$	Years ended 31 December 2008	2007
Staff costs	**(154)**	(290)
Professional and other services	**(50)**	(74)
Taxes other than on income	**(42)**	(47)
Sponsorship and donations	**(31)**	(34)
Impairment loss provision	**(24)**	(5)
Travel and entertainment	**(24)**	(20)
Depreciation, amortisation and impairment	**(15)**	(32)
Rent	**(14)**	(12)
Repairs and maintenance	**(10)**	(4)
Bank charges	**(9)**	(11)
Utilities and telecommunication services	**(6)**	(5)
Insurance	**(3)**	(4)
Other	**(40)**	(68)
Total selling, general and administrative expenses	**(422)**	(606)
Costs included in relation to the IPO	**–**	(182)

Exceptional items

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

10. Net other operating expenses

In millions of US$	Years ended 31 December 2008	2007
Net foreign exchange losses	**(28)**	(8)
Other (expense)/income	**(9)**	16
Loss on disposal of property, plant and equipment	**(6)**	(1)
Net losses on financial instruments and derivatives	**–**	(32)
Insurance income	**7**	13
Net income from sale of other assets	**4**	7
Total net other operating expenses	**(32)**	(5)

Until 18 September 2007, the forward exchange contracts were not formally designated as cash flow hedges and consequently the fair value changes of US$32 million to that date were recognised through net other operating expenses.

11. Auditors' remuneration

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

In millions of US$	Years ended 31 December 2008	2007
Audit services		
Fees payable to the Company's auditor for the audit of the parent company and consolidated financial statements	**1.5**	1.4
The audit of the Company's subsidiaries pursuant to legislation	**3.4**	2.6
Non-audit services		
Fees payable to the Company's auditor and its associates for other services:		
Other services pursuant to legislation[1]	**0.5**	20.5
Other services related to taxation	**0.7**	4.3
Services relating to corporate finance transactions	**2.2**	–
All other services	**0.6**	1.4

[1] In 2008, this relates to the half-year review. 2007 comprises primarily services in relation to the preparation for the Listing of the Company.

12. Employee benefit expense

In millions of US$	Note	Years ended 31 December 2008	2007
Wages and salaries		**(531)**	(587)
Social security costs		**(49)**	(57)
Pension costs		**(2)**	(1)
Total employee benefit expense		**(582)**	(645)
Average number of employees	4	**66,567**	64,150

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

Long Term Incentive Plan

In May 2008 the Group made awards under the Eurasian Natural Resources Corporation PLC 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.

The estimated fair value of each share granted is £8.47 (US$16.64). This was calculated by applying a Monte Carlo model. The model inputs were as follows at grant date: the share price at grant date of £12.10, expected volatility of 42%, expected dividend yield of 1.01% based on the dividend yield of an appropriately comparable peer group as there was no ENRC history of paying dividends at the grant date, and a risk-free interest rate of 2.55%. The Group's expected volatility is based on the historical average annualised volatility of the comparator group mining companies and reflects the assumption that the historical volatility over a period similar to the life of the awards is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the Consolidated Financial Statements continued

12. Employee benefit expense continued
Recognition of services received
The expense recognised for share-based payments during the year ended 31 December 2008 was US$3 million.

The number of the outstanding shares awarded under the LTIP:

Number of shares	As at 31 December 2008
Outstanding at the beginning of the period	–
Awarded	**756,506**
Forfeited	–
Lapsed	**(9,179)**
Outstanding at the end of the period	**747,327**

As at 31 December 2008, of the 747,327 shares outstanding at the end of the period, 4,393 were available to exercise.

13. Finance income

	Years ended 31 December	
In millions of US$	**2008**	2007
Interest income from money market funds	**55**	–
Bank interest income	**54**	33
Foreign exchange gains	**13**	–
Interest income from loans and receivables	**10**	25
Total finance income	**132**	58

14. Finance costs

		Years ended 31 December	
In millions of US$	Note	**2008**	2007
Foreign exchange losses		**(55)**	(9)
Interest expense on bank borrowings		**(41)**	(54)
Other finance costs		**(24)**	(27)
Unwinding of asset retirement obligation discount	27	**(7)**	(4)
Fair value loss on financial assets at fair value through profit or loss		**(6)**	–
Unwinding of employee benefits obligations discount	28	**(5)**	(1)
Amortisation of financial instruments discount		**(3)**	(21)
Other interest expense – related parties	5	**(3)**	(7)
Amortisation of financial instruments discount – related parties	5	**–**	(5)
Interest expense on promissory notes – related parties	5	**–**	(32)
Less capitalised borrowing costs		**1**	2
Total finance costs		**(143)**	(158)

The capitalised borrowing costs arose on financing directly attributable to the construction of property, plant and equipment within EEC (2007: Kazakhstan Aluminium Smelter JSC ('KAS')). The average capitalisation rate was 3.1% for the year ended 31 December 2008 (2007: 9.0%).

15. Income taxes
Income tax expense comprises the following:

	Years ended 31 December	
In millions of US$	**2008**	2007
Corporate income tax – current year	**(1,255)**	(474)
Corporate income tax – prior year	**(12)**	(22)
Deferred income tax benefit/(expense) – current period	**124**	(11)
Income tax expense for the year	**(1,143)**	(507)

15. Income taxes continued

Factors affecting future tax charges

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

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

	Years ended 31 December	
In millions of US$	**2008**	2007
Profit before income tax	**3,827**	1,321
Notional tax charge at the Kazakhstani tax rate of 30% (2007: 30%)	**1,148**	396
Effect of change in tax rate	**(177)**	–
Items not deductible for tax purposes	**44**	62
Effects of different tax rates in other countries	**4**	(78)
Income not chargeable for tax purposes	**(30)**	(12)
Excess profits tax – current year	**90**	33
Utilisation of previously unrecognised tax loss carry forwards	**(23)**	–
Unrecognised deferred tax asset	**69**	89
Prior year adjustment	**12**	22
Other	**6**	(5)
Income tax expense for the year, an effective rate of 30% (2007: 38%)	**1,143**	507

Taxation has been provided at current rates on the profits earned in the period. The effective tax rate is equal to the statutory rate at which the Group predominantly pays tax in the Republic of Kazakhstan of 30% primarily due to the compensating effects of tax losses which are unrecognised for tax purposes, excess profits tax, the effects of different tax rates in other countries and the impact of changes in Kazakhstani tax rates leading to a reduction in the rate at which deferred tax is calculated. The tax charges above arise mainly outside of the United Kingdom.

The Republic of Kazakhstan announced a phased reduction to its corporate income tax rate: with effect from 1 January 2009 the rate reduces from 30% to 20%; a further decrease to 17.5% on 1 January 2010; and 15% from 1 January 2011.

Deferred taxation

The tax effect of the movements in these temporary differences is detailed below and is recorded at rates of 15%, 17.5% or 20% at 31 December 2008 (2007: 30%). The rate depends on when the temporary difference is expected to reverse.

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

The Group has not recorded a deferred tax liability in respect of taxable temporary differences of US$4,354 million (2007: US$2,164 million) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

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

In millions of US$	31 December 2007	Acquisitions	Transfer from current tax	Charged/ (credited) to Income Statement	Charged/ (credited) to Equity	Translation to presentation currency	**31 December 2008**
Gross deferred tax asset							
Temporary timing differences	(108)	–	–	22	2	3	**(81)**
Less offsetting with deferred tax liabilities	100	–	–	(51)	–	–	**49**
Recognised deferred tax asset	(8)	–	–	(29)	2	3	**(32)**

US$25 million of the gross deferred tax asset is expected to reverse within the next year.

In millions of US$	31 December 2007	Acquisitions	Transfer from current tax	Charged/ (credited) to Income Statement	Charged/ (credited) to Equity	Translation to presentation currency	**31 December 2008**
Tax effect of taxable temporary differences							
Property, plant and equipment	381	–	–	(147)	–	(7)	**227**
Other temporary timing differences	14	21	(31)	1	–	–	**5**
Gross deferred tax liability	395	21	(31)	(146)	–	(7)	**232**
Less offsetting with deferred tax assets	(100)	–	–	51	–	–	**(49)**
Deferred tax liability	295	21	(31)	(95)	–	(7)	**183**

Notes to the Consolidated Financial Statements continued

15. Income taxes continued

US$3 million of the gross deferred tax liability is expected to reverse within the next year.

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

The Group has unrecognised deferred tax assets in respect of deductible temporary differences of US$65 million for the year ended 31 December 2008 (2007: US$89 million). It is probable that future taxable profits will not be available to utilise the benefits of these temporary differences.

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

16. Earnings per share ('EPS') and dividends per share

Basic earnings per share 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. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares.

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

	As at 31 December	
In millions of US$	**2008**	2007
Net profit attributable to equity shareholders of the Group	**2,642**	798
Exceptional items attributable to equity shareholders of the Group	–	182
Net profit before exceptional items	**2,642**	980
Number of shares:		
Weighted average number of ordinary shares in issue[1]	**1,287,750,000**	1,015,767,123
Adjusted for:		
Share awards	**489,628**	–
Weighted average number of ordinary shares for diluted earnings per share	**1,288,239,628**	1,015,767,123
EPS – basic and diluted (US cents)	**205**	79
EPS – basic and diluted before exceptional items (US cents)	**205**	97

[1] For the year ended 31 December 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.

On 19 November 2008 an interim dividend of 12 US cents per share (for which the equivalent was 6.44 British pence per share as determined using the closing mid spot exchange rate on 20 August 2008), amounting to US$155 million was paid to shareholders. On 25 March 2009, the Board of Directors approved a final dividend of 19 US cents per share, to give a full year dividend of 31 US cents per share (refer note 37).

The dividends paid in 2007 were pre-IPO dividends amounting to US$500 million (49 US cents per share).

17. Property, plant and equipment

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

31 December 2008 In millions of US$	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[1]	**1**	**(16)**	**69**	**84**	**1,156**	**1,294**
Additions on acquisitions	**2**	**88**	**25**	**5**	**28**	**148**
Transfers	**–**	**136**	**493**	**70**	**(699)**	**–**
Transfer to disposal group classified as held for sale	**–**	**–**	**–**	**–**	**(22)**	**(22)**
Disposals	**–**	**(6)**	**(19)**	**(9)**	**(7)**	**(41)**
Exchange differences	**(1)**	**(12)**	**(27)**	**(4)**	**(7)**	**(51)**
At 31 December 2008	**47**	**1,414**	**2,519**	**713**	**945**	**5,638**
Accumulated depreciation at 1 January 2008	**–**	**(239)**	**(598)**	**(220)**	**(21)**	**(1,078)**
Disposals	**–**	**1**	**15**	**8**	**–**	**24**
Depreciation charge	**–**	**(62)**	**(195)**	**(65)**	**–**	**(322)**
Impairment (charge)/reversal	**–**	**(4)**	**(3)**	**–**	**1**	**(6)**
Transfer to disposal group classified as held for sale	**–**	**–**	**–**	**–**	**20**	**20**
Exchange differences	**–**	**2**	**3**	**1**	**–**	**6**
At 31 December 2008	**–**	**(302)**	**(778)**	**(276)**	**–**	**(1,356)**
Net balance sheet amount at 31 December 2008	**47**	**1,112**	**1,741**	**437**	**945**	**4,282**
Held under finance leases (refer note 26)	**–**	**–**	**1**	**–**	**–**	**1**
Other property, plant and equipment pledged as security (refer note 32)	**–**	**–**	**56**	**8**	**–**	**64**

[1] Negative additions in buildings and mining construction result from a revision of discount rates applied to calculate the asset retirement obligations (refer note 27).

Additions to assets under construction include US$1 million of capitalised borrowings costs for the year ended 31 December 2008 (2007: US$2 million).

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

Notes to the Consolidated Financial Statements continued

18. Goodwill and intangible assets

In millions of US$	Notes	Goodwill	Other	Total
Carrying amount at 1 January 2007		384	5	389
Addition		–	1	1
Carrying amount at 31 December 2007		384	6	390
Cost at 1 January 2008		384	6	390
Acquired with subsidiaries	35	–	3	3
Goodwill on acquisition		85	–	85
Exchange differences		17	–	17
Carrying amount at 31 December 2008		**486**	**9**	**495**

The carrying amount of goodwill is allocated to groups of cash-generating units as follows:

	As at 31 December	
In millions of US$	**2008**	2007
Kazchrome	**268**	183
Iron Ore Division	**179**	170
Energy Division	**32**	31
Serov	**7**	–
Total carrying amount of goodwill	**486**	384

Goodwill is allocated according to the country of operation and business segments. Goodwill is tested for impairment on an annual basis in accordance with the policy disclosed in note 1. The recoverable amounts of goodwill have been assessed by reference to 'value in use'. The discount rate used is 14.1%.

As at 31 December 2008 and 31 December 2007 there is no impairment of goodwill (refer note 2).

19. Financial assets

	As at 31 December	
In millions of US$	**2008**	2007
At fair value through profit and loss		
Short-term financial assets held for trading	**71**	170
	71	170
Available-for-sale		
Short-term available-for-sale investments	**6**	–
	6	–
Held-to-maturity		
Short-term investments held-to-maturity	**4**	–
	4	–
Total financial assets	**81**	170

At 31 December 2008, short-term financial assets held for trading (US$71 million) and investments held-to-maturity (US$4 million) comprised government bonds of the Ministry of Finance of the Republic of Kazakhstan acquired by the Group in November 2008. During 2008, the Group recorded a fair value loss of US$6 million for short-term financial assets held for trading (refer note 14).

At 31 December 2007, short-term financial assets held for trading consists of IPO proceeds invested in money market securities with a maturity of greater than three months and less than one year.

The Group has also investments in listed equity shares. At 31 December 2008, the fair value of the quoted equity shares of US$6 million was determined by reference to published price quotations in an active market. During 2008, a fair value loss of US$8 million was recorded in equity.

Financial assets are denominated in the following currencies:

	As at 31 December	
In millions of US$	**2008**	2007
Kazakhstani tenge	**75**	–
Canadian dollars	**6**	–
US dollars	**–**	170
Total financial assets	**81**	170

20. Loans receivable

In millions of US$	Note	As at 31 December 2008	2007
Non-current			
Loans receivable from related parties	5, 35	**51**	7
Loans receivable	35	**19**	–
Total non-current loans receivable		**70**	7
Current			
Loans receivable from related parties	5	**3**	26
Other loans receivable		**–**	2
Less provision for loans receivable		**(1)**	–
Total current loans receivable		**2**	28
Total loans receivable		**72**	35

The Group's loans mature as follows:

In millions of US$	As at 31 December 2008	2007
Less than 1 year	**3**	28
Between 2 and 5 years	**19**	7
Greater than 5 years	**50**	–
Total loans receivable	**72**	35

Loans and receivables from related parties include:

TransRemMach LLP
During 2008, the Group granted a loan to TransRemMach LLP. This loan bears interest at the rate of 12% per annum. As at 31 December 2008, the balance of this loan was US$7 million.

IMR Marketing
During 2006, the Group entered into two loan agreements with IMR Marketing AG (a company controlled by the Founder Shareholders) for the amount of US$8 million. An additional loan agreement was made in 2007 for the amount of US$6 million. Interest was charged on the loan at three-month LIBOR plus 1.5%. This loan was settled in full as part of the Serov acquisition settlement agreement (2007: US$14 million).

