ANNUAL REPORT 2000

ENR Eastern Natural Resources SA

Letter to shareholders

Dear shareholders,

The economic fundamentals underpinning Russian investments remain in place. Russian GDP surged 7.6% YoY over the first nine months of 2000 up from 3.2% for 1999 as a whole. Fast rising commodity based export sales have sparked economic expansion and facilitated broader based domestic growth. The trade balance topped USD 55 billion in 2000 up from USD 35 billion in 1999. This influx of foreign currency revenues over the past two years has helped boost foreign exchange reserves and injected liquidity into the domestic economy. Investment spending rose 17% January-November, retail sales were up 9% and industrial output rose 9.6%.

Though 2000 was a difficult year for the world`s emerging markets (the MSCI emerging market index down 30% in 2000) and Russian equities (the RTS index lost 19.4%), ENR put in a good performance generating a net profit of CHF 13.2 million. This resulted in our NAV climbing from CHF 25.18 per share at the end of 1999 to CHF 43.06 on 31 December, 2000 or a 71% increase.

At the end of the year we were practically fully invested with our portfolio representing 97.2% of net assets. Most importantly, we fully executed our plan of increasing the portfolio`s liquidity so that by year end fully liquid and broadly traded shares represented 59.1% of the portfolio, illiquid or sporadically traded shares 13.7% and special situations 27.1%. By contrast, at the end of 1999, fully liquid shares represented only 25% of the portfolio.

Some 47% of our portfolio is invested in the oil and gas sectors which had a banner year on the coattails of continued high world petroleum prices. Year on year, Russian oil production increased by 6%. The pulp and paper industry represents approximately 31% of the portfolio. Our holdings in this sector performed well and made a significant contribution to our results.

As we go forward to 2001, we are confident that our equity holdings represent solid cash generating enterprises and, when looked at in the global context, very attractive valuations.

May, 2001

Hans-Jörg Rudloff

POLITICAL REVIEW

The progress of Russia's structural reforms in 2000 has been slow. Advances have been made in implementing specific tax and customs/trade reforms. Notably on January 1 st new legislation came into force implementing a new 13% flat tax rate and the removal of debilitating corporate revenue taxes. Furthermore, a long awaited land code bill has passed first reading in the Duma. On the other hand, natural monopoly reforms are only now being seriously debated and little progress has been made towards restructuring the banking system. Nevertheless, we believe that Russia's reform program remains credible and on track. Overall, the political environment has become more predictable, consensus orientated and reform friendly since the formation of the Putin administration. Clearly though, the failure to implement change remains the greatest domestic obstacle to a market re-rating.

Russia's credit outlook is improving along side the increasing stable political and economic environment, although investors attention is now focused on the completion of the Paris Club debt rescheduling. Official foreign exchange reserves are improving rapidly, rising 130% January-December 2000 to close the year at USD 28 billion. Last quarter S&P upgraded Russia's Sovereign credit rating to B. Moody's ranking stands at B3 but is on "up grade watch". Following two consecutive years of GDP growth there has been an increasing number of Russian companies and regional governments being upgraded. The re-negotiation of the IMF agreement, expected in the coming months, should help negotiate an agreement with the Paris Club on the rescheduling of around USD 30 billion of old Soviet debt.

REVIEW OF THE PORTFOLIO

Chelyabinsky Tube

The company is the largest pipe producer in the country and generates about one-fifth of total Russian production. Pipe for the oil and gas sector (OCTG) represents about 80% of total production. As a consequence, Chelyabinsk benefited from the substantial increase in the oil company capex programs. For Russia overall, pipe output is up about 17.5% this year, whereas for the first nine months, Chelyabinsk output increased by 43% to 462'000 tons. Full year 2000 production is estimated at 617'000 tons. Operating profit for the first nine months totalled USD 29 million. During the year, the company launched a multi-layer polymer coating production line for manufacturing large diameter coated tubing for oil and gas pipelines. The capacity of this line will be increased from 150'000 to 300'000 tons in the coming year. Chelyabinsk has no long-term liabilities and the coating facility was financed by the company's cashflow. The coating which more than doubles the effective life of the pipe also allows the company to improve margins by about 20%.

Gazprom

Gazprom's results over the first three quarters of 2000 were predictably strong. Reported net profit totaled USD 1.2 billion and could well post USD 3 billion by year-end. Sales growth was driven by the 60% average net rise in gas export prices to Western and Central Europe. Domestic prices though remain considerably below world levels reflecting lagging rouble based tariffs increases. If, however, electricity sector reform pushes ahead, it should have positive implications on the domestic gas market. The energos are the largest consumers of gas in Russia and have been chronic non-payers.

