

# ENRC: a major player

## Global natural resources group based in Kazakhstan

One of the world's leading diversified natural resources groups

It's been another strong year for ENRC, with rising commodities prices over the course of 2011 enabling the Kazakhstan-based mining giant to keep production at full capacity across all its principal resources, notably iron, ferrochrome, and aluminium, and allowing it to continue making a key contribution to the Kazakh economy.

The FTSE-100 company is one of the world's leading diversified natural resources groups, integrating mining, processing, energy, logistical and marketing operations in Kazakhstan and also operating in China, Russia, Brazil and Africa (the Democratic Republic of Congo, Zambia, Mozambique and South Africa). ENRC employs more than 72,000 people, of whom 65,000 are located in Kazakhstan.

With annual sales in excess of \$6.6 billion and an approved capital expenditure programme of approximately \$2.5 billion for 2011, CEO Felix Vulis says ENRC's strategy is to bridge its current position as a diversified natural resources Group largely based in Kazakhstan to its future opportunities as a more broadly based international mining company.

ENRC dates back to the first years after the independence of Kazakhstan, when its founders acquired a range of mining assets during the country's

first privatisation process. Over the last decade and a half, ENRC has grown rapidly, expanding into new areas and acquiring companies around the world.

In 1995, the company established its ferroalloys division on the basis of Kazchrome Company and the following year it set up an energy division, buying the Eurasian Energy Corporation along with an open cast coal mine and maintenance business. That same year, the alumina and aluminium divisions were set up, along with an alumina refinery, all operated via Aluminium of Kazakhstan. In 1996, through the acquisition of the Sokolov-Sarbai Mining Production Association, the iron ore division was also established. Today it includes primary mining operations that produce limestone, dolomite, and bentonite-clay, an iron ore processing plant, and a power plant.

In 1999, the logistics division was set up, incorporating a freight forwarding company, a railway operating company, and a railway and construction and repair business. It now provides a wide range of logistics services. Five years later, the Group acquired Zhairm GOK, adding to its manganese mining operations.

Over the course of 2006, ENRC underwent reorganization into a single group of companies, with the holding company incorporated in England and Wales. The ownership structure of the Group's assets were simplified. This process prepared the way for ENRC's flotation on the London Stock Exchange in 2007, with a market capitalisation on Admission of around £6.8 billion.

After joining the FTSE-100 at the beginning of 2008, the next two years saw major acquisitions as part of a strategy of regional expansion, including the purchase of Serov Group. This was followed by the 50 per cent purchase of Bahia Minerals, as well as a 50 per cent stake in Xinjiang Tuoli Taihang Ferro-Alloy Co.

Diversification continued throughout 2009 with the



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acquisition of Central African Mining and Exploration Company. Last year saw further expansion, including the acquisition of the outstanding 50 per cent interest in Bahia Minerals.

The company also bought 50.5 per cent of Camrose Resources, which has high quality copper and cobalt exploitation licences in the DRC. ENRC further diversified through the purchase of a 12.2 per cent interest in Northam Platinum Limited, a major platinum producer in South Africa. Subsequently the interest in Northam Platinum was increased and currently stands at 14.35 per cent.

As a result of this process, the Group has developed a low-cost production model based on wholly owned energy supply and logistics, and has sizeable proven reserves of chromium, manganese, iron ore, bauxite and coal supplemented by extensive resources.

ENRC now has six divisions, supported by a central sales and marketing operation. Recent comments by analysts such as Goldman Sachs, Citi, Credit Suisse, Deutsche Bank, and UBS have recommended purchasing ENRC stock, highlighting its low-cost operations and strong balance sheet.

#### **Divisions**

*Ferroalloys:* Produces and sells high, medium, and low-carbon ferrochrome, ferrosilicomanganese and ferrosilicon, as well as chrome and manganese concentrate.

*Iron Ore:* Produces and sells iron ore concentrate and pellets to steel producers. Ancillary products include limestone, dolomite and construction gravel.

*Alumina and Aluminium:* Produces and sells alumina to aluminium producers and also produces and sells the Group's own aluminium.

*Energy:* One of the largest electricity providers in Kazakhstan, accounting for approximately 16.6 per cent of the country's recorded electricity production in 2010.

*Other Non-ferrous:* Mainly located in Africa, incorporates the copper and cobalt assets of the Boss Mining, Chambishi Metals, 50.5 per cent stake in Camrose Resources Limited, the 14.35 per cent stake in Northam Platinum, and a number of development projects in other metals across the African continent.

*Logistics:* Provides transportation and logistics services to the Group's principal Kazakhstan operating divisions and to third parties.

*Sales and Marketing Operation:* Provides ENRC's operating divisions with a fully integrated and centrally organised sales and marketing function.

#### **Corporate social responsibility**

ENRC is a significant contributor to Kazakhstan's GDP. ENRC works with local and international

sustainable development initiatives and was the first Kazakhstan company to sign up to the UN Global Compact and the Extractive Industry Transparency Initiative. In 2003, the Group became a Founder Member of the Kazakhstan Business Council for Sustainable Development, regional partner of the World Business Council for Sustainable Development.

ENRC's extensive experience in working with governments focuses on supporting the development of a strong legal framework and sharing industry best practice with other partners. For example, through membership of the International Chromium Development Association, it has been able to bring international expertise and skills to the environment of Kazakhstan. In recognition of its contribution to the country's development, ENRC's Kazakhstan Ferroalloys Division was awarded Best Industrial Enterprise in 2009.

ENRC's collaboration with local government and administrations in Kazakhstan is a model of successful public-private partnership development. In its engagement with all stakeholders, including government, it is committed to transparency, respecting human rights and improving the societies in which it works. In 2009 ENRC was placed second in the Standard & Poor's Kazakhstan Corporate Transparency Index.

Looking to the future, Felix Vulis says: "While we are focused on managing near-term market volatility and controlling costs to maintain our advantageous low-cost position, our priority is the execution of our extensive growth programme in Kazakhstan." 

**ENRC is a significant contributor to Kazakhstan's GDP**

Logistics services are provided to operating divisions and third parties