Bahia Minerals BV ('BML')
In the period since the joint venture has been established, several loan facilities have been granted to BML and Ardila Investments NV, the Group's joint venture partner, to finance certain capital and operating expenditure. Refer note 35.

The Group's loans receivable are denominated in currencies as follows:

In millions of US$	As at 31 December 2008	2007
US dollars	**57**	31
Kazakhstani tenge	**15**	4
Total loans receivable	**72**	35

The fair values of the Group's loans receivable are as follows:

	Carrying values		Fair values	
In millions of US$	2008	2007	2008	2007
Loans receivable	**19**	–	**19**	–
Loans receivable from related parties	**53**	33	**53**	33
Other loans receivable	**–**	2	**–**	2
Total loans receivable	**72**	35	**72**	35

The fair value of current loans and receivables equals their carrying amount, as the impact of discounting is not significant. The fair values of current and non-current loans and receivables are determined using discounted cash flows at the interest rates between 3% and 12% prevailing as at 31 December 2008.

Notes to the Consolidated Financial Statements continued

21. Other non-current assets

In millions of US$	Note	As at 31 December 2008	2007
Prepayments for property, plant and equipment and related services		**394**	208
Long-term inventory	35	**23**	–
Other advances and non-current assets		**6**	8
Long-term deposits and restricted cash – related parties	5	**3**	5
Other advances and non-current assets – related parties	5	**3**	1
Prepayment for Serov acquisition	35	**–**	100
Total other non-current assets		**429**	322

Prepayments for property, plant and equipment and related services are for machinery and equipment, in particular vehicles and power generating units required by the plants. US$23 million (2007: US$8 million) of the balance relates to letters of credit with Eurasian Bank JSC for purchases of property, plant and equipment (refer note 5).

Long-term inventory is represented by the slag dump of chrome ore which was recorded at fair value at the date of Serov acquisition (refer note 35).

At 31 December 2008, long-term deposits and restricted cash represents bank deposits of US$3 million for special funds for the retirement of assets in accordance with the requirements of contracts on subsurface use (2007: US$2 million). The fair value of restricted cash is not significantly different from its carrying value.

In July 2007, the Group transferred US$100 million to a subsidiary of International Mineral Resources BV, a company controlled by the Founder Shareholders, as a partial prepayment for the Group's acquisition (refer note 35) of Serov.

22. Inventories

In millions of US$	As at 31 December 2008	2007
Finished goods	**335**	166
Raw materials	**215**	149
Consumable stores	**128**	88
Work-in-progress	**77**	40
Other inventory	**3**	1
	758	444
Less provision for obsolete and slow-moving inventory	**(34)**	(6)
Total inventories	**724**	438

There were no inventories pledged as security as at 31 December 2008 and 2007.

23. Trade and other receivables

In millions of US$	Note	As at 31 December 2008	2007
Trade receivables		**461**	413
Trade receivables from related parties	5	**11**	41
Term deposits		**193**	65
Term deposits with related parties	5	**1**	138
Letters of credit from related parties	5	**7**	8
Restricted cash	32	**50**	34
Other receivables		**13**	17
Other amounts due from related parties	5	**–**	38
Less: provision for impairment		**(15)**	(5)
Total trade receivables and financial assets		**721**	749
VAT recoverable		**234**	135
Advances to suppliers		**56**	73
Prepaid expenses		**48**	58
Income tax prepayment		**27**	13
Prepaid expenses to related parties	5	**12**	9
Advances to related parties	5	**1**	11
Less: provision for impairment		**(9)**	(3)
Total other current assets		**369**	296
Total trade and other receivables		**1,090**	1,045

The restricted cash represents US$30 million funds allocated for repayment of the Structured Trade Finance Facility (2007: US$34 million) (refer note 26) and US$20 million (2007: nil) cash collateral for bank guarantees in relation to the buy out of Serov minority interest (refer note 37).

The fair value of trade and other receivables approximates the carrying value. As at 31 December 2008, trade and other receivables of US$186 million (2007: US$99 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

In millions of US$	As at 31 December 2008	2007
Current and not impaired	**284**	367
Less than 3 months overdue	**165**	91
Between 3 to 6 months	**14**	2
Between 6 to 12 months	**4**	6
Over 12 months overdue	**3**	–
Total past due but not impaired	**186**	99
Individually determined to be impaired – gross	**15**	5
Total individually impaired	**15**	5
Total trade and other receivables	**485**	471
Less: Impairment loss provision	**(15)**	(5)
Total trade and other receivables – net	**470**	466

Notes to the Consolidated Financial Statements continued

23. Trade and other receivables continued

Movements on the Group provision for impairment of trade and other receivables (financial and other current assets) is as follows:

In millions of US$	As at 31 December 2008	2007
At January 1	**8**	8
Provision for receivables impairment	**23**	5
Receivables written off during the year as uncollectable	**(4)**	(4)
Unused amounts reversed	**(2)**	–
Exchange differences	**(1)**	(1)
At 31 December	**24**	8

The Group's trade and other receivables are denominated in various currencies as follows:

In millions of US$	As at 31 December 2008	2007
US dollars	**579**	618
Kazakhstani tenge	**330**	326
Russian roubles	**145**	58
European euros	**24**	17
British pounds	**10**	26
Other	**2**	–
Total trade and other receivables	**1,090**	1,045

24. Cash and cash equivalents

In millions of US$	As at 31 December 2008	2007
Cash at bank and in hand	**657**	529
Short-term deposits	**1,836**	2,019
Total cash and cash equivalents	**2,493**	2,548

The Group's cash and cash equivalents are denominated in currencies as follows:

In millions of US$	As at 31 December 2008	2007
US dollars	**1,868**	1,982
European euros	**313**	299
Kazakhstani tenge	**252**	89
Russian roubles	**53**	16
British pounds	**6**	162
Other	**1**	–
Total cash and cash equivalents	**2,493**	2,548

25. Share capital

	Number (allotted and called up)	Share capital £000	Share capital US$000	Share premium US$000
At 31 December 2006	20,000,001	13	200,000	–
Share split	980,000,000	–	–	–
Redemption of special share	(1)	(13)	–	–
Issuance of shares on IPO	287,750,000	–	57,550	2,999,023
At 31 December 2007	1,287,750,000	–	257,550	2,999,023
At 31 December 2008	**1,287,750,000**	**–**	**257,550**	**2,999,023**

25. Share capital continued

The Company was incorporated and registered in England and Wales on 8 December 2006 as a public limited company with a share capital of £50,000 divided into two ordinary shares of £1 each and 49,998 non-cumulative redeemable preference shares of £1 each. The share capital was one-quarter paid. On 19 December 2006, the Board resolved to effect the transfer of the two ordinary shares and 49,998 redeemable preference shares to the Committee. On the same day the authorised share capital of the Company was increased from £50,000 to £50,000 and US$200,000,000 by the creation and issuance of 20,000,000 new ordinary shares of US$10 each as part of the acquisition of ENRC NV. In addition, the 49,998 non-cumulative redeemable preference shares of £1 each held by the Committee, were redesignated as ordinary shares of £1 each, the resulting 50,000 ordinary shares of £1 each were consolidated into one ordinary share of £50,000 and then the ordinary share was redesignated as a special share.

Share split

At an Extraordinary General Meeting of the Company held on 8 November 2007, each of the issued, and each of the authorised but unissued, ordinary shares of US$10.00 par value each in the capital of the Company was subdivided into 50 ordinary shares of US$0.20 par value each. On the same day, the total authorised number of shares was increased to 2,000,000,000.

As at 31 December 2008 and 31 December 2007, the total authorised number of shares is 2,000,000,000.

Issuance of shares on IPO

On 12 December 2007, the Company successfully completed its IPO and Listed on the London Stock Exchange. A total number of 277,750,000 shares with a par value of US$0.20 each were issued at £5.40 for total proceeds of £1.5 billion. Costs related to the issuance of new shares and attributable IPO costs taken against share premium amounted to US$96 million.

A further 10,000,000 ordinary shares with a par value of US$0.20 each were awarded to Directors, management, senior employees and professional advisers as part of the IPO Plan. The share awards were subject to a restriction period of one year from the date of the IPO, during which any dealings were prohibited. Refer note 5.

Redemption of special share

Pursuant to the Company's articles of association, the one special share of nominal value of £50,000 held by the Committee was cancelled upon admission of the Company's shares to the London Stock Exchange. As the share was only one-quarter paid up, £12,500 was paid to the Committee upon cancellation.

26. Borrowings

		As at 31 December	
In millions of US$	Note	**2008**	2007
Non-current			
Bank borrowings		**350**	1,030
Bonds		**17**	32
Term loans		**4**	2
Finance lease liabilities	17	**1**	1
		372	1,065
Current			
Bank borrowings		**351**	357
Term loans		**4**	–
Bonds		**–**	1
Finance lease liabilities with related parties	5,17	**–**	1
		355	359
Total borrowings		**727**	1,424

Total borrowings include secured liabilities (bank and collateralised borrowings) of US$15 million at 31 December 2008 (2007: US$4 million).

The Group's borrowings mature as follows:

	As at 31 December	
In millions of US$	**2008**	2007
Less than 1 year	**355**	359
Between 2 and 5 years	**371**	1,033
After 5 years	**1**	32
Total borrowings	**727**	1,424

Notes to the Consolidated Financial Statements continued

26. Borrowings continued

The Group's borrowings are denominated in currencies as follows:

In millions of US$	As at 31 December 2008	2007
US dollars	**693**	1,374
Kazakhstani tenge	**18**	50
European euros	**9**	–
Chinese renminbi yuan	**7**	–
Total borrowings	**727**	1,424

The effective interest rates at balance sheet date were as follows:

In % pa	Floating interest rates KZT	US$	EUR	Fixed interest rates KZT	US$	EUR	CNY
As at 31 December 2008							
Bank borrowings	**–**	**LIBOR plus 1.35%**	**EURIBOR plus 0.5%**	**–**	**–**	**–**	**8.0%**
Term loans	**–**	**–**	**–**	**–**	**12.7%**	**–**	**–**
Finance lease liabilities	**–**	**–**	**–**	**13.9%**	**–**	**–**	**–**
Bonds	**9.8% –10%**	**–**	**–**	**–**	**–**	**–**	**–**
As at 31 December 2007							
Bank borrowings	–	LIBOR plus 1.35%	–	11.0%-14.0%	–	–	–
Term loans	–	–	–	13.7%	–	–	–
Finance lease liabilities	–	–	–	13.9%	–	–	–
Bonds	9.5%–9.8%	–	–	–	–	–	–

The carrying values and fair values are as follows:

In millions of US$	Carrying values 2008	2007	Fair values 2008	2007
Bank borrowings	**701**	1,387	**702**	1,389
Bonds	**17**	33	**17**	33
Term loans	**8**	2	**8**	2
Finance lease liabilities	**1**	1	**1**	1
Finance lease liabilities with related parties	**–**	1	**–**	1
Total borrowings	**727**	1,424	**728**	1,426

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values of current and non-current borrowings are determined using discounted cash flows at interest rates of between 1.8% and 10.8% prevailing as at 31 December 2008 (2007: 5.0% and 14.4%).

Structured Trade Finance Facility

On 15 December 2006, ENRC Marketing AG entered into a US$1,000 million Structured Trade Finance Facility (the 'Facility'). By a Supplemental Agreement dated 12 April 2007, the Facility was increased to US$1,480 million.

The Facility is secured principally by grants of security over certain sales contracts entered into by ENRC Marketing AG and third party buyers (and all receivables thereunder). The associated accounts receivable balance at 31 December 2008 was US$178 million (2007: US$261 million). All monies payable by the end purchasers under the sales contracts are required to be paid into bank accounts which are also used to secure the Facility. Withdrawals from these bank accounts are subject to restrictions imposed under the terms of the Facility Agreement. The Group agreed to certain restrictive covenants in respect of Kazchrome, as guarantor of the loan, which prohibit Kazchrome from lending more than US$100 million and having total debt of greater than US$1,500 million outstanding at any time during the duration of the Facility. In addition, the guarantee provides for other restrictions on Kazchrome including on payment of dividends, giving guarantees or indemnities creating security interests or changing its business.

During 2008, the Group made accelerated repayments of the Structured Trade Finance Facility for a total amount of US$300 million. As at 31 December 2008, US$686 million of the Facility was drawn down (2007: US$1,374 million). Repayment of the balance occurs in equal and consecutive monthly instalments, with final payment scheduled for December 2010.

The interest rate applicable to the loan is one-month LIBOR plus 1.35% per annum.

27. Asset retirement obligations

The Group has a legal obligation to landfill site restoration during the mining operations and decommissioning of its mining property after its expected closure. The timing of decommissioning activity is subject to reassessment at the same time as the revision of the Group's proved and probable reserves.

		As at 31 December	
In millions of US$	Note	**2008**	2007
Current portion of provisions for asset retirement obligations	29	**4**	–
Non-current portion of provisions for asset retirement obligations		**69**	86
Total provisions for asset retirement obligations		**73**	86

Movements in asset retirement obligations are as follows:

In millions of US$	Note	Site restoration	Landfill decommis-sioning	Total
At 1 January 2007		25	19	44
Capitalisation of additional closure costs	17	16	22	38
Unwinding of discount	14	2	2	4
Production costs		1	–	1
Exchange differences		(1)	–	(1)
At 31 December 2007		43	43	86
At 1 January 2008		43	43	86
Capitalisation of additional closure costs		–	1	1
Acquisition of subsidiary		6	2	8
Decrease due to change in estimate	17	(20)	–	(20)
Production costs		(1)	(6)	(7)
Unwinding of discount	14	3	4	7
Utilised during the year		–	(1)	(1)
Exchange differences		(1)	–	(1)
At 31 December 2008		**30**	**43**	**73**

In accordance with the contracts on subsurface use, the Group makes annual obligatory contributions to form a deposit fund for the closure costs which will take effect upon exhaustion of the mineral deposits between 2010 and 2063.

The amount of the provision for asset retirement obligations is determined using the nominal prices effective at the reporting dates by applying the forecasted rate of inflation for the expected period of the life of the mines. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the level of discount and inflation rates.

Principal assumptions made in calculations of asset retirement obligations are presented below:

	Years ended 31 December			
	2008		2007	
	Kazakhstani entities	**Russian entities**	Kazakhstani entities	Russian entities
Discount rate	**11.4%**	**10.6%**	7.4%	–
Inflation rate	**8.6%**	**7.0%**	8.3%	–

28. Employee benefit obligations

The amounts recognised in the balance sheet are determined as follows:

		As at 31 December	
In millions of US$	Note	**2008**	2007
Present value of unfunded defined benefit obligation at beginning of the year		**52**	48
Business acquisitions		**4**	–
Interest cost	14	**5**	1
Benefits paid		**(3)**	(1)
Current service cost		**3**	6
Actuarial gains		**(22)**	(2)
Exchange differences		**(2)**	–
Present value of unfunded defined benefit obligation at end of the year		**37**	52
Net liability		**37**	52

Refer to changes in actuarial assumptions disclosed below resulting in actuarial gains of US$22 million in 2008.