Gazprom shares have been heavily discounted due to corporate governance issues such as the lack of financial transparency and presence of "associated" trading companies. The two-tier share structure has also deterred investors. The company's existing management has faced increasing criticism over "asset management practices", namely the gas trading company Itera. This has resulted in the government ordering a special audit by PricewaterhouseCoopers into the allocation of gas assets to such outside trading companies. There have also been calls on the government to review changes to Gazprom's shareholder structure including foreign ownership limitations and the existing "ring fence" between ADS shares and locally traded securities.

Kondopoga

Kondopoga, a vertically integrated producer is Russia's largest pulp and paper company. As is the case with Syktyvkar, this company had a banner year. Net profit for the year 2000 should come in at about USD 30 million. Production was unchanged from the previous year at 500'000 tons which is the maximum current capacity of the plant. Work is in progress on construction of paper machine # 10. Completion of this machine, along with collateral improvements, is expected by December of this year. Upon completion of the project, production capacity will increase by 35% to 680'000 tons. The total cost of the project, which includes a new 200'000 tons thermo-mechanical (TMP) pulp line, will be about USD 180 million. This is being fully financed through cash flow and the company will remain free of long-term debt.

Lukoil

Lukoil remains the biggest and most diversified Russian oil company and especially the only one that can claim a truly multinational status. It is slowly but surely transferring the bulk of its upstream activities from western Siberia to areas such as Timan-Pechora and the Caspian and is expanding its downstream realm to cover most of Eastern Europe.

Operating results were good, though not outstanding:

	1999	2000	% change
Oil production million tons	75.6	77.8	2.8%
Gas production, bcm	4.7	5.0	5.0%
New wells	446.0	683.0	53.1%
Reserve additions, million tons	40.0	66.0	165.0%

Financials, once again, showed phenomenal growth buoyed by higher oil prices.

USD million	1998	1999	2000
Sales	8’339	10’876	13’306
EBIT	514	1’982	4’256
net profit	361	1’214	3’108

This shows a 2.7 P/E ratio for 2000.

It finally delivered FH 2000 GAAP accounts and will publish fall 1998 and 1999 GAAP accounts when it comes to market with an ADR 3 issue sometimes in 3Q 01 of some 50 million shares.

We expect to see production growth of 3-4% in 2001-2002, based on an ongoing capex program of some USD 2.4 billion per year, but specially due to the emergence of more productive fields in both the Caspian and Timan-Pechora areas.

Mosenergo

The company's operating and financial performance recovered impressively last year and should continue the trend in 2001 from further improvements in the areas of cash collection (already Russia's top energo), tariff increases and a decrease in accounts receivable. The company was the first energo to launch an "up-front payment auction" scheme to achieve 100% cash collection for its deliveries to the wholesale market. Overall cash collection should top 95% by year-end. Mosenergo also achieved substantive tariff increases last year, which had lagged cost rises since the financial crisis in 1998. Average tariffs rose 28% in rouble terms (25% in USD) in 2000 and sales volumes rose 4.7%. Another potentially important opportunity for the company may arise from the newly created joint venture with EdF of France to build a new power plant in Moscow. If a project such as this were to go ahead it represent the first significant foreign direct investment in the Russian power sector.

Norilsk Nickel

Even by Russian standards Norilsk Nickel's valuation (either assets or earnings based) is extremely low in comparison with international peers. Production levels are on the rise, up 10% YoY and there is considerable scope for cost savings through improved mining techniques and investment. (A view reinforced following our visit to the arctic mining complex last autumn.) At this stage though, corporate governance issues dominate investor interest. Last September Norilsk's management surprised investors with a restructuring programme, which if carried out will dilute minority investors by at least 11.5% and possibly as much as 50%. The company insists the basis of this corporate action is to consolidate wayward cash flow from offshore trading affiliates. The Federal Commission for Securities Markets (FCSM) has since filed a law suit against the company's leading shareholder InterRos in an attempt to annul the re-organisation programme on the basis that it was a "related party transaction". In the short term such a development is double edged. On the one hand a more active FCSM would be welcome by all investors, however, given the present unpredictability of the Russian legal system, it does introduce a further element of uncertainty. We will be monitoring the situation closely.

Surgutneftegas

Surgut remains one of Russia's most efficient producers, generating steady growth year after year while strictly focusing on maximizing output from its existing assets. It was only beaten by Yukos in production growth and, with its 8.1% growth rate, easily beat the Russian average of 6%.

In 2000 it produced 40.6 million tons of oil against 37.5 million in 1999, and exported 13.8 million tons versus 12.8 million in 1999.

