



14 May 2008

## **Eurasian Natural Resources Corporation PLC Interim Management Statement and Production Report**

London – Eurasian Natural Resources Corporation PLC ('ENRC' or, together with its subsidiaries, the 'Group'), the holding company of a leading diversified natural resources group based in Kazakhstan, today announces its Interim Management Statement and its Production Report for the first-quarter ended 31 March 2008.

The information set out below, unless stated otherwise, relates to the three months ended 31 March 2008, as compared to the corresponding three months of 2007.

### **Highlights of Q1 2008**

- Foundations for a very strong year with a positive price outlook for our core commodities.
- Very significant increase in Group revenue, largely attributable to higher commodity prices; in the principal operating divisions revenue growth was well ahead of cost growth.
- Overall production volumes increased despite adverse weather conditions.
- Good sales volume growth in the Ferroalloys, Iron Ore and Energy Divisions, and from new aluminium sales.
- Strongest EBITDA performances in the Ferroalloys and Iron Ore Divisions.

### **Outlook for 2008**

- Since 31 March 2008, other than as mentioned below, there has been no material change in the trends underlying trading, however, significant recent price increases will benefit ferroalloys and iron ore revenues.
- New revenue stream from aluminium; expected sales of about 100,000 tonnes in 2008. Completion of Phase 1 of the smelter and realising its targeted run rate capacity of 125,000 tonnes per annum in the first-half of 2008, well ahead of schedule.
- Completion, in the second quarter, of acquisitions in Russia, in ferroalloys, and in Brazil, for the development of a significant iron ore deposit. The Group also announced its intention to acquire a stake in a Chinese ferroalloys plant.
- Management focus on the control of cost inflation.

*"We had a very strong start to 2008, building on our high-quality assets, diversified revenue base and fully-integrated energy and logistics capabilities. We were buoyed by much higher prices in our principal commodities, however, control of cost inflation continued to be a key focus for management. Overall the Group is trading in line with our expectations and I anticipate a very strong year for ENRC."*

*"In addition to continued investment in our existing business we announced a number of acquisitions. In the second-quarter we completed our acquisition of Serov, enhancing our ferroalloys business, and we also announced joint ventures in a major iron ore deposit in Brazil and in a ferroalloys plant in China."*

**Dr Johannes Sittard, Chief Executive Officer**



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### **Interim Management Statement and Production Report conference call details**

The Chief Financial Officer's briefing will be available as a live conference call for investors and analysts at 09.30 (BST) on Wednesday, 14 May 2008. The telephone number for callers is +44 (0) 20 3003 2607, with the identifier, 'ENRC call'. From shortly after the live conference call there will be a replay available until Friday, 23 May 2008: Tel: +44 (0) 20 8196 1998, access code: 4952495#. A recording of the briefing will be posted on the website in due course.



## **Interim Management Statement**

### **Financial Review**

#### Revenue

Market conditions remained very favourable in the Group's principal commodities. Significant demand for ferroalloys and iron ore, combined with supply issues for the ferroalloys industry, notably in South Africa, underpinned very strong market price increases. The very significant growth in the Group's revenue was largely attributable to higher prices, particularly in the Ferroalloys and Iron Ore Divisions. In comparison with the corresponding prior year period, average prices were higher for all commodities with the exception of alumina: ferroalloys grew 91%, including an increase of 82% in the average price of high-carbon ferrochrome; iron ore improved 42%; thermal coal was up over three times and electricity up 24%; whilst alumina prices, linked to LME aluminium, declined 10%.

Ferroalloys Division sales volumes saw good growth, including ferroalloys, manganese ore and ferro-manganese ore, whilst there was solid growth in high-carbon ferrochrome.

Iron Ore Division sales volumes showed good growth despite adverse weather conditions. Revenue benefited from the settlement of the long-term supply agreement with MMK at the beginning of the second-quarter of 2007 and from higher prices.