Notes to the Consolidated Financial Statements continued

28. Employee benefit obligations continued

The present value of unfunded defined benefit obligation as at 31 December 2006, 2005 and 2004 was US$48 million, US$32 million and US$29 million, respectively.

Amounts recognised in the income statement are as follows:

		Years ended 31 December	
In millions of US$	Note	**2008**	2007
Interest cost	14	**5**	1
Current service cost		**3**	6
Actuarial gains		**(22)**	(2)
(Income)/expense recognised in income statement		**(14)**	5

Allocation of the current service cost and actuarial (gains)/losses recognised in the consolidated income statement:

	Years ended 31 December	
In millions of US$	**2008**	2007
Cost of sales	**(18)**	2
Selling, general and administrative	**(1)**	2
Total current service cost and actuarial (gains)/losses recognised in the income statement	**(19)**	4

No such costs and expenses were capitalised as part of the property, plant and equipment during 2008 and 2007.

	Years ended 31 December	
In millions of US$	**2008**	2007
Cumulative amount of actuarial (gains) and losses recognised in the income statement	**(7)**	15

The cumulative amount of actuarial losses recognised in the income statement for the years ended 31 December 2006 and 2005 was US$17 million and US$5 million, respectively.

Principal actuarial assumptions used at the balance sheet date were as follows:

	As at 31 December	
	2008	2007
Discount rate at 31 December	**6.0%–11.0%**	5.0%– 8.0%
Future salary increases	**8.0%–10.0%**	7.0%–13.0%
Average labour turnover rate of production personnel	**6.0%–20.0%**	6.0%–21.0%
Average labour turnover rate of administrative personnel	**1.0%–12.0%**	1.0%–12.0%

Assumptions regarding future mortality are based upon advice in accordance with published statistics and experience in the Republic of Kazakhstan and Russia.

The future average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date are as follows:

	2008	2007
Male	**11**	11
Female	**15**	15

The future average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2008	2007
Male	**12**	12
Female	**16**	16

29. Trade and other payables

In millions of US$	Note	As at 31 December 2008	2007
Trade payables		**149**	107
Advances received from customers		**123**	91
Accruals relating to employee entitlements		**81**	106
Payable to related parties	5	**13**	6
Distributions payable		**5**	4
Asset retirement obligations	27	**4**	–
Accruals and deferred income		**–**	3
Other payables		**36**	34
Total trade and other payables		**411**	351

30. Other taxes payable

In millions of US$	As at 31 December 2008	2007
Royalties, property, environmental and other taxes	**26**	15
VAT payable	**18**	26
Social taxes	**5**	10
Withholding taxes	**–**	42
Total other taxes payable	**49**	93

31. Cash generated from operations

In millions of US$	Note	Years ended 31 December 2008	2007
Profit before income tax		**3,827**	1,321
Adjustments for:			
Depreciation, amortisation and impairment of property, plant and equipment	17	**311**	303
Loss on disposal of property, plant and equipment	10	**6**	1
Provision for doubtful debts and loans receivable	9	**24**	–
Provisions for impairment on inventory		**28**	1
Changes in estimates for asset retirement obligations		**(7)**	–
Share of loss from joint ventures		**12**	–
Actuarial movements in employee benefit obligations		**(19)**	5
Taxes other than on income		**42**	–
Share-based payments		**3**	–
Fair value loss on derivative financial assets		**–**	46
Net foreign exchange loss		**67**	–
Finance (costs)/income – net		**(31)**	100
Changes in working capital[1]			
Asset retirement obligations		**(1)**	–
Trade and other receivables		**(17)**	(241)
Employee related liabilities		**(25)**	46
Inventories		**(246)**	(64)
Other taxes payable		**(83)**	25
Trade and other payables		**(6)**	104
Cash flows from operating activities		**3,885**	1,647
Interest paid		**(70)**	(155)
Interest received		**114**	56
Income tax paid		**(1,163)**	(469)
Net cash generated from operating activities		**2,766**	1,079

[1] Excluding the effects of acquisition and exchange differences on consolidation.

Notes to the Consolidated Financial Statements continued

31. Cash generated from operations continued

Non-cash transactions

Investing and financing transactions that did not require the use of cash and cash equivalents were excluded from the cash flow statement. Non-cash transactions consisted of:

(i) The acquisition of property, plant and equipment in exchange for inventory of US$3 million for the year ended 31 December 2008 (2007: US$3 million).
(ii) In May 2008, the Group completed the acquisition of a 50% interest in BML for a consideration of US$306 million which included US$6 million of interest income on a pre-acquisition loan.
(iii) In April 2008, the Group acquired a controlling interest in Serov and subsequently US$21 million of loans issued by the Group were eliminated on consolidation.

32. Contingencies, commitments and operating risks

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received, including those arising from tax inquiries. On the basis of management estimates and both internal and external professional advice, it is not anticipated that any material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements.

Tax legislation

Kazakhstani tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and frequent changes which may be applied retroactively. The interpretation of tax, transfer pricing and excess profit tax legislation by the Kazakhstani tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group may be assessed additional taxes, penalties and fines. Tax periods remain open to review by the Kazakhstani tax authorities for five years.

Following the recent completion of tax audits focused on excess profit tax, the risks reported in prior years relating to potential interpretational differences in respect of excess profit tax no longer apply. Pending completion of tax audits focused on transfer pricing policies applied in the past, there continues to be a risk that the Kazakhstani tax authorities may challenge past practice. Whilst any challenge may result in material claims being made against the Group, management believes that, based on clarifications obtained from the relevant authorities, they would be successful in defending any such challenge.

At 31 December 2008, no provision had been recorded (2007: nil).

Tax legislation in the Netherlands and the United Kingdom may impose additional tax liabilities due to the low rate of tax in certain jurisdictions in which the Group operates. Management believe they will be successful in defending any challenge from these tax authorities and therefore no provision for potential liabilities is required.

Capital expenditure commitments

	As at 31 December	
In millions of US$	**2008**	2007
Property, plant and equipment	**526**	497
Total capital expenditure commitments	**526**	497

In October 2007 the Group has provided an undertaking to the Committee on Investment Ministry of Industry and Trade of the Republic of Kazakhstan in relation to a railway project. The Board of Directors have approved the initial management's cost of US$911 million for the project. Depending on the results of the ongoing feasibility study, the Group has committed that sufficient funds will be made available to finance the project up to the amount approved by the Board of Directors.

Guarantees

Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The Group has guaranteed the following obligations:

	As at 31 December	
In millions of US$	**2008**	2007
SSGPO	**19**	22
AoK	**1**	–
Kazchrome	**–**	12
EEC	**–**	1
Total guarantees	**20**	35

Group Overview
Business Review
Corporate Governance
Financial Statements
Reserves
Corporate Information

32. Contingencies, commitments and operating risks continued

Assets pledged and restricted

The Group has the following assets pledged as collateral:

In millions of US$	Note	As at 31 December 2008 Asset pledged	2008 Related liability	2007 Asset pledged	2007 Related liability
Property, plant and equipment	17	**64**	**15**	17	–
Long-term deposits and restricted cash	5,21	**23**	**–**	5	–
Restricted cash	23	**30**	**686**	34	1,374
Accounts receivable	23,26	**178**		261	
Total assets pledged and restricted		**295**	**701**	317	1,374

Operating leases

In millions of US$	2008 Due less than 1 year	2008 Due between 2 and 5 years	2008 Due after 5 years	2008 Total	2007 Due less than 1 year	2007 Due between 2 and 5 years	2007 Due after 5 years	2007 Total
Minimum lease payments	**24**	**31**	**16**	**71**	15	24	87	126

Rental expenses relating to the operating leases of mining facilities and administrative facilities are recognised in 'cost of sales' and 'selling, general and administrative expenses', respectively.

Insurance policies

The Republic of Kazakhstani entities within the Group purchased a primary insurance programme which is placed with a local insurance company in the Republic of Kazakhstan, as required by Kazakhstani law. ENRC do not utilise the services of an insurance broker. Facultative reinsurance cover is then placed into the European insurance market via Marsh Insurance Brokers in the Republic of Kazakhstan.

The primary insurance programme covers such risks including:

- property damage, business interruption and machinery breakdown;
- medical expenses;
- employers' liability; and
- various logistics cover.

Supply commitments

ENRC Marketing AG has a contract with UC RUSAL, a large aluminium producer, to supply a minimum of 1.2 million tonnes of alumina per annum, plus an option to supply an additional 200 thousand tonnes per annum. The contract expires on 31 December 2016. Pricing is determined by a formula linked to the LME aluminium price.

In April 2007, the Group entered into a long-term contract with MMK, a large Russian steel producer, to supply saleable iron ore concentrate and pellets. The contract extends until 2017 and requires MMK to purchase specified quantities at prices determined by reference to the published world price benchmarks for iron ore concentrate and pellets. Prices are revised annually on 1 April by reference to the world price benchmarks.

In light of the current economic downturn and the impact on our customer MMK, in the fourth quarter 2008 the Group agreed to temporarily waive the minimum contractual sales volume. Contractual sales volumes will continue to be reviewed on a regular basis, taking into account developing market conditions.

Environmental matters

The enforcement of environmental regulation is evolving and the enforcement posture of the Kazakhstani Government authorities is continually being reconsidered in the Republic of Kazakhstan. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Notes to the Consolidated Financial Statements continued

33. Derivative financial instruments

All derivative financial instruments are carried at fair value and reported as assets when the fair value is positive and as liabilities when the fair value is negative.

The table below analyses the Group's derivative financial instruments. The amounts disclosed in the table are the carrying balances of the liabilities as at balance sheet date.

In millions of US$	As at 31 December 2008	2007
Current portion:		
Forward foreign exchange contracts – cash flow hedge	**54**	19
Non-current portion:		
Forward foreign exchange contracts – cash flow hedge	**–**	51
Total derivative financial instruments	**54**	70

In June 2007, SSGPO JSC ('SSGPO') and Aluminium of Kazakhstan JSC ('AoK') entered into forward foreign exchange contracts with Deutsche Bank AG London ('Deutsche Bank') to hedge part of their foreign currency risks. Under the terms of the contracts, SSGPO and AoK are required to pay Deutsche Bank amounts of US$25 million and US$15 million, respectively, on a monthly basis up to December 2009. Deutsche Bank is required to pay SSGPO and AoK on a monthly basis, Kazakhstani tenge at fixed forward rates up to December 2009. The average forward rate on these contracts is 121.14 KZT/US$1 (2007: 120.88 KZT/US$1).

In September 2007, these forward foreign exchange contracts were formally designated as hedge instruments to hedge the foreign exchange currency risk arising from related highly probable forecast transactions expected to occur on a monthly basis up to December 2009.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedge item is less than 12 months. There is no non-current portion of the hedge as of December 2008.

The amount of net unrealised loss on the hedges taken to equity is US$21 million as of 31 December 2008 (2007: US$17 million). The net unrealised loss taken to equity on the forward foreign exchange contracts is recognised in the income statement in the period or periods during which the actual cash flows occur and the hedged forecast transaction affects the income statement. The total amount of realised gain on cash flow hedges recognised in cost of sales is US$17 million for the year ended 31 December 2008 (2007: US$4 million). Refer note 7.

There were no significant ineffective cash flow hedges.

34. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group uses derivative financial instruments to partially hedge foreign exchange exposure.

Financial risk management is the responsibility of the treasury function which identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Treasury Policy outlines principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

The Group does not require collateral in respect of financial assets. The Group has credit insurance for the majority of its sales and credit limits are set by the credit insurance company for each customer. For those sales where credit insurance is not available, the Group operates a policy of 'cash on delivery' and 'letters of credit'. The Group regularly monitors its exposure to bad debts, in order to minimise their exposure. In 2008 the top 10 customers as a proportion of the outstanding balances of the Group's trade receivables accounted for 51% (2007: 58%).

The Group has established relationships with a number of international and domestic banks in the areas in which the Group operates to diversify financial counterparty default risk. During the year a mixture of bank deposits, liquidity funds, asset management funds and sovereign debt were used within the Group's investment portfolio to manage credit exposure.

The Group considers its maximum exposure to credit risk to be as follows:

In millions of US$	Note	As at 31 December 2008	2007
Cash and cash equivalents	24	**2,493**	2,548
Trade and other receivables (excluding prepaid expenses and taxes)	23	**769**	830
Long-term deposits and restricted cash held by related parties	21	**3**	5
Financial assets	19	**81**	170
Loans receivable	20	**72**	35
Total maximum credit risk exposure		**3,418**	3,588

34. Financial risk management continued

Foreign currency risk

The production costs are predominantly denominated in Kazakhstani tenge (KZT) and Russian roubles (RUB) while sales are denominated in US dollars (US$). The Group is therefore exposed to the risk that movements in exchange rates will affect both its net income and cash flows.

The Group's foreign currency exposure arises from:

- Highly probable forecast transactions (sales/purchases) denominated in foreign currencies; and
- Monetary items (mainly inter-company receivables, payables and borrowings) denominated in foreign currencies.

The Group is exposed to currency fluctuations through its normal operations. The main exposure is to KZT/US$ and approximately 25% of this exposure for 2008 was hedged using forward foreign exchange contracts which were already in place at the beginning of the year. Management estimate that the hedge contracts effectively provide for an average rate of 120KZT/US$1. There were no additional foreign exchange hedges transacted during the year.

The forward exchange contracts entered into during 2007 were formally designated as hedges at 18 September 2007 and accordingly hedge accounting has been applied from that date.

The table below summarises the foreign currency exposure on the net monetary position of each Group entity against its respective functional currency, expressed in the Group's presentation currency.

In millions of US$	KZT	US$	CAD	EUR	GBP	RUB
At 31 December 2008[1]						
Kazakhstani entities (KZT)	**n/a**	**1,140**	**–**	**(12)**	**–**	**13**
Marketing and holding entities (US$)	**(10)**	**n/a**	**6**	**321**	**4**	**–**
UK management entities (GBP)	**–**	**(20)**	**–**	**–**	**n/a**	**–**
Russian entities (RUB)	**–**	**(34)**	**–**	**–**	**–**	**n/a**
	(10)	**1,086**	**6**	**309**	**4**	**13**
At 31 December 2007						
Kazakhstani entities (KZT)	n/a	(233)	–	2	–	1
Marketing entities (US$)	–	n/a	–	295	159	50
UK management entities (GBP)	–	11	–	1	n/a	–
	–	(222)	–	298	159	51

[1] In 2008 inter-company balances were included in the analysis to fully reflect the Group's exposure to currency risk. 2007 comparatives do not include inter-company balances.

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before income tax.

In millions of US$	KZT	US$	CAD	EUR	GBP	RUB
At 31 December 2008						
Total in the consolidated financial statements	**(10)**	**1,086**	**6**	**309**	**4**	**14**
Shift in the US exchange rate	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**
Increase in profit due to appreciation of US dollar	**(0.5)**	**54.3**	**0.3**	**15.4**	**0.2**	**0.7**
Decrease in profit due to depreciation of US dollar	**0.5**	**(54.3)**	**(0.3)**	**(15.4)**	**(0.2)**	**(0.7)**
At 31 December 2007						
Total in the consolidated financial statements	–	(222)	–	298	159	51
Shift in the US exchange rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Increase in profit due to appreciation of US dollar	–	n/a	–	14.9	8.0	2.6
Decrease in profit due to depreciation of US dollar	–	n/a	–	(14.9)	(8.0)	(2.6)

The above tables exclude the impact of forward foreign exchange contracts which have been hedged.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily ferrochrome, chrome ore, iron ore, alumina and aluminium. Historically, the prices for these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries that are end users of these products.

Prices may also be affected by Government actions, including the imposition of tariffs and import duties, speculative trades, the development of product substitutes or replacements, recycling practices, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices. A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the financial results and cash flows of operations.

ENRC does not hedge its exposure to the risk of fluctuations in the price of its products.

Notes to the Consolidated Financial Statements continued

34. Financial risk management continued

The table below sets out the sensitivity of the Group's underlying EBIDTA to changes in commodity prices:

In millions US$	5% reduction in sales price, relative to the average for 2008, would reduce underlying EBITDA by:
High carbon ferrochrome	112
Chrome ore	18
Iron ore	72
Alumina	26
Aluminium	13

Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. These assets and liabilities are exposed to cash flow interest rate risk or fair value interest rate risk depending on whether they are subject to variable or fixed rates of interest. The Group's significant interest bearing assets and liabilities are disclosed in notes 20, 23, 24, and 26.

The Group analyses its sensitivity to interest rates by movements of 1% and the pre-tax impact on the profit or loss for the year ended 31 December 2008 is approximately US$17 million (2007: US$15 million).

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As at 31 December 2008, following the receipt of the proceeds from the IPO in 2007, the Group had a strong balance sheet and a conservative capital structure. Going forward, the Group intends to maintain a capital structure in line with industry's norms and practices which will be achieved over a period of time, taking into account investment opportunities and availability of debt finance.

The Group considers the following balances as a part of its capital management.

		As at 31 December	
In millions of US$	Note	**2008**	2007
Borrowings	26	**727**	1,424
Share capital	25	**3,257**	3,257
Reserves[1]		**4,915**	2,457

[1] Reserves include retained earnings, translation reserve, revaluation reserve of financial assets available-for-sale and hedge reserves.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to manage its debt level.

Liquidity risk

Prudent liquidity risk management means maintaining sufficient cash to finance the ongoing operating and investing activities of the Group.

In 2008, the Group did not make any new draw down under credit facilities (2007: US$1,374 million). Refer note 26.

The table below analyses the Group's financial assets and liabilities which will be settled on a gross basis into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	As at 31 December 2008			
In millions of US$	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**After 5 years**
Borrowings	**(374)**	**(355)**	**(14)**	**(5)**
Other non-current liabilities	**–**	**–**	**–**	**(5)**
Trade and other payables	**(411)**	**–**	**–**	**–**
Cash and cash equivalents	**2,493**	**–**	**–**	**–**
Loans receivable	**4**	**4**	**18**	**52**
Financial assets	**81**	**–**	**–**	**–**
Trade and other receivables (excluding prepaid expenses and advances)	**955**	**–**	**–**	**–**
Net position	**2,748**	**(351)**	**4**	**42**

34. Financial risk management continued

In millions of US$	As at 31 December 2007 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	After 5 years
Borrowings	(359)	(346)	(689)	(32)
Trade and other payables	(351)	–	–	–
Cash and cash equivalents	2,548	–	–	–
Loans receivable	28	4	3	–
Financial assets at fair value through the income statement	170	–	–	–
Trade and other receivables (excluding prepaid expenses and advances)	884	–	–	–
Net position	2,920	(342)	(686)	(32)

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groups based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, translated at year end exchange rates.

	As at 31 December		
In millions of US$	**2008 Less than 1 year**	2007 Less than 1 year	2007 Between 1 and 2 years
Forward foreign exchange contracts – cash flow hedge			
Outflow	**(480)**	(480)	(480)
Inflow[1]	**481**	481	483

[1] Undiscounted cash flows (inflows) translated at forward rates prevailing at year end are US$426 million (2007: US$890 million).

35. Acquisition of subsidiaries and joint venture

Serov

On 3 April 2008 a controlling interest in the Serov group and certain related entities ('Serov') (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.

The acquisition of Serov consisted of the following ownership interests:

	Effective ownership interest
Serov Ferroalloy Plant JSC	95.3%
Saranovskaya Mine 'Rudnaya' JSC	88.2%
Serov Metalconcentrate Works JSC	97.7%
Industrial Metals LLC	100.0%
IMR Marketing AG	100.0%
DDK Services Limited	100.0%

Since the date of acquisition up to 31 December 2008, Serov contributed US$496 million of revenue and US$156 million of profit after tax. If the acquisition had occurred on 1 January 2008, Serov would have recorded US$632 million of revenue and profit after tax of US$197 million.

If the acquisition had occurred on 1 January 2008, Group consolidated revenue and Group consolidated profit after tax for the year ended 31 December 2008 would have been, respectively, US$6,917 million and US$2,726 million.

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	2
Total purchase consideration	**212**
Fair value of net identifiable assets acquired (see below)	(136)
Goodwill	**76**

Goodwill to the amount of US$67 million was allocated to Kazchrome, in the Ferroalloys Division, on the basis of economic benefits arising from the assets acquired. The goodwill is attributable to the value derived by the Group from additional pricing power in the low-carbon ferroalloys market.

Notes to the Consolidated Financial Statements continued

35. Acquisition of subsidiaries and joint venture continued

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

In millions of US$	Acquiree's carrying amount	Fair value
Cash and cash equivalents	40	40
Property, plant and equipment	67	128
Inventories	40	79
Trade and other receivables	83	69
Borrowings	(9)	(9)
Trade and other payables (refer note 5)	(93)	(140)
Deferred tax assets/(liabilities), net	1	(20)
Net assets	**129**	**147**
Minority interest	(4)	(11)
Net identifiable assets acquired	**125**	**136**

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
Direct costs relating to the acquisition	2
Cash and cash equivalents in subsidiary acquired	(40)
Cash outflow on acquisition in 2007	100
Cash outflow on acquisition in 2008	72
Total cash outflow on acquisition	**172**

Xinjiang Tuoli Taihang Ferro-Alloy Co. ('Tuoli')

In October 2008, the Group completed the acquisition of a 50% interest in Tuoli, a Chinese ferroalloys producer, for a cash consideration of US$15 million. The Group has consolidated Tuoli, reflecting the control it exercises over the operations.

Net assets acquired were US$7 million; this is equivalent to the fair values. Goodwill in the amount of US$8 million was allocated to Kazchrome, in the Ferroalloys Division, on the basis of economic benefits arising from the assets acquired. Xinjiang Tuoli Taihang Ferro-Alloy Co. was later renamed Xinjiang Tuoli ENRC Taihang Chrome Co. Ltd.

Metallurg LLP ('Metallurg')

On 1 October 2008 the Group acquired 100% of Metallurg, an unlisted company based in the Republic of Kazakhstan dealing with metal scrap trading, for a cash consideration of US$1 million. On acquisition the Group recognised US$1 million of goodwill.

Bahia Minerals BV ('BML')

On 19 May 2008, the Group entered into a 50/50 joint venture agreement with Ardila Investments NV ('Ardila Investments') to form the joint venture BML. BML owns, amongst other immaterial subsidiaries, 100% of Bahia Mineração Limitada, a company involved in development of an iron ore deposit in Brazil, for a consideration of US$306 million.

The Group accounted for its investment in BML using equity accounting in accordance with the Group's accounting policy. In the period since acquisition, the movement in the Group's investment in the joint venture is as follows:

In millions of US$	2008
Acquisition of joint venture	**306**
Costs directly attributable to acquisition of joint venture	**17**
Share of loss	**(12)**
Share of movement in translation reserve	**2**
Total investments in joint venture	**313**

35. Acquisition of subsidiaries and joint venture continued

The feasibility study for the extraction of the iron ore deposit is currently being undertaken and is expected to be completed in the third quarter of 2009.

On 19 May 2008, the Group entered into a Shareholder Loan Agreement with BML to finance capital and operating expenditure. Under this agreement, the Group loaned US$34 million to BML to match loans granted by Ardila Investments prior to the joint venture being established.

The Shareholder Loan Agreement provides a further loan facility to BML of which the drawn down amount at 31 December 2008 is US$11 million.

Both loans are reported as related party loans (refer note 20) and are interest free at 31 December 2008. The loans are repayable out of the profits and or the free cash flows of BML and in any event on the date falling nine years after the date of the Shareholder Loan Agreement.

On 19 May 2008, the Group provided a secured loan facility of up to US$400 million to Ardila Investments to finance their share of certain capital and operating expenditure of BML. The facility, which is secured by Ardila Investments' shares in BML, is available to 31 December 2009, bears interest at LIBOR plus 4.5% per annum and is repayable over the 3 years following the first draw down under the facility (August 2008). As at 31 December 2008, US$11 million has been drawn down against this facility and is reported as loans receivable from third party (refer note 20).

36. Reconciliation of non-GAAP measures

	Years ended 31 December	
In millions of US$	**2008**	2007
Profit for the period	**2,684**	814
Add:		
Depreciation, amortisation and impairment	**311**	303
Net losses on derivatives not qualifying for hedge accounting	**–**	32
Costs incurred in relation to the IPO	**–**	182
Finance costs, including foreign exchange currency loss on external and inter-company debt, cash and cash equivalents and term deposits	**143**	177
Share of loss of joint ventures	**12**	–
Income tax expense	**1,143**	507
Less:		
Finance income including foreign exchange currency gain on external and inter-company debt, cash and cash equivalents and term deposits	**(132)**	(97)
Underlying EBITDA[1]	**4,161**	1,918
Divide by:		
Revenue	**6,823**	4,106
Underlying EBITDA margin	**61.0%**	46.7%
Profit for the period	**2,684**	814
Add:		
Net losses on derivatives not qualifying for hedge accounting	**–**	32
Costs incurred in relation to the IPO	**–**	182
Finance costs, including foreign exchange currency loss on external and inter-company debt, cash and cash equivalents and term deposits	**143**	177
Share of loss of joint ventures	**12**	–
Income tax expense	**1,143**	507
Less:		
Finance income including foreign exchange currency gain on external and inter-company debt, cash and cash equivalents and term deposits	**(132)**	(97)
Underlying EBIT	**3,850**	1,615
Divide by:		
Capital employed weighted average[2]		
Borrowings	**1,019**	1,393
Equity including minority interest	**7,088**	2,614
Return on capital employed	**47.5%**	40.3%

[1] Incremental underlying EBITDA contribution from Serov and the new aluminium smelter amounted to US$199 million and US$76 million, respectively.
[2] The capital employed used in this calculation is a three point average based on the opening and closing balance sheet for each year plus the half-year interim balance sheet.

Notes to the Consolidated Financial Statements continued

36. Reconciliation of non-GAAP measures

In millions of US$	Years ended 31 December 2008	2007
Revenue	**6,823**	4,106
Less:		
Serov revenue[3]	**(496)**	(3)
Tuoli revenue	**(6)**	–
Other entities acquired or set up in 2008	**(1)**	–
New aluminium smelter sales revenue	**(280)**	–
Like-for-like revenue	**6,040**	4,103
2008 v 2007		
Increase in like-for-like revenue	**1,937**	
% increase in like-for-like revenue	**47.2%**	
Cost of sales	**2,088**	1,701
Less:		
Serov cost of sales	**(155)**	–
Tuoli cost of sales	**(11)**	–
New aluminium smelter cost of sales	**(103)**	(3)
Like-for-like cost of sales	**1,819**	1,698
2008 v 2007		
Increase in like-for-like cost of sales	**121**	
% increase in like-for-like cost of sales	**7.1%**	
Cost of sales	**2,088**	1,701
Distribution costs	**431**	373
Selling, general and administrative expenses	**422**	606
Net other operating expenses	**32**	5
Total costs	**2,973**	2,685
Less:		
Exceptional items[4]	**–**	(182)
Serov total costs	**(186)**	(2)
Tuoli total costs	**(26)**	–
Other entities acquired or set up in 2008	**(1)**	–
New aluminium smelter sales total costs	**(140)**	(19)
Like-for-like total costs	**2,620**	2,482
2008 v 2007		
Increase in like-for-like total costs	**138**	
% increase in like-for-like total costs	**5.6%**	
Cost of sales – principal operating Divisions[5]	**2,229**	1,684
Less:		
Serov cost of sales	**(155)**	–
Tuoli cost of sales	**(11)**	–
New aluminium smelter cost of sales	**(103)**	(3)
Like-for-like cost of sales – principal operating Divisions	**1,960**	1,681
2008 v. 2007		
Increase in like-for-like total cost of sales – principal operating Divisions	**279**	
% increase in like-for-like total cost of sales – principal operating Divisions	**16.6%**	

[3] In 2007 DDK Trading AG was acting as a trading agent for sales of Serov's ferroalloys and therefore excluded from 2007.
[4] Exceptional items for the year ended 31 December 2007 represented costs expensed in relation to the IPO and consisted of staff costs, professional and other services.
[5] The principal operating Divisions comprise of Ferroalloys, Iron Ore, Alumina and Aluminium and Energy.

36. Reconciliation of non-GAAP measures continued

In millions of US$	As at 31 December 2008	2007
Gross available funds		
Cash and cash equivalents	**2,493**	2,548
Term deposits	**194**	203
Financial assets	**81**	170
Total gross available funds	**2,768**	2,921
Borrowings – current	**(372)**	(1,065)
Borrowings – non-current	**(355)**	(359)
Total net available funds	**2,041**	1,497
Net cash		
Cash and cash equivalents	**2,493**	2,548
Borrowings – current	**(372)**	(1,065)
Borrowings – non-current	**(355)**	(359)
Total net cash	**1,766**	1,124

37. Events after the balance sheet date

Acquisition of 100% of ENRC PMZ LLP ('ENRC PMZ')

On 8 January 2009 the Group acquired a 100% interest in ENRC PMZ LLP, an unlisted company based in the Republic of Kazakhstan, for a cash consideration of US$20 million. ENRC PMZ owns 100% interest in Pavlodar Machinery Plant JSC, a producer of overhead factory cranes in the Republic of Kazakhstan. ENRC PMZ was acquired from the Founder Shareholders of ENRC.

Purchase of an option to acquire 70% interest in Masalskoe GOK LLP ('Masalskoe')

On 8 January 2009 the Group purchased an option, for a cash consideration of US$10 million, from a company owned by Mr Abdraman Yedilbayev, one of the Group's non-executive Directors, to acquire a 70% interest ('Offered Interest') in Masalskoe GOK LLP. Masalskoe is a company with the rights for exploration and production of iron ore of the Masalskoe deposit in the Republic of Kazakhstan.

Consideration paid for the option will be used by Masalskoe to finance its exploration works during the eight months from the date of payment. Upon completion of this period, the Group will be provided with the exploration results and may exercise the call option at any time during the four month period from the completion of exploration works and provision of all documents supporting the exploration results. The price payable on the exercise of the call option is US$100 million. The purchase price is subject to change should the results of exploration works reveal that the available reserves deviate by more than 10% from the amount stipulated in the contract. If the parties disagree with the results of a new appraisal conducted by an independent expert, either of them may refuse to complete the sale of the Offered Interest. In such an event, the US$10 million is not refundable, however, the Group shall instead receive an interest in Masalskoe equivalent to the share of US$10 million in the value of the Offered Interest.