Alumina and Aluminium Division revenue showed good growth, including growth in alumina production and new revenue, from February 2008, as the Group commenced sales of aluminium from its new smelter. There was a slight reduction in alumina sales volumes compensated by increased internal consumption of alumina for the new aluminium smelter.

Energy Division third-party revenue saw good growth despite reduced generator capacity. Growth reflected higher prices for thermal coal and electricity as well as an increased volume of coal sales.

#### Costs

Reflecting management's ongoing focus, the Group successfully continued to control cost inflation which has been at rates significantly below revenue growth, notably in the Ferroalloys and Iron Ore Divisions.

Cost of sales increased very significantly, reflecting the operations of the new aluminium smelter, increased materials costs and higher payroll expenses. Distribution costs benefited from the increased share of sales to Russia, with lower transportation costs. Selling, general and administrative expenses increased strongly, largely as a consequence of the costs of establishing the new UK head office and an increase in payroll expenses. Depreciation and amortisation expenses rose reflecting the scale of capital expenditure in prior years.



Costs rose very significantly in the Ferroalloys Division, reflecting both volume growth and higher materials costs, and in the Alumina and Aluminium Division. In the Iron Ore Division cost growth was slower.

### **Capital Expenditure and Projects Update**

The Group continued its approved capital expenditure programme with spending above the level of the corresponding period. During the period the main areas of expenditure were: the planned expansion of alumina production; the refurbishment of a power block in the Energy Division; and an expansion of ferrochrome production in the Ferroalloys Division. In addition the Alumina and Aluminium Division placed initial orders for Phase 2 of the aluminium smelter.

### **Taxation**

The Kazakhstani Government is currently examining a number of possible revisions to Kazakhstani corporate tax law and, specifically, a number of potential revisions to taxes relating to the mining sector. The Kazakhstani government is committed to a process of active dialogue with industry and we, as a leading natural resource player in Kazakhstan, are engaged in these ongoing discussions. We are seeking to ensure any revisions provide us with continued certainty and predictability as to taxation whilst maintaining an environment which promotes inward investment. The exact nature, extent and timing of any potential changes currently remains unclear and hence, notwithstanding any potential changes to Kazakhstani tax law, we maintain our previous guidance in terms of the expected tax rate for 2008.

### **Outlook**

Since 31 March 2008, other than as mentioned in this announcement, there has been no material change in the trends underlying the trading of the Group, however, significant price increases have benefited the Ferroalloys and Iron Ore Divisions.

From the second-quarter of 2008 the Group's revenue will include incremental sales from Serov. For the full year 2008 the Group anticipates new aluminium sales of approximately 100,000 tonnes.

As at our Preliminary Results, announced on 9 April 2008, we continue to anticipate a very strong year for ENRC in 2008, notwithstanding cost inflation, economic uncertainty in the United States and Europe and potential taxation changes.



## Production Report for the First-quarter Ended 31 March 2008

The information set out below, unless stated otherwise, relates to the three months ended 31 March 2008, and is compared to the corresponding three months of 2007.

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

- Production volumes overall in the quarter ended 31 March 2008 increased relative to the first quarter of 2007. Ore grades remained broadly consistent with the corresponding period.
- **Ferroalloys Division** production volumes increased:
  - 0.8% chrome ore extraction;
  - 1.5% for saleable chrome ore;
  - 13.8% for manganese concentrate; and
  - 2.5% for total ferroalloys, including a 3.0% increase in high-carbon ferrochrome production.

The volume of chrome ore used in the production of ferroalloys increased 6.2%.

- **Iron Ore Division** production volumes increased:
  - 7.6% iron ore extraction;
  - 3.3% for primary concentrate; and
  - 21.3% for saleable concentrate, offsetting a change in mix with a 9.6% reduction in pellets produced.

The reduction in pellets production was caused by the planned reconstruction of one roasting machine.

- **Alumina and Aluminium Division** production volumes increased:
  - 6.9% bauxite extraction; and
  - 5.9% alumina.

In addition, aluminium production commenced at the end of 2007. The Division produced 16 thousand tonnes of aluminium in the quarter ended 31 March 2008.