Acquisition of 25% of Shubarkol Komir Joint Stock Company ('Shubarkol')

On 16 February 2009 the Group acquired a 25% interest in Shubarkol Komir JSC, a major semi-coke and thermal coal producer in Kazakhstan, for a cash consideration of US$200 million.

Shubarkol is majority owned by Eurasian Finance-Industrial Company JSC ('EFIC'), a private company wholly-owned by the three Founder Shareholders of ENRC who together hold 43.77% of the Group's issued share capital. The acquisition constitutes a 'smaller related party transaction' for the purposes of the Listing Rules of the FSA.

In connection with the acquisition, the Group has entered into an off-take agreement with Shubarkol, secured a seat on Shubarkol's board and entered into a shareholders agreement with EFIC. In addition the Group has a right of first refusal, combined with a call option, over all or part of the remaining shares in Shubarkol held by EFIC. The call option is exercisable (at the Group's discretion) at any time until 31 January 2011 and is expected to be subject to the approval of the Group's shareholders with any required regulatory approvals having been obtained. The price payable on any exercise of the call option is the aggregate value of the shares to be transferred, assuming Shubarkol has a total value of US$800 million on a fully diluted basis, less any net debt at the time of the transfer. The Group's management believes that the transaction, agreed on an arm's length basis, creates value for all of the Group's shareholders.

The 25% interest in Shubarkol was acquired through a public auction process on the Kazakhstan Stock Exchange ('KASE'). The settlement of the shares through KASE was completed on 19 February 2009.

Notes to the Consolidated Financial Statements continued

37. Events after the balance sheet date continued

Devaluation of Kazakhstani tenge

At the beginning of February 2009 the Kazakhstani tenge was devalued by about 25% to approximately KZT150/US$1. A substantial proportion of the Group's costs are in tenge.

Buyout of Serov minority interest

In January and March 2009 the Group completed a buyout of minority interest in Serov Ferroalloy Plant and Saranovskaya Mine 'Rudnaya' for a cash consideration of US$4 million and US$5 million, respectively. As a result, the Group's interest in Serov Ferroalloy Plant and Saranovskaya Mine 'Rudnaya' increased to 99.29% and 98.77%, respectively.

2008 final dividend

For 2008 the Board has recommended a final dividend of 19 US cents per share amounting to US$245 million, which will be paid on Wednesday, 17 June 2009, to shareholders on the register at the close of business on 3 April 2009.

38. Principal subsidiaries

A list of the principal subsidiaries consolidated during the period is set out below:

			% of ownership Years ended 31 December	
Subsidiary	Principal activity	Country of incorporation	**2008**	2007
Aluminium of Kazakhstan JSC ('AoK')	Mining and processing of raw materials	Kazakhstan	**96.61**	96.61
Kazsoda LLP	Processing of raw materials	Kazakhstan	**100.00**	–
Rudnenskiy Cement Plant LLP	Processing of raw materials	Kazakhstan	**100.00**	–
Serov Ferroalloy Plant JSC	Metals processing	Russian Federation	**95.25**	–
Xinjiang Tuoli ENRC Taihang Chrome Co. Ltd	Metals pocessing	China	**50.00**	–
Kazakhstan Aluminium Smelter JSC ('KAS')	Metals processing	Kazakhstan	**100.00**	100.00
Serov Metalconcentrate Works JSC	Metals processing	Russian Federation	**97.67**	–
TNC Kazchrome JSC ('Kazchrome')	Mining	Kazakhstan	**98.31**	98.31
SSGPO JSC ('SSGPO')	Mining	Kazakhstan	**98.15**	98.15
Zhairemsky GOK JSC	Mining	Kazakhstan	**99.84**	99.84
Saranovskaya Mine 'Rudnaya' JSC	Mining	Russian Federation	**88.17**	–
Eurasian Energy Corporation JSC ('EEC')	Power generation	Kazakhstan	**98.41**	98.41
ENRC Leasing BV	Leasing	Netherlands	**100.00**	100.00
ENRC NV	Holding company	Netherlands	**100.00**	100.00
Corica AG	Holding company	Switzerland	**100.00**	100.00
Corporate Fund ENRC Komek	Charity	Kazakhstan	**100.00**	–
Company Zhol Zhondeushy LLP	Transportation	Kazakhstan	**100.00**	100.00
MEK Transsystema LLP	Transportation	Kazakhstan	**100.00**	100.00
TransCom LLP	Transportation	Kazakhstan	**100.00**	100.00
TransRem Wagon LLP	Transportation	Kazakhstan	**100.00**	100.00
RemPut Ltd. LLP	Transportation	Kazakhstan	**100.00**	100.00
Universal Service LLP	Transportation	Kazakhstan	**100.00**	100.00
RemZholService LLP	Transportation	Kazakhstan	**100.00**	100.00
Bereke 2004 LLP	Transportation	Kazakhstan	**100.00**	100.00
ENRC Logistics LLP	Transportation	Kazakhstan	**100.00**	100.00
Zhana Temir Zhol LLP	Transportation	Kazakhstan	**100.00**	–
ENRC Marketing AG	Sales and marketing	Switzerland	**100.00**	100.00
ENRC Marketing LLP	Sales and marketing	Kazakhstan	**100.00**	100.00
DDK Trading AG	Sales and marketing	Switzerland	**100.00**	100.00
Metallurg LLP	Sales and marketing	Kazakhstan	**100.00**	–
Industrial Metals LLC	Sales and marketing	Russian Federation	**100.00**	–
ENRC Finance Limited	Treasury and holding company	United Kingdom	**100.00**	100.00
ENRC Management (UK) Limited	Group managing company	United Kingdom	**100.00**	100.00

Parent Company Independent Auditors' Report

We have audited the parent company financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2008 which comprise the Eurasian Natural Resources Corporation PLC Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

We have reported separately on the consolidated financial statements of Eurasian Natural Resources Corporation PLC for the year ended 31 December 2008.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Board of Directors, the Chief Executive Officer's Statement, the Business Review and the Corporate Governance Report that is cross-referred from the Business Review Section of the Directors' Report.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
8 April 2009

Eurasian Natural Resources Corporation PLC
Balance Sheet
as at 31 December 2008

In millions of US$	Note	As at 31 December 2008	2007
Assets			
Fixed assets			
Investments	6	**1,203**	1,200
Current assets			
Amount owed by ENRC Finance Limited	7	**2,299**	2,401
Accrued interest		**13**	17
Cash at bank and in hand		**–**	1
Total current assets		**2,312**	2,419
Creditors – amount falling due within one year			
Amount owed to ENRC Management (UK) Ltd	7	**(22)**	(69)
Net current assets		**2,290**	2,350
Total assets less current liabilities		**3,493**	3,550
Capital and reserves			
Called up share capital	8	**258**	258
Share premium account	9	**2,999**	2,999
Other reserves	9	**3**	–
Profit and loss account	9	**233**	293
Total capital employed		**3,493**	3,550

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements.

The financial statements on pages 118 to 122 were approved by the Board of Directors on 8 April 2009 and were signed on its behalf by:

Dr Johannes Sittard
Chief Executive Officer

Miguel Perry
Chief Financial Officer

Notes to the Parent Company Financial Statements

1. Principal Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and generally accepted accounting practices in the United Kingdom ('UK GAAP').

The comparative prior period amounts presented in the financial statements were from 8 December 2006 (date of incorporation) to 31 December 2007.

The functional and presentation currency of the Company is US dollars. At 31 December 2008, the exchange rate was £1 = US$1.450 (2007: £1 = US$1.996) and the average rate for the year was £1 = US$1.855 (2007: £1 = US$2.004).

Investments

Investments in subsidiary undertakings are stated in the balance sheet at cost less provisions for impairment. Investments are tested for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss is recognised if the carrying amount of the investment exceeds the higher of net realisable value and the discounted future earnings from the investment.

Financial assets and liabilities

Interest and non-interest bearing amounts owed by Group companies are initially recorded at fair value and subsequently remeasured at amortised cost using the effective interest method. Finance income is accounted for on an accrual basis using the effective interest method.

Foreign currencies

Transactions denominated in currencies other than US dollars, including the issue of shares, are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in currencies other than US dollars are translated using the rate of exchange ruling at the balance sheet date. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

IPO costs

Costs related directly to the issuance of shares have been deducted from equity. Attributable IPO costs have been allocated between the share premium and profit and loss in proportion to the number of new shares issued compared to the existing number of shares. Other costs attributed to the listing have been expensed.

Taxation including deferred tax

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is recognised on an undiscounted basis.

Share-based payments

In 2008, the Company has adopted a Long Term Incentive Plan ('LTIP') designed to reward senior management employees of the Group for achieving the Group's strategic objectives and provide an appropriate level of long-term performance related pay. Each year, participants will receive conditional awards of shares in the Company which will normally vest three years after they are awarded. This is subject to the satisfaction of performance conditions, measured over a three-year performance period and continued service.

The share-based compensation is accounted for as equity-settled in the Company's financial statements and is measured at fair value of the equity instruments at the date of grant. The fair value was calculated by applying the Monte Carlo model.

In accordance with UITF 44 and FRS 20, where a parent company grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, the subsidiary is required to record an expense for such compensation with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent, the Company is required to record an addition to the Company's investment in ENRC Management (UK) Limited, with a corresponding increase recognised in other reserves.

In 2007, the Company adopted an equity-settled share-based bonus award scheme for the Directors, management, senior employees and professional advisors for their contribution to the Company's preparations for admission to the London Stock Exchange. The fair value of services received under the scheme was measured by reference to the fair value of the shares granted less par value at the grant date and was recognised in the profit and loss account.

Further details on the share-based payments can be found in the Directors' Remuneration Report section of this Annual Report and notes to the consolidated financial statements.

Dividends

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

Notes to the Parent Company Financial Statements continued

2. Cash flow statement, related party and financial instruments disclosures
The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised) and presenting financial instruments disclosures under the terms of FRS 29. A consolidated cash flow statement has been presented in the consolidated financial statements of the Company.

The Company is also exempt under the terms of FRS 8 which states that disclosure of related party transactions is not required in parent company financial statements when those statements are presented together with its consolidated financial statements.

3. Directors' emoluments and employee information
The Company has two employees in 2008 and 2007, who are also Directors of the Company. Emoluments of all the Directors are borne by ENRC Management (UK) Limited. Full details of the remuneration and share interests of the Directors for the year ended 31 December 2008 are set out in the Directors' Remuneration Report section of this Annual Report.

4. Auditors' remuneration
The fee for the statutory accounts audit of the Company for 2008 is £15 thousand. This fee has been borne by a fellow Group company and subsequently recharged to the Company.

5. Tax
The Company has unrecognised deferred tax assets in respect of deductible temporary differences of US$3 million. The standard rate of Corporation tax in the United Kingdom changed to 28% on 1 April 2008. There are no material factors affecting future tax charges.

6. Investments

	As at 31 December	
In millions of US$	**2008**	2007
Cost and net book value		
ENRC Finance Limited (formerly 'ENRC Limited')	**1,200**	1,200
ENRC Management (UK) Limited	**3**	–
Total investments	**1,203**	1,200

In December 2006, the Company acquired 100% of the share capital of ENRC NV (a Dutch company). Under sections 131 and 133 of the Companies Act 1985, the share premium on these shares was not recognised. The cost of the investment was recorded as the par value of 20,000,000 shares of US$10 each and a promissory note of US$1,000 million. In March 2007, the Company exchanged shares held in ENRC NV for 100% of the share capital of ENRC Finance Limited and as such ceased to recognise its investment in ENRC NV and recognised an equivalent investment in ENRC Finance Limited.

In 2007, the Company acquired 100% of the share capital of ENRC Management (UK) Limited.

In accordance with UITF 44 and FRS 20, the cost of investment in ENRC Management (UK) Limited was increased by US$3 million during 2008 to reflect the cost of the conditional awards of shares granted to the employees of ENRC Management (UK) Limited. Full information on the fair value calculations is given in the notes to the consolidated financial statements.

Both ENRC Finance Limited and ENRC Management (UK) Limited were incorporated in the United Kingdom.

7. Receivables and payables to Group companies
The amount owed by ENRC Finance Limited bears interest at LIBOR plus 2.056%. It is repayable on demand.

The balance payable to ENRC Management (UK) Limited at 31 December 2008 relates to management recharges. At 31 December 2007, the balance comprised IPO costs paid on behalf of the Company. The amounts are non-interest bearing and repayable on demand.

8. Share capital

	As at 31 December	
In millions of US$	**2008**	2007
Authorised:		
2,000,000,000 ordinary shares of US$0.20 each	**400**	400
Issued and fully paid:		
1,287,750,000 ordinary shares of US$0.20 each	**258**	258

8. Share capital continued

The Company was incorporated and registered in England and Wales on 8 December 2006 as a public limited company with a share capital of £50,000 divided into two ordinary shares of £1 each and 49,998 non-cumulative redeemable preference shares of £1 each. The share capital was one-quarter paid. On 19 December 2006, the Board resolved to effect the transfer of the two ordinary shares and 49,998 non-cumulative redeemable preference shares to The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan (the 'Committee'). On the same day, the authorised share capital of the Company was increased from £50,000 to £50,000 and US$200,000,000 by the creation and issuance of 20,000,000 new ordinary shares of US$10 each as part of the acquisition of ENRC NV (refer note 6). In addition, the 49,998 non-cumulative redeemable preference shares of £1 each held by the Committee, were re-designated as ordinary shares of £1 each, the resulting 50,000 ordinary shares of £1 each were consolidated into one ordinary share of £50,000 and then the ordinary share was redesignated as a special share.

Share split

At an Extraordinary General Meeting of the Company held on 8 November 2007, each of the issued, and each of the authorised but unissued, ordinary shares of US$10.00 par value each in the capital of the Company was subdivided into 50 ordinary shares of US$0.20 par value each. On the same day, the authorised share capital of the Company was increased to 2,000,000,000 ordinary shares.

Issuance of shares on IPO

On 12 December 2007, the Company successfully completed its IPO and Listed on the London Stock Exchange. A total number of 277,750,000 shares were issued at £5.40 with a par value of US$0.20 each for total proceeds of about £1,500 million. Costs related to the issuance of new shares and attributable IPO costs taken against share premium amounted to US$96 million.

A further 10,000,000 ordinary shares with a par value of US$0.20 each were awarded to Directors, management, senior employees and professional advisers as part of the IPO Bonus Plan on 12 December 2007. The fair value of the services received was measured at the fair value of the shares at the grant date of £5.40 per share less par value. The share awards were subject to a restriction period of one year from the date of the IPO, during which any dealings were prohibited.

Redemption of special share

Pursuant to the Company's articles of association, the one special share of nominal value of £50,000 held by the Committee was cancelled upon admission of the Company's shares to the London Stock Exchange. As the share was only one-quarter paid up, £12,500 was paid to the Committee upon cancellation.

9. Movement in shareholders' funds

In millions of US$	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total
At 8 December 2006	–	–	–	–	–
Share issue pursuant to share exchange agreement	200	–	–	–	200
Shares issued on IPO	58	–	–	–	58
Premium on shares issued on IPO	–	2,986	–	–	2,986
Premium on shares issued as Group management IPO bonus	–	109	–	–	109
IPO costs charged to share premium account	–	(96)	–	–	(96)
Profit for the period	–	–	–	793	793
Dividends paid	–	–	–	(500)	(500)
At 31 December 2007	258	2,999	–	293	3,550
Profit for the year	–	–	–	95	95
Dividends paid	–	–	–	(155)	(155)
FRS 20 Share-based payment cost	–	–	3	–	3
At 31 December 2008	**258**	**2,999**	**3**	**233**	**3,493**

The Company has recognised a total amount of US$3 million increase in its investments in ENRC Management (UK) Limited and other reserves in relation to the share-based payments. Details of the share-based payments are disclosed in the notes to the consolidated financial statements.

The profit and loss account includes a foreign exchange gain on dividends of US$7 million for the year ended 31 December 2008 (2007: US$ nil).

Notes to the Parent Company Financial Statements continued

10. Guarantees and commitments

In September 2007, the Company entered into an investment agreement with Eurasian Energy Corporation JSC ('EEC'), its subsidiary, to finance the expansion of its production capacity, including that of its operating Divisions, amounting to a total of US$309 million until 2011.

In April 2008, the Company entered into an agreement with ENRC Finance Limited and EEC, whereby ENRC Finance Limited undertook obligations to carry out on behalf of the Company, the Company's investment commitments to EEC.

11. Post balance sheet events

ENRC Finance Limited has declared on 23 March 2009 and paid on 24 March 2009 a dividend of US$300 million to the Company. In accordance with FRS 21, these financial statements do not reflect this dividend receivable at 31 December 2008, which will be accounted for as dividend income in 2009.

A final dividend of US$0.19 per share has been recommended by the Board of Directors amounting to US$245 million, giving a total dividend in respect of 2008 of US$0.31 per share or US$400 million in aggregate. This is payable on 17 June 2009 to shareholders on the register at the close of business on 3 April 2009. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 10 June 2009 and has not been included as a liability in these financial statements.

Reserves
Independent Expert Ore Reserves Report
for the year ended 31 December 2008

SRK Consulting (UK) Ltd. ('SRK') has reviewed the Mineral Resource and Ore Reserve Statements as of 31 December 2008 of the mining assets of Eurasian Natural Resources Corporation PLC ('ENRC') and restated these in accordance with the terms and definitions given in the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy.

SRK has reviewed the Company's GKZ 'reserve' statements as prepared in accordance with the local regulatory requirements of the Republic of Kazakhstan. SRK has then modified and translated these for reporting in accordance with the JORC Code without recourse to fundamental recalculation.

In 2007, SRK prepared an independent mineral experts' report ('MER') on the mining, processing, smelting and power generating assets of ENRC. An abridged version of this MER was included in the prospectus published by the Company in connection with the admission of the Ordinary shares of the Company to trading on the London Stock Exchange plc's market for listed securities in December 2007 (the 'IPO'). The MER contained Mineral Resource and Ore Reserve Statements in accordance with the JORC code, dated 1 July 2007.

In 2008, SRK carried out a desktop review of the Mineral Resources and Ore Reserves, and provided an updated statement in line with the JORC Code, based on a review of the depletion of the Reserves from the annual submissions to the state (the 5GR forms), the actual production figures from the mines and any information on significant changes to the operations provided to SRK by ENRC. No site visits were undertaken.

For 2009, considering the significant changes to commodity prices and demand/production profile for many of the products produced by ENRC, this update has been carried out in significantly more detail than the 2008 review. Visits to Kazchrome's Donskoy GOK ferrochrome operations and Zhairemsky GOK's iron/manganese operations were undertaken in February 2009. The Mineral Resource and Ore Reserve Statements as of 31 December 2007, as prepared by SRK during the 2008 review, form the basis for the current update.

SRK have reviewed the Ore Reserve Statements in conjunction with the current consensus market forecasts, which in turn are derived from the median of long-term price assumptions as reported by various analysts during Q1 2009. The consensus market forecasts used to support the current Ore Reserve declarations are:

- Chromite at US$200/tonne and HCFeCr at US$0.80/lb.
- Manganese concentrate products between US$56 and 193/tonne and iron concentrate products between US$25 and 36/tonne.
- Iron ore at US$1.26/dmtu (dry metric tonne units) for pellets, and US$0.77/dmtu for concentrates.
- Alumina of US$291/tonne.

SRK has relied on ENRC and its technical representatives to ensure all technical information provided to SRK is accurate. A detailed information request list was submitted by SRK and ENRC provided data up to the week of 17 March 2009.

The Resource and Reserve statements for 31 December 2008 are based on the following assumptions, assessments, recommendations and material changes:

Ferroalloys Division
Kazchrome

Donskoy GOK. In 2008 the group produced 5.5Mt ore, 4.3 from both open pit and underground mines and 1.3 from stockpiles. The majority of production has been and will come from the 10th Anniversary and Molodezhnaya Underground Mines. The unconditioned stockpiles have now been depleted and the Poiskovoye open pit exhausted. The current mining Contract expires on 21 March 2041 and the Reserves are based on a Life of Mine Plan to the end of 2041. The Resources can support operations continuing beyond 2041. A significant portion of Reserves are dependent on successful application of new mining methods for both near surface and deposits at depth, which have not been trialled and which will be at a higher cost than the current method. In addition, exploitation of under-pit Reserves in certain areas is dependent on new methods of access and transportation which require more detailed studies and costings.

Kazmarganets. The current mining Contract for Tur expires on 7 October 2021. The Reserves are based on a Life of Mine Plan to the end of 2017. The Resources will support operations continuing beyond 2017. The current mining Contract for Vostochny Kamys expires on 28 June 2018. The Reserves are based on a Life of Mine Plan to the end of 2013.

Zhairemsky GOK. There has been an overall increase in Mineral Resources (132Mt) and Ore Reserves (12Mt) as a result of additional technical studies and exploration for Ushkatyn III underground, Perstenevsky and Zapadny Zhomart/Zhomart operations. Only limited production was being carried out at the time of the site visit in February and the bulk of the mines operation is on care and maintenance pending improvement of the spot prices for the products produced. SRK has however undertaken sufficient work to demonstrate that the Reserves are economic based on the assumed consensus market forecasts for the long-term prices of the various products.

The current mining Contract for Ushkatyn III expires in June 2015 and for Zhomart in June 2013. The Reserves for the Zhairem deposit are based on a Life of Mine Plan to the end of 2024. SRK has declared the Reserves on the understanding that Zhairemsky GOK can extend these licences under similar terms for periods that match their Life of Mine plans.

Iron Ore Division – SSGPO
In 2008 SSGPO produced 37.8Mt of iron ore at 32.4% iron, from four open pits and one underground mine. The current mining Contract expires in May 2015. SRK has declared the Reserves on the assumption that SSGPO will apply for, and be granted, at least one 25-year extension of this Contract until 2040 under similar terms and conditions. The Reserves are based on an overall 'Life of Mine' plan for SSGPO until 2040. The Resources can support operations continuing beyond 2040.

Aluminium Division – AoK
In 2008 the two Divisions of AoK produced 5.2Mt of bauxite, 4.5Mt from 10 open pits in three areas of KBRU and 0.67Mt from three open pits of TBRU. All mining licences expire on 21 January 2017, with the exception of the mining licence for Vostochno-Ayatskoye which expires on 26 July 2031. SRK has declared the Reserves on the understanding that AoK can extend these licences under similar terms for periods that match their Life of Mine plans. The Reserves are based on an overall Life of Mine Plan for AoK to the end of 2041. SRK notes that the economic viability of TBRU is dependent on the production from KBRU. The Reserves are also based on the assumption that AoK maintains ongoing contracts for some 75% of production to third party sales of alumina through the Life of Mine period.

Energy Division – EEC
Vostochny Open Pit Coal Mine produced almost 20Mt coal in 2008. The current mining Contract expires on 18 March 2022. The Reserves are based on a Life of Mine Plan to the end of 2045 and on the understanding that EEC can extend the Contract under similar terms for a period that matches the Life of Mine plan. The Resources can support operations continuing beyond 2045.

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1 April 2009

Reserves
Ore Reserves/Mineral Resources Estimates

Ore reserves and mineral resources for ENRC Divisions are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, December 2004 (the 'JORC Code'). Codes or guidelines similar to JORC with only minor regional variations have been adopted in South Africa, Canada, the United States, Chile, Europe and some other countries. Together these represent current best practice for reporting ore reserves and mineral resources.

The JORC Code envisages the use of reasonable investment assumptions, including the use of projected long-term commodity prices, in calculating reserve estimates.

Ore Reserve and Mineral Resources information in the tables below is based on Ore Reserve and Mineral Statements of the individual entities as audited and re-stated as at 31 December 2008 in accordance with the JORC Code by SRK Consulting (UK) Ltd ('SRK').

The Ore Reserve and Mineral Resources estimate figures in the following tables are as of 31 December 2008. Summary data for year-end 2007 are shown for comparison. No significant changes with respect to the classification of the Mineral Reserve and Ore Resource have occurred in 2008.

Mineral Resources are inclusive of Ore Reserves. Metric units are used throughout.

Summary of Ore Reserves of ENRC

	Reserves as of 31 December 2008						Reserves as of 31 December 2007		Reserves[1] mine life as at 31 December 2008
	Proved		Probable		Total		Total		
Minerals type	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	
Ferroalloys Division									
		Cr_2O_3		Cr_2O_3		Cr_2O_3		Cr_2O_3	
Chrome ore	**59.0**	**42.6**	**125.2**	**40.9**	**184.2**	**41.5**	166.2	42.2	**44 years**
		Mn		Mn		Mn		Mn	
Manganese ore	–	–	**31.3**	**21.1**	**31.3**	**21.1**	23.3	19.0	**14 years**
		Fe/Mn		Fe/Mn		Fe/Mn			
Iron manganese ore	–	–	**6.8**	**38.6/4.0**	**6.8**	**38.6/4.0**	4.2	44.0/5.5	**17 years**
Iron Ore Division									
		Fe		Fe		Fe		Fe	
Iron ore	**286.1**	**41.9**	**1,153.3**	**35.3**	**1,439.4**	**36.6**	1,484.9	36.6	**38 years**
Alumina and Aluminium Division									
		Al_2O_3		Al_2O_3		Al_2O_3		Al_2O_3	
Bauxite	**59.3**	**43.3**	**97.4**	**43.4**	**156.7**	**43.3**	160.7	43.3	**37 years**
Energy Division									
Coal[2]	**260.0**	–	**482.8**	–	**742.8**	–	762.0	–	**37 years**

[1] The Reserves mine life has been calculated using 2008 mining volumes, from all relevant mine sites, and does not take into account any mine expansion plans which would be required to support approved expansionary capital projects, the timing of which has currently been deferred.
[2] Coal Reserve quality parameter: Calorific value = 3,990kcal/kg (net as received); 0.56% S (air dried); 42.5% ash (air dried).

Ore Reserves/Mineral Resources Estimates continued

Summary of Mineral Resources of ENRC
(Mineral Resources are inclusive of Ore Reserves)

	Resources as of 31 December 2008								Resources as of 31 December 2007	
	Measured		Indicated		Inferred		Total		Total	
Minerals Type	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Ferroalloys Division										
		Cr_2O_3		**Cr_2O_3**		**Cr_2O_3**		**Cr_2O_3**		Cr_2O_3
Chrome ore	**79.5**	**50.8**	**197.1**	**48.9**	**48.9**	**48.3**	**325.5**	**49.3**	330.8	49.2
		Mn		**Mn**		**Mn**		**Mn**		Mn
Manganese ore	**–**	**–**	**48.7**	**18.7**	**177.1**	**25.4**	**225.8**	**24.0**	103.2	19.6
		Fe/Mn		**Fe/Mn**		**Fe/Mn**		**Fe/Mn**		Fe/Mn
Iron manganese ore	**–**	**–**	**10.6**	**41.5/1.9**	**5.2**	**43.0/1.3**	**15.8**	**42.0/1.7**	10.9	42.9/1.6
Iron Ore Division										
		Fe		**Fe**		**Fe**		**Fe**		Fe
Iron ore	**358.5**	**44.2**	**3,106.3**	**38.3**	**876.3**	**39.4**	**4,341.1**	**39.0**	4,518.0	39.0
Alumina and Aluminium Division										
		Al_2O_3		**Al_2O_3**		**Al_2O_3**		**Al_2O_3**		Al_2O_3
Bauxite	**63.6**	**43.7**	**103.2**	**43.7**	**2.6**	**46.0**	**169.4**	**43.7**	173.9	43.8
Energy Division										
Coal[1]	**1,042.3**	**–**	**195.3**	**–**	**–**	**–**	**1,237.6**	**–**	1,254.0	–

[1] Coal Resource quality parameter: Calorific value = 4,580kcal/kg (net as received); 0.57% S (air dried); 36% ash (air dried).

Detained ENRC reserves and resources by ore types and mine
Ferroalloy Division
Mining facilities of the Ferroalloy Division produce chrome ore, manganese ore and iron-manganese ore. These facilities are represented by Joint Stock Company (JSC) Kazchrome and JSC Zhairemsky GOK. JSC Kazchrome in turn consists of Donskoy GOK and Kazmarganets Mining Unit.