- **Energy Division** production volumes increased 12.4% for coal mined, partially offset by a decline of 10.0% in electricity generated. The reduction in electricity generated reflected the planned refurbishment of a generator.
- In the **Logistics Division** the tonnage of goods transported by railway increased 3.7%.



## FERROALLOYS DIVISION

### Ore Mining and Processing

		Q1 2008	Q1 2007	2008 Q1 v 2007 Q1 % growth
<b>Chrome ore</b>				
Ore extraction	000' t	<b>1,191</b>	1,181	+0.8%
Saleable ore production	000' t	<b>900</b>	887	+1.5%
Internal consumption of saleable ore	000' t	<b>669</b>	630	+6.2%
- <i>percentage</i>		<b>74.3%</b>	71.0%	
<b>Manganese ore</b>				
Ore extraction	000' t	<b>447</b>	444	+0.7%
Saleable concentrate production	000' t	<b>182</b>	160	+13.8%
<b>Iron-Manganese ore</b>				
Ore extraction	000' t	<b>75</b>	45	+66.7%
Saleable concentrate production	000' t	<b>100</b>	24	+316.7%

In the first quarter of 2008, the Ferralloys Division production was broadly steady. Ore extraction amounted to 1,191 thousand tonnes and from this the Division produced 900 thousand tonnes of saleable chrome ore, a 1.5% increase. Of the saleable chrome ore output 74.3% (2007: 71.0%) was consumed internally to produce chrome ferroalloys. Chrome ore for internal consumption in the Division increased 6.2% to 669 thousand tonnes.

Total manganese concentrate production volumes increased 13.8%. Significant growth in production was achieved at Zhairesky GOK, rising 24.4%, as a result of a planned expansion of production. Production at Kazmarganets, which supplies manganese concentrates to Kazchrome for use in silico-manganese production, deteriorated significantly as adverse weather conditions in February 2008 impacted on open pit operations.



## Ferroalloys Production

		<b>Q1 2008</b>	Q1 2007	<i>2008 Q1 v 2007 Q1 % growth</i>
<b>Ferrochrome</b>	000' t	<b>293</b>	284	+3.2%
- High Carbon	000' t	<b>273</b>	265	+3.0%
- Low and Medium Carbon	000' t	<b>20</b>	19	+5.3%
Ferrosilicochrome	000' t	<b>29</b>	28	+3.6%
Silico-manganese	000' t	<b>41</b>	41	-
Ferro-silicon	000' t	<b>12</b>	12	-
<b>Total ferroalloys</b>	<b>000' t</b>	<b>374</b>	365	+2.5%
Internal consumption of ferroalloys	000' t	<b>43</b>	42	+2.4%
- <i>percentage</i>		<b>11.5%</b>	11.5%	

Note: table may not sum precisely due to roundings.

In the first quarter of 2008, the Ferroalloys Division produced 374 thousand tonnes of ferroalloys, an increase of 2.5%. Within this the Division produced 293 thousand tonnes of ferrochrome, an increase of 3.2%.

Solid growth was achieved in the production of high-carbon ferrochrome. Medium-carbon ferrochrome production grew very strongly, although off of a relatively small base, partially offset by reduced production of low carbon ferrochrome. The reduction reflected a reallocation of production capacity in response to market demand.



## IRON ORE DIVISION

		<b>Q1 2008</b>	Q1 2007	<i>2008 Q1 v 2007 Q1 % growth</i>
Ore extraction	000' t	<b>10,142</b>	9,427	+7.6%
Primary concentrate production	000' t	<b>4,046</b>	3,915	+3.3%
Saleable concentrate production	000' t	<b>1,870</b>	1,542	+21.3%
Saleable pellets production	000' t	<b>1,979</b>	2,188	(9.6)%

In the first quarter of 2008, the Iron Ore Division extracted 10,142 thousand tonnes of iron ore, an increase of 7.6%, in line with the extraction expansion planned for SSGPO, despite adverse weather conditions. From the extracted ore the Division produced 4,046 thousand tonnes of primary concentrate production, an increase of 3.3%. Production growth was in line with the increase in extraction partially offset by a marginally lower grade of mined ore and a reduced yield of concentrate.