Ore Reserves – Chromite Deposits

		Reserves as of 31 December 2008						Reserves as of 31 December 2007	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Donskoy GOK									
10th Anniversary	U/G	**52.4**	**42.9**	**80.5**	**42.8**	**132.9**	**42.8**	116.6	44.0
Molodezhnaya	U/G	**6.5**	**40.4**	**24.1**	**40.4**	**30.6**	**40.4**	27.4	41.5
Poiskovoye	O/P	**–**	**–**	**–**	**–**	**–**	**–**	0.1	41.5
Yuzhny	O/P	**0.1**	**42.4**	**2.9**	**42.4**	**3.0**	**42.4**	3.1	41.9
Stockpiles		**–**	**–**	**17.7**	**32.8**	**17.7**	**32.8**	19.0	31.9
Donskoy GOK total		**59.0**	**42.6**	**125.2**	**40.9**	**184.2**	**41.5**	166.2	42.2

Reserves continued

Ore Reserves/Mineral Resources Estimates continued

Mineral Resources – Chromite Deposits

(Mineral resources are inclusive of ore reserves)

		Resources as of 31 December 2008								Resources as of 31 December 2007	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Donskoy GOK											
10th Anniversary	U/G	**62.6**	**50.7**	**163.5**	**50.5**	**48.9**	**48.3**	**275.0**	**50.2**	276.4	50.2
Molodezhnaya	U/G	**16.8**	**51.0**	**13.3**	**51.0**	–	–	**30.1**	**51.0**	32.6	51.0
Poiskovoye	O/P	–	–	–	–	–	–	–	–	0.1	48.5
Yuzhny	O/P	**0.1**	**48.8**	**2.6**	**48.8**	–	–	**2.7**	**48.8**	2.7	49.0
Stockpiles		–	–	**17.7**	**32.8**	–	–	**17.7**	**32.8**	19.0	31.9
Donskoy GOK total		**79.5**	**50.8**	**197.1**	**48.9**	**48.9**	**48.3**	**325.5**	**49.3**	330.8	49.2

Ore reserves – Manganese Deposits

		Reserves as of 31 December 2008						Reserves as of 31 December 2007	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Kazmarganets			**Mn**		**Mn**		**Mn**		Mn
Tur	O/P	–	–	**5.6**	**23.0**	**5.6**	**23.0**	6.3	22.1
Vostochny Kamys	O/P	–	–	**1.0**	**16.4**	**1.0**	**16.4**	1.4	18.2
Kazmarganets total		–	–	**6.6**	**22.0**	**6.6**	**22.0**	7.7	21.4
Zhairemsky GOK									
Ushkatyn-I	O/P	–	–	–	–	–	–	–	–
Ushkatyn-III	O/P	–	–	**11.0**	**21.1**	**11.0**	**21.1**	14.5	17.4
Ushkatyn-III	U/G	–	–	**8.9**	**21.7**	**8.9**	**21.7**	–	–
Zhomart	O/P	–	–	**1.7**	**19.5**	**1.7**	**19.5**	–	–
Zapadny Zhomart	O/P	–	–	**1.4**	**18.4**	**1.4**	**18.4**	–	–
Perstenevsky	O/P	–	–	–	–	–	–	–	–
Stockpiles		–	–	**1.7**	**19.5**	**1.7**	**19.5**	1.1	23.3
Zhairemsky GOK total		–	–	**24.7**	**20.9**	**24.7**	**20.9**	15.6	17.8
Grand total		–	–	**31.3**	**21.1**	**31.3**	**21.1**	23.3	19.0

Mineral Resources – Manganese Deposits

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2008: Measured Tonnage Mt	Measured Grade %	Indicated Tonnage Mt	Indicated Grade %	Inferred Tonnage Mt	Inferred Grade %	Total Tonnage Mt	Total Grade %	Resources as of 31 December 2007: Total Tonnage Mt	Total Grade %
Kazmarganets			**Mn**		**Mn**		**Mn**		**Mn**		Mn
Tur	O/P	**–**	**–**	**5.6**	**24.6**	**2.8**	**15.3**	**8.4**	**21.5**	9.0	21.7
Vostochny Kamys	O/P	**–**	**–**	**1.0**	**16.9**	**1.3**	**19.3**	**2.3**	**18.2**	2.6	19.1
Kazmarganets total		**–**	**–**	**6.6**	**23.4**	**4.1**	**16.3**	**10.7**	**20.8**	11.6	21.1
Zhairemsky GOK											
Ushkatyn-I[1]	O/P	**–**	**–**	**18.8**	**11.9**	**0.5**	**11.8**	**19.3**	**11.9**	19.1	11.8
Ushkatyn-III	O/P	**–**	**–**	**10.3**	**24.0**	**0.6**	**24.0**	**10.9**	**24.0**	15.0	21.0
Ushkatyn-III	U/G	**–**	**–**	**8.4**	**24.1**	**49.2**	**21.5**	**57.6**	**21.9**	50.9	21.6
Zhomart	O/P	**–**	**–**	**1.7**	**21.4**	**3.8**	**22.2**	**5.5**	**22.0**	0.9	25.2
Zapadny Zhomart	O/P	**–**	**–**	**1.3**	**20.2**	**3.1**	**20.2**	**4.4**	**20.2**	4.9	20.3
Perstenevsky	O/P	**–**	**–**	**–**	**–**	**0.8**	**21.0**	**0.8**	**21.0**	0.8	21.0
Perstenevsky	U/G	**–**	**–**	**–**	**–**	**115.0**	**27.7**	**115.0**	**27.7**	–	–
Stockpiles		**–**	**–**	**1.6**	**14.3**	**–**	**–**	**1.6**	**14.3**	–	–
Zhairemsky GOK total		**–**	**–**	**42.1**	**18.0**	**173.0**	**25.6**	**215.1**	**24.1**	91.6	19.4
Grand total		**–**	**–**	**48.7**	**18.7**	**177.1**	**25.4**	**225.8**	**24.0**	103.2	19.6

[1] These Ushkatyn-I resources relate to a particular high-iron manganese mineralisation (jacobsite), which were grouped for the purpose of this report together with the other manganese resources.

Ore Reserves – Iron Manganese Deposits

Enterprise and mine name	Type of mine	Reserves as of 31 December 2008: Proved Tonnage Mt	Proved Grade %	Probable Tonnage Mt	Probable Grade %	Total Tonnage Mt	Total Grade %	Reserves as of 31 December 2007: Total Tonnage Mt	Total Grade %
Zhairemsky GOK			**Fe/Mn**		**Fe/Mn**		**Fe/Mn**		Fe/Mn
Ushkatyn-I	O/P	**–**	**–**	**6.1**	**38.7/4.1**	**6.1**	**38.7/4.1**	3.2	45.3/6.0
Ushkatyn-III	O/P	**–**	**–**	**–**	**–**	**–**	**–**	0.5	34.3/6.3
Ushkatyn-III	U/G	**–**	**–**	**–**	**–**	**–**	**–**	–	–
Zhomart	O/P	**–**	**–**	**0.3**	**40.6/2.8**	**0.3**	**40.6/2.8**	0.5	45.4/1.5
Stockpiles		**–**	**–**	**0.4**	**37.7/3.7**	**0.4**	**37.7/3.7**	–	–
Zhairemsky GOK total		**–**	**–**	**6.8**	**38.6/4.0**	**6.8**	**38.6/4.0**	4.2	44.0/5.5

Mineral Resources – Iron Manganese Deposits

(Mineral Resources are inclusive of Ore Reserves)

Enterprise and mine name	Type of mine	Resources as of 31 December 2008: Measured Tonnage Mt	Measured Grade %	Indicated Tonnage Mt	Indicated Grade %	Inferred Tonnage Mt	Inferred Grade %	Total Tonnage Mt	Total Grade %	Resources as of 31 December 2007: Total Tonnage Mt	Total Grade %
Zhairemsky GOK			**Fe/Mn**		**Fe/Mn**		**Fe/Mn**		**Fe/Mn**		Fe/Mn
Ushkatyn-I	O/P	**–**	**–**	**5.6**	**44.0/1.6**	**–**	**–**	**5.6**	**44.0/1.6**	5.6	44.1/1.6
Ushkatyn-III	O/P	**–**	**–**	**–**	**–**	**0.1**	**23.8/0.6**	**0.1**	**23.8/0.6**	0.6	38.7/2.7
Ushkatyn-III	U/G	**–**	**–**	**3.6**	**40.1/1.5**	**–**	**–**	**3.6**	**40.1/1.5**	3.6	40.1/1.5
Zhomart	O/P	**–**	**–**	**0.3**	**43.4/1.3**	**5.1**	**43.4/1.3**	**5.4**	**43.4/1.3**	1.1	48.3/1.6
Stockpiles		**–**	**–**	**1.1**	**33.0/5.0**	**–**	**–**	**1.1**	**33.0/5.0**	–	–
Zhairemsky GOK total		**–**	**–**	**10.6**	**41.5/1.9**	**5.2**	**43.0/1.3**	**15.8**	**42.0/1.7**	10.9	42.9/1.6

Reserves continued

Ore Reserves/Mineral Resources Estimates continued

Iron Ore Division
Mining facilities of the Iron Ore Division consist of SSGPO mines.

Ore Reserves – Iron Deposits

		Reserves as of 31 December 2008						Reserves as of 31 December 2007	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
SSGPO			**Fe**		**Fe**		**Fe**		Fe
Sokolovsky	U/G	**17.2**	**38.5**	**227.8**	**31.4**	**245.0**	**31.9**	247.1	31.9
Sokolovsky	O/P	**–**	**–**	**28.0**	**32.8**	**28.0**	**32.8**	31.2	32.8
Sarbaisky (main)	O/P	**35.9**	**38.8**	**73.4**	**33.8**	**109.3**	**35.4**	117.2	35.6
Sarbaisky (southern)	O/P	**59.2**	**44.5**	**83.7**	**44.3**	**142.9**	**44.4**	142.9	44.4
Kacharsky	O/P	**173.8**	**42.0**	**667.6**	**35.6**	**841.4**	**36.9**	856.2	37.0
Korzhinkol'skoye	O/P	**–**	**–**	**72.8**	**36.4**	**72.8**	**36.4**	90.3	36.4
SSGPO total		**286.1**	**41.9**	**1,153.3**	**35.3**	**1,439.4**	**36.6**	1,484.9	36.6

Mineral Resources – Iron Deposits

(Mineral Resources are inclusive of Ore Reserves)

		Resources as of 31 December 2008								Resources as of 31 December 2007	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
SSGPO			**Fe**		**Fe**		**Fe**		**Fe**		Fe
Sokolovsky	U/G	**57.9**	**48.2**	**992.6**	**39.1**	**267.3**	**42.3**	**1,317.8**	**40.2**	1,459.3	40.1
Sokolovsky	O/P	**–**	**–**	**27.6**	**33.6**	**4.8**	**26.6**	**32.4**	**32.6**	42.1	31.8
Sarbaisky (main)	O/P	**50.7**	**37.6**	**799.9**	**37.4**	**157.9**	**38.8**	**1,008.5**	**37.6**	1,016.3	37.6
Sarbaisky (southern)	O/P	**59.2**	**46.3**	**170.1**	**44.5**	**116.2**	**48.1**	**345.5**	**46.0**	345.5	46.0
Kacharsky	O/P	**190.7**	**44.0**	**989.1**	**36.7**	**278.4**	**33.2**	**1,458.2**	**37.0**	1,473.2	37.1
Korzhinkol'skoye	O/P	**–**	**–**	**127.0**	**42.2**	**51.7**	**40.1**	**178.7**	**41.6**	181.6	41.6
SSGPO total		**358.5**	**44.2**	**3,106.3**	**38.3**	**876.3**	**39.4**	**4,341.1**	**39.0**	4,518.0	39.0

Alumina and Aluminium Division

Mining facilities of the Alumina and Aluminium Division are presented by JSC Aluminium of Kazakhstan (AoK) mines. AoK in turn consist of Krasno-Oktyabrskoye Mining Unit (KBRU) and Torgayskoye Mining Unit (TBRU).

Ore Reserves – Bauxite

		Reserves as of 31 December 2008						Reserves as of 31 December 2007	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Aluminium of Kazakhstan			**Al_2O_3**		**Al_2O_3**		**Al_2O_3**		Al_2O_3
KBRU									
Krasnooktyabr'skoye	O/P	**33.1**	**43.4**	**60.0**	**43.0**	**93.1**	**43.1**	94.7	43.1
Belinskoye	O/P	**10.6**	**41.9**	**1.9**	**41.8**	**12.5**	**41.8**	13.9	41.6
Ayatskoye	O/P	**6.4**	**44.8**	**–**	**–**	**6.4**	**44.8**	6.9	44.5
Vostochno-Ayatskoye	O/P	**5.9**	**43.5**	**34.4**	**44.2**	**40.3**	**44.1**	40.3	43.9
KBRU total		**56.0**	**43.3**	**96.3**	**43.4**	**152.3**	**43.3**	155.8	43.3
TBRU									
Amangel'dinsky	O/P	**3.3**	**44.0**	**1.1**	**42.1**	**4.4**	**43.6**	4.9	43.4
TBRU total		**3.3**	**44.0**	**1.1**	**42.1**	**4.4**	**43.6**	4.9	43.4
Grand total		**59.3**	**43.3**	**97.4**	**43.4**	**156.7**	**43.3**	160.7	43.3

Mineral Resources – Bauxite

(Mineral resources are inclusive of ore reserves)

		Resources as of 31 December 2008								Resources as of 31 December 2007	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
Aluminium of Kazakhstan			**Al_2O_3**		**Al_2O_3**		**Al_2O_3**		**Al_2O_3**		Al_2O_3
KBRU											
Krasnooktyabr'skoye	O/P	**35.0**	**43.8**	**63.5**	**43.4**	**–**	**–**	**98.5**	**43.5**	100.3	43.5
Belinskoye	O/P	**11.3**	**42.0**	**2.0**	**41.9**	**–**	**–**	**13.3**	**42.0**	14.8	41.9
Ayatskoye	O/P	**6.8**	**45.1**	**–**	**–**	**–**	**–**	**6.8**	**45.1**	7.3	45.0
Vostochno-Ayatskoye	O/P	**6.2**	**43.7**	**36.4**	**44.4**	**0.1**	**42.2**	**42.7**	**44.3**	42.7	44.3
KBRU total		**59.3**	**43.6**	**101.9**	**43.7**	**0.1**	**42.2**	**161.3**	**43.7**	165.1	43.7
TBRU											
Amangel'dinsky	O/P	**4.3**	**44.9**	**1.3**	**42.2**	**2.5**	**46.2**	**8.1**	**44.8**	8.8	44.8
TBRU total		**4.3**	**44.9**	**1.3**	**42.2**	**2.5**	**46.2**	**8.1**	**44.8**	8.8	44.8
Grand total		**63.6**	**43.7**	**103.2**	**43.7**	**2.6**	**46.0**	**169.4**	**43.7**	173.9	43.8

Reserves continued

Ore Reserves/Mineral Resources Estimates continued

Energy Division
Mining facilities of Energy Division are represented by the Vostochnyi open pit of JSC Eurasian Energy Corporation (EEC).

Coal Reserves

		Reserves as of 31 December 2008						Reserves as of 31 December 2007	
		Proved		Probable		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
EEC									
Vostochny	O/P	**260.0**	*	**482.8**	*	**742.8**	*	762.0	*
Grand total		**260.0**	*	**482.8**	*	**742.8**	*	762.0	*

Coal Resources

(Coal Resources are inclusive of Coal Reserves)

		Resources as of 31 December 2008								Resources as of 31 December 2007	
		Measured		Indicated		Inferred		Total		Total	
Enterprise and mine name	Type of mine	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %	Tonnage Mt	Grade %
EEC											
Vostochny	O/P	**1,042.3**	*	**195.3**	*	–	*	**1,237.6**	*	1,254.0	*
Grand total		**1,042.3**	*	**195.3**	*	–	*	**1,237.6**	*	1,254.0	*

* Coal Resource quality parameter: Calorific value = 4,580kcal/kg (net as received); 0.57% S (air dried); 36% ash (air dried).

Corporate Information
Glossary

Al_2O_3	Aluminium oxide
AoK	Aluminium of Kazakhstan
BAT	Best Available Techniques International Practices
BRIC	Fast growing developing economies of Brazil, Russia, India and China
CIS	Commonwealth of Independent States
CR_2O_3	Chromium oxide
EEC	Eurasian Energy Corporation
ENRC	Eurasian Natural Resources Corporation PLC
Fe_2O_3	Iron oxide
GAAP	Generally Accepted Accounting Practices
GDP	Gross Domestic Product
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
JSC	Joint Stock Company
KAS	Kazakhstan Aluminium Smelter
KASE	Kazakhstan Stock Exchange
KBRU	Krasno Oktyabrskoye bauxite mine
LME	London Metal Exchange
LSE	London Stock Exchange
MMK	The Magnitogorsk Iron and Steel Works Open Joint Stock Company
n/a	Not applicable
OJSC	Open Joint Stock Company
O/P	Open pit
PBT	Profit before tax
SRK	SRK Consulting (UK) Limited
SSGPO	Sokolovsko Sarbaiskoye Ore Mining and Processing Association
TBRU	Torgay bauxite mine
UK	United Kingdom
US	United States of America
U/G	Underground mine

Corporate Information continued
Glossary continued

alumina	Any of several forms of aluminium oxide, Al_2O_3, occurring naturally as corundum, or obtained by refining of bauxite ore.
aluminium smelter	An electrolysis process plant used to convert alumina to aluminium metal.
bauxite	An earthy rock composed almost wholly of aluminium hydroxide, often formed by the intense weathering of existing rocks. It is the principal ore of aluminium.
beneficiation	The process used to remove unwanted material from mined ore, in order to increase the proportion of useful metal compounds (minerals).
bentonite	A soft rock type composed mainly of the clay material montmorillonite. When in contact with water it has the characteristic ability to swell to many times its dry volume.
blast furnace	A pyrometallurgical process plant which employs hot air (blast) as an aid to reduce the mineral ore (usually iron oxides, hematite or magnetite) to its metallic element (Fe).
brownfield	A development project that is close to existing industrial operations with proximity to existing infrastructure, often an extension and with known geological conditions.
calcite	A common rock forming mineral, calcium carbonate $CaCO_3$.
capacity	Means the design number of units that can be produced in a given time period based on operations with a normal number of shifts and maintenance interruptions.
capital expenditure	Expenditures incurred during the process of commencing, expanding or sustaining production.
charge chrome	A ferrochrome alloy where the percentage of chromium is between 50%–55%. This is a material charged to a steel production furnace.
chromite	Chromium spinel (Fe, Mg) O.$(Fe,Al,Cr)_2O_3$, the principal chromium ore mineral, chromium content 43%–68%.
chromium	Chemical element with symbol Cr, commonly used in steel industry to procure stainless steel.
coke	Bituminous coal from which the volatile components have been removed. Is used as a fuel and as a reducing agent in smelting.
community social investment	The total value of donations and gifts in kind devoted to communities in which ENRC operates and includes donations to public funds.
concentrate	A material that has been processed to increase the content of the contained valuable component or mineral relative to the contained waste.
corundum	A mineral with the ideal composition Al_2O_3, natural alumina.
crushing	Size reduction into relatively coarse particles by stamps, crushers, or rolls.
dilution	The contamination of ore with barren wall rock leading to lower grade in the mined product than in the in situ ore itself.
dip	The angle at which a bed, stratum, or vein is inclined from the horizontal, measured perpendicular to the strike.
dolomite	A mineral, magnesium calcium carbonate, and the rock composed thereof. Used as flux in steel industry.
drill hole	Technically, a circular hole drilled by forces applied percussively or rotationally. Loosely and commonly the name applies to a circular hole drilled in any manner.
enrichment	The process of removing impurities from mined ore, resulting in an increase in the proportion of the valuable mineral or metal component (similar to beneficiation and concentration).
EPS	Earnings per share before the Exceptional Items and their resulting tax and minority interest impact.
excavator	Mobile machine used in open pit mining for the digging of ore and waste from the mine and loading it onto vehicles for transportation.
exceptional items	Exceptional items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the Group. Exceptional items in 2007 relate solely to the IPO.
fault	A fracture or a fracture zone along which there has been displacement of one side relative to the other. The displacement may be a few inches or many miles.
ferroalloys	Group of alloys having iron (Fe) as one of the defining elements. These alloys form the feed material for various finishing processes eg steel making. The Group, in particular, produces high, medium and low carbon ferrochrome, ferrosilicochrome and ferrosilicomanganese.
ferrochrome	An alloy of iron and chromium primarily used as an input to stainless steel making. Comprising charge chrome, high carbon, medium carbon and low carbon ferrochrome.
ferrosilicochrome	An alloy with iron, chrome and silicon as the main elements.
ferrosilicomanganese	An alloy with iron, manganese and silicon as the main elements.
ferrosilicon	An alloy with iron and silicon as the main elements.
furnace	A vessel in which ore is reduced to molten metal under the action of applied heat. Similarly, crude metal is treated in a furnace by adding alloys to produce refined metals.
grade	Quantity of metal in a specified quantity of rock, concentrate, alloy or other material, usually expressed as a percentage of the primary element.
greenfield	A term used to describe an area of undeveloped land, either currently used for agriculture or just left to nature.
Group	ENRC and each of its subsidiaries.
hematite	Common iron oxide mineral, Fe_2O_3.

JORC Code The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

limestone Sedimentary rock comprised mostly of calcium carbonate (calcite).

LTIFR Lost time injury frequency rate defined as the number of lost time injuries per million hours worked.

magnetite A mineral of iron, Fe_3O_4, a common ore forming mineral with characteristic magnetic properties.

metallurgy The science that deals with procedures used in extracting metals from their ores, purifying and alloying metals.

mill Commonly used to describe a plant where ore is ground and undergoes physical or chemical treatment to extract and produce a concentrate of the valuable minerals.

mineral resources A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into Inferred, Indication and Measured categories.

mineralisation The process by which minerals are introduced into a rock. More generally, a term applied to accumulations of economic or related minerals in quantities ranging from weakly anomalous to economically recoverable.

open pit mining Method of mining in which the ore is extracted from an excavation open to the sky.

ore The naturally occurring material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives. The term is generally but not always used to refer to metalliferous material, and is often modified by the names of the valuable constituent, eg iron ore.

ore reserves The economically mineable part of a Measured and/or Indicated mineral resource. It includes, diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies and have been carried out, and include consideration of and modification by realistically assumed mining metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and proved ore reserves.

overburden In an open pit mine, the unwanted material that must be stripped away to reveal the ore beneath.

pelletising The process of agglomerating fine product and moulding it into the shape of a pellet (a ball of 8 to 16mm in diameter), which is more favourable in size and strength for more efficient down stream processing than the original fines.

plant Commonly used as general term for fixed or moveable equipment required in the process of winning of raw material and down stream processing, including crushers, mills, smelters.

probable ore reserves The economically mineable part of an Indicated, and in some circumstances, a Measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a proved ore reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.

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

proved ore reserves The economically mineable part of a Measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A proved ore reserve represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that Proved Ore Reserves are not achievable in some deposits.

refinery An electrolytic or chemical facility producing pure metals or metal compounds.

return on capital employed or (ROCE) Profit before interest and taxation and exceptional items over average capital employed (borrowings and total equity, including minority interests) less IPO proceeds.

saleable product Products that have been upgraded into a form that may be sold to customers.

sediment Particulate matter that can be transported by fluid flow, glaciers or wind and which eventually is deposited as a layer of solid particles.

silicomanganese A ferroalloy composed principally of manganese, silicone and iron, used in steel production.

smelting A thermal process whereby molten metals (or amalgamated metals) are liberated from beneficiated ore or concentrate with impurities speared as lighter slag.

spot price The current price of a metal for immediate delivery.

Corporate Information continued

Glossary continued

stockpile	A generally intermediate accumulation of ore, other mineral product or coal, prior to individual processing steps. Any heap of material formed for loading or other purposes.
strike	A geological term which describes a horizontal line on the surface of a dipping stratum. The strike is 90º to the dip of the stratum.
total shareholder return or (TSR)	Overall return on an ordinary share, after all adjustments for capital actions and reinvestments of dividends or other income over the relevant period, expressed as percentage of the average price of an ordinary share at the beginning of the relevant period. (Dividends includes regular dividend payments, but also may include cash payments to shareholders or special/one-time dividends or share buybacks.)
turbines	A rotating machine for producing electricity, driven by steam or gas.
underlying EBITDA	Profit before finance income, finance costs including the related foreign exchange gains and losses, income tax expense, depreciation, amortisation and impairment, net losses on derivatives not qualifying for hedge accounting, share of income or loss on joint ventures and exceptional items.
vein	An epigenetic mineral filling of a fault or other fracture in a host rock, in tabular or sheet like form, often with associated replacement of the host rock, a mineral deposit of this form and origin.
waste	Rock lacking sufficient metal grade and/or other characteristics to be a source of economic revenue.

Units

%	per cent
º	degree
GWh	gigawatt hour
kcal/kg	thousand calories per thousand grammes
kg	kilogramme
kt	thousand metric tonnes
KWh	kilowatt hour
KZT	Kazakhstani tenge
Mt	million metric tonnes
MWh	megawatt hour
m^3	cubic metres

Corporate Information continued
Shareholder Information

General information
ENRC's shares are quoted on the London Stock Exchange and the Kazakhstan Stock Exchange. Information on the Company's current share price together with copies of the Company's Annual Reports, half-year results and Interim Management Statements and major presentations to analysts and institutional shareholders are available on the ENRC website, www.enrc.com.

Dividends
As noted in the Directors' Report on page 56, and in the AGM Notice, the Board proposes a final dividend of 19 US cents per share, subject to shareholder approval being given at the AGM to be held on 10 June 2009. If the proposed final dividend is approved at AGM, it will be paid on 17 June 2009 to all ordinary shareholders on the register of members on 3 April 2009. As the Group's financial results are reported in US dollars, the dividend will be paid in US dollars. Registered shareholders had the opportunity to elect to receive their dividend in pounds sterling and were sent currency election forms on 26 March 2009.

Dividend payment to your bank account

The Company can pay dividends in pounds sterling to United Kingdom registered shareholders directly to their bank or building society account subject to a valid currency election form and valid bank mandate form being received by 9 April 2009. This means that dividends should be available as cleared funds on the dividend payment date. Shareholders wishing to adopt this method of payment should contact the Registrar.

Global Payment System

The Global Payment System allows shareholders resident in certain countries to receive their dividend payment to their local bank and in their local currency. Shareholders wishing to make use of the Global Payment System should contact the Registrar to ascertain whether they are eligible and their preferred currency is available.

Registrar and transfer office
The Company's ordinary share register is maintained by:

Computershare Investor Services PLC
PO Box 82
The Pavillions
Bridgwater Road
Bristol BS99 7NH

Tel: +44 (0)870 707 1680
Email: web.queries@computershare.co.uk

Any queries about the administration of holdings of ordinary shares, such as change of address, change of ownership or dividend payments should be directed to the Company's Registrar. Holders of ordinary shares in the United Kingdom may also view and update details of their shareholding, after a brief registration process, via the Company's Registrar's Investor Centre service at: www.computershare.com/investor/uk.

Internet share dealing
An internet share dealing service is available for holders of ordinary shares in the United Kingdom who want to either buy or sell ordinary shares.

Further information about this service can be obtained from the Company's Registrar on +44 (0)870 707 1680 or by logging on to: www.computershare.com/dealing/uk.

Telephone share dealing
A telephone share dealing service with the Company's Registrar is available for holders of ordinary shares in the United Kingdom. The service is available from 08:00 to 16:30, Monday to Friday, excluding bank holidays, on telephone number: +44 (0)870 703 0084. Detailed terms and conditions are available on request by calling the above number.

Enquiries
Shareholders who wish to contact the Company on any matter relating to their shareholding are invited to contact the Company's Registrar, Computershare Investor Services PLC, at the above address.

Shareholders may also contact the General Counsel and Company Secretary at the Company's registered office:
16 St James's Street, London, SW1A 1ER. Tel: +44 (0)20 7389 1440;
Fax: +44 (0)20 7389 1441

For other enquiries, please contact the Investor Relations Department at the Registered office on +44 (0)20 7389 1440 .

Analysis of ordinary shareholders
As at 31 March 2009

	Number of holders	%	Number of shares
1 to 1,000 shares	434	0.01	179,577
1,001 to 5,000	172	0.03	426,313
5,001 to 50,000	225	0.33	4,199,266
50,001 to 100,000	94	0.54	6,907,323
100,001 to 500,000	137	2.46	31,622,923
500,001 and over	87	96.63	1,244,414,598
	1,149		1,287,750,000

Events Calendar

Wednesday, 1 April 2009	Ex-dividend date
Friday, 3 April 2009	Final dividend record date
Wednesday, 13 May 2009	2009 First-half Interim Management Statement/2009 Q1 Production Report
Wednesday, 10 June 2009	Annual General Meeting
Wednesday, 17 June 2009	Final dividend payment date
Wednesday, 5 August 2009	2009 Q2 Production Report
Wednesday, 19 August 2009	2009 Half Year Results
Wednesday, 11 November 2009	2009 Second-half Interim Management Statement/ 2009 Q3 Production Report
Wednesday, 3 February 2010	2009 Q4 Production Report
Wednesday, 24 March 2010	Preliminary Results Announcement

All future dates are provisional and subject to change.

Corporate Information continued
Shareholder Information

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Notes

Notes

Financial Summary 2004–2008

In millions of US$	**2008**	2007	2006	2005	2004
Results					
Revenue	**6,823**	4,106	3,256	2,950	2,691
Depreciation and amortisation	**(311)**	(303)	(253)	(237)	(230)
Profit before tax	**3,827**	1,321	971	1,098	1,255
Profit for the financial year	**2,684**	814	686	777	1,022
Profit for the financial year attributable to equity shareholders of the Group	**2,642**	798	550	580	884
Underlying EBITDA	**4,161**	1,918	1,256	1,363	1,502
Underlying EBITDA margin	**61.0%**	46.7%	38.6%	46.2%	55.8%
EBIT	**3,850**	1,421	997	1,126	1,272
Effective tax rate	**29.9%**	38.4%	29.4%	29.2%	18.6%
Earnings per share – basic and diluted (US cents)	**205**	79	55	58	88
Earnings per share before exceptional item (US cents)	**205**	97	56	58	88
Dividends per share (US cents)	**30**	49	–	–	–
Balance sheet					
Non-current assets	**5,621**	3,959	3,008	2,294	2,025
Current assets	**4,393**	4,229	1,595	1,108	1,008
Borrowings	**727**	1,424	1,484	239	227
Other non-current liabilities	**294**	484	372	318	336
Other current liabilities	**695**	491	475	497	289
Net assets	**8,298**	5,789	2,272	2,348	2,181
Minority interest	**126**	75	61	681	582
Equity attributable to the equity shareholders	**8,172**	5,714	2,211	1,667	1,599
Net cash/(net debt)	**1,766**	1,124	(1,148)	(74)	(44)
Gross available funds	**2,768**	2,921	395	247	304
Capital expenditure	**1,294**	911	563	507	356
Net cash generated from operations	**2,766**	1,079	744	1,070	1,146
Return on capital employed	**47.5%**	40.3%	31.6%	45.1%	60.4%
Divisional underlying EBITDA					
Ferroalloys	**2,789**	1,140	547	606	669
Iron Ore	**919**	470	323	479	576
Alumina and Aluminium	**295**	214	277	182	186
Energy	**177**	107	77	67	66
Logistics	**50**	44	54	47	19
Corporate	**(69)**	(57)	(22)	(18)	(14)

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