Saleable concentrate production – with an iron content of 65.5% - increased to 1,870 thousand tonnes, up 21.3%. Primary concentrate is either sold or used for pellets production.

In the period, pellets production – with an iron content of 63.4% - decreased to 1,979 thousand tonnes, a decline of 9.6%. This was caused by the planned reconstruction of one roaster and a switch to concentrate sales in response to market demand. The roasting machine is planned to be back in production in the second quarter of 2008.



## ALUMINA AND ALUMINIUM DIVISION

		Q1 2008	Q1 2007	2008 Q1 v 2007 Q1 % growth
Bauxite extraction	000' t	1,276	1,194	+6.9%
Alumina production	000' t	398	376	+5.9%
Internal consumption of alumina - percentage	000' t	34 8.5%	NA NA	NA
Aluminium production	000' t	16	NA	NA
Gallium production	kilogrammes	3,991	4,441	(10.1)%

In the first quarter of 2008, the Alumina and Aluminium Division extracted 1,276 thousand tonnes of bauxite, an increase of 6.9%. The growth resulted from a development programme aimed at securing the supply of bauxite to underpin the planned expansion in alumina production to 1.6 million tonnes in 2008 from 1.5 million tonnes in 2007. Alumina production from bauxite was 398 thousand tonnes, an increase of 5.9%.

Operations commenced at the aluminium smelter at the end of 2007. As a consequence, a proportion of the alumina output was consumed internally as a material input for primary aluminium production; such internal consumption did not occur in the first three quarters of 2007. Internal consumption of alumina amounted to 34 thousand tonnes in the first quarter of 2008, which represented 8.5% of total alumina production. Primary aluminium production in the first quarter of 2008 was 16 thousand tonnes.

Gallium production in the first quarter of 2008 was down as capacity was reallocated in response to market demand.

Internal consumption of alumina is expected to increase further in the second quarter of 2008. The aluminium smelter will achieve its first phase run rate output of 125 thousand tonnes per annum in the first half of 2008, which is well ahead of its scheduled completion at the end of 2008.



## ENERGY DIVISION

		<b>Q1 2008</b>	Q1 2007	<i>2008 Q1 v 2007 Q1 % growth</i>
Coal extraction	000' t	<b>5,732</b>	5,101	+12.4%
Internal consumption of coal - <i>percentage</i>	000' t	<b>1,897</b> <b>33.1%</b>	2,157 42.3%	(12.1%)
Internal sales of coal - <i>percentage</i>	000' t	<b>1,387</b> <b>24.2%</b>	1,207 23.7%	+14.9%
Electricity generation	MWh	<b>3,129</b>	3,475	(10.0)%
Internal consumption of electricity - <i>percentage</i>	MWh	<b>2,044</b> <b>65.3%</b>	1,723 49.6%	+18.6%

In the first quarter of 2008, the Energy Division extracted 5,732 thousand tonnes of coal from the Vostochny mine. Of this 1,897 thousand tonnes (33.1%) was consumed internally for electricity generation by the Energy Division and 1,387 thousand tonnes (24.2%) was sold to other Divisions within the Group. Growth in coal extraction of 631 thousand tonnes, ahead 12.4%, reflected the Group's expansion plans.

Electricity generation in the period was 3,129 MWh, a reduction of 10.0%. The reduction was a consequence of planned refurbishment of a generator in the first quarter of 2008. The generator is scheduled to be back on-line in the fourth-quarter of 2008.

Electricity supplied by the Energy Division for consumption by other Group entities was 2,044 MWh or 65.3% of total energy generation, 321 MWh higher than in the comparable period of 1,723 MWh (49.6% of total energy generation). The impact of the new aluminium smelter in the first quarter of 2008 increased the Group's internal consumption of electricity by 306 MWh, 9.8% of the total output in the period; the impact of the aluminium smelter in the comparable period in 2007 was nil.



## LOGISTICS DIVISION

		<b>Q1 2008</b>	Q1 2007	2008 Q1 v 2007 Q1 % growth
Tonnage of the Group's products transported by railway	000' t	<b>15,450</b>	14,895	+3.7%

In the first quarter of 2008 the Logistics Division transported 15,450 thousand tonnes by railway, an increase of 3.7%.

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## Notes

1. The Interim Management Statement for the period 1 January 2008 to 13 May 2008 and the Production Report for the first quarter ended 31 March 2008 are published in accordance with rule 4.3 of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority (FSA).
2. On 4 April 2008, the Group announced the completion of the acquisition of a controlling interest in the Serov group and certain related entities ('Serov') for a consideration of US\$210 million. The sale-purchase agreement, signed on 4 December, 2007, entitled the Group the right to all dividends or other distributions made after that date, effectively giving the Group the economic benefit from 4 December, 2007. Serov's results will be consolidated in the Group's Income Statement with effect from the second quarter 2008.
3. On 1 May 2008, the Group announced the exercise of an option to acquire a 50% interest in Bahia Mineração Limitada ('BML') for a cash consideration of US\$300 million. BML is focused on the development of an iron ore deposit in the Bahia State of Brazil.
4. On 8 May 2008 the Group announced the acquisition of a 50% stake in Xinjiang Tuoli Taihang Ferro-Alloy Co. LTD, a Chinese ferroalloys producer, for a cash consideration of approximately US\$14.5 million (RMB 101.25 million). Xinjiang Tuoli Taihang Ferro-Alloy Co. LTD is one of China's largest ferrochrome plants with an annual capacity of 120,000 tonnes of high carbon ferrochrome. The acquisition requires the final approval of the local government.
5. On 13 May 2008, the Group announced that following a detailed evaluation of the potential combination with Kazakhmys plc, the Board of ENRC, while concluding that the enlarged group would have certain strategic and financial merits, has decided not to make an offer for Kazakhmys at the current time.
6. Costs, unless specified, include: cost of sales; distribution costs; selling, general and administrative expenses; and, other operating expenses – net.
7. EBITDA: profit before finance income, finance costs, income tax expense, depreciation and amortisation.
8. EBITDA before exceptional items - exceptional items consisting of costs incurred in relation to the initial public offering.
9. The average exchange rate for the first quarter of 2008 was KZT120.45/US\$ (2007: KZT124.85/US\$) and the spot exchange rate at 31 March 2008 was KZT120.69/US\$ (31 December, 2007: KZT120.30/US\$). As most of the Group's operating costs are incurred in KZT a strengthening of the KZT has an unfavourable impact on the Group's US dollar reported profitability.
10. All references to 't' in the Production Report are to metric tonnes unless otherwise stated.



## Timetable

Wednesday, 14 May 2008	Interim Management Statement/2008 Q1 Production Report
Wednesday, 11 June 2008	Annual General Meeting
Wednesday, 6 August 2008	2008 Q2 Production Report
Thursday, 21 August 2008	2008 Half-year Results
Wednesday, 12 November 2008	Interim Management Statement/2008 Q3 Production Report

All future dates are provisional and subject to change.

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## About ENRC

ENRC is the holding company of a leading diversified natural resources group with integrated mining, processing, energy, logistical, and marketing operations. ENRC is the world's largest producer of ferrochrome, based on chrome content, the world's sixth largest iron ore exporter by volume and the world's fifth largest supplier of traded alumina by volume (CRU and Heinz H. Pariser, 2006 data). The Group's revenue was US\$4,106 million for the year ended 31 December 2007 (2006: US\$3,256 million) and EBITDA before exceptional items was US\$1,906 million (2006: US\$1,256 million); EBITDA for the year ended 31 December 2007 was US\$1,724 million (2006: US\$1,250 million). For further information please see the Group's website at [www.enrc.com](http://www.enrc.com).

## Forward looking statement

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



*undertake any obligation to review or confirm analysts, expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this announcement.*