Financials showed

USD million	1998	1999	2000
Sales	2'631	3'277	5'621
EBITDA	1'114	2'009	3'582

resulting in a 2000 P/E ratio of 2.8.
In 2001 Surgutneftegaz plans a production increase of 4.9% to 42.6 million tons and capex of USD 1.4 billion as compared to USD 1.2 billion last year. Surgut has said that it will bid for upcoming acreage in the Nenetsk and Yamalo-Neneetsk regions and in tenders in Eastern Siberia outside of its traditional area in the Khanti-Mansysk region.

As it continues to sit on a USD 3 billion cash pile, it should be well placed to bid for some of the remaining oil assets that will be privatized in the coming years like Slavneft or Rosneft.

Syktyvkar

The company had an excellent year with total paper production reaching 547'000 tons, an increase of 9.4% over 1999. This was achieved despite paper machine # 4 being down for 2 1/2 months during a complete rebuild. The USD 160 million capex program financed fully through cash flow will be completed by the end of 2001. Production for the coming year is budgeted at 630'000 tons. Domestic sales represented 51% of the total with all sales done on a cash basis. Increased local demand will mitigate the effects of an anticipated downturn in the international paper price cycle. Preliminary financial results show a dramatic improvement with net income rising by 89% for the year and cash flow up 58%. Non-core activities in plywood and tissue paper production were spun off as fully owned subsidiaries with the objective of selling these operations. The plywood operation has just been sold.

UES

Together with the improved economic environment, the electricity sector has recovered over the past year. Average tariffs increases across Russia outpace inflation for the first time in several years. This trend is set to continue as the FEC recently announced that it would increase wholesale market tariffs by 25% in the first quarter of 2001. Cash collection has also improved significantly to 83% in 2000 from an average of 35% in 1999. The restructuring of the electricity sector has at last taken its place high on the political agenda. An ageing asset base and years of negligible capital expenditure has led to rising instances of blackouts and heat outages – a situation that could worsen if the sector cannot sustain an adequate revenue stream. While the company's assets remain deeply discounted to other emerging market peers, the company's performance in the coming months is very much tied to the progress of these reforms. The restructuring plan call for splitting the company into as many as 15 transmission, generation and distribution companies. The transmission company would remain state owned and dozens of generating companies would be sold. Support for restructuring is widespread, although the initial proposals have raised concerns from minority investors that the assets could be sold too cheaply. At the upcoming AGM in April, the government (and controlling shareholder) has agreed to discuss these issues including making adjustments to the company's charter that would help reduce the risk of asset stripping.

Yukos

Yukos was by far the most impressive turnaround story of the Russian oil sector in 2000, its stock turning in the best performance of all Moscow equities with a dazzling 1'012% leap, albeit from a very low base.

Operationally it rose to the top of all major oil producers as far as growth in output is concerned, its 2000 production totalling 49.5 million tons against 44.7 in 1999, or a 10.8% increase. Its exports rose from 16.2 million tons in 1999 to 18.8 million tons in 2000. Yukos refined 27.7 million tons in 2000, an 8% increase from 1999 and product sales in Russia grew 22% from 14.4 million tons to 17.7 million tons. Yukos' share of the domestic gasoline market rose to 18% from 15.9% in 1999. The fruits of a 600 million dollar capex program in 2000 were finally coming home to roost. It plans to increase capex to USD 1 billion in 2001.

Its financial results were just as impressive

USD million	1998	1999	2000E
Sales	1'758	3'721	7'183
EBITDA	360.1	2'228	4'474
NET PROFIT	(611.1)	1'152	3'058

This results in a 2000 P/E ratio of 1.56.

Corporate governance, once the darkest cloud over this company, is quickly improving. It is supplying US GAAP financials and is planning an ADR level 1 issue in the coming months which should improve its liquidity.

The company plans to aggressively pursue growth with a continued high capex program which should boost upstream output 50% by 2005.

Lastly its 68% stake in the East Siberian Oil and Gas Company with reserves of 1.8 billion bbl should enable Yukos to produce an additional 140'000 bpd in 2005, which it hopes to export to the Chinese market.

ANNUAL REPORT

Consolidated results

As of December 31, 2000, the Company recorded a net consolidated gain on investment of CHF 12 million. That amount includes realized gain and losses on investments as well as the valuation of the portfolio at fair value at the closing date. The other revenues are in excess of other expenses of CHF 1 million, which gives a net consolidated gain for the year of CHF 13 million.

The Company's investment portfolio is valued, at the year end on a consolidated basis at CHF 31.8 million which, together with other assets and liabilities, amounted to a consolidated shareholders' equity of CHF 32.9 million. Total assets at this date were 40.7 million.

Parent Company

As of December 31, 2000, the Parent Company recorded shareholders’ equity of CHF 32.9 million compared to 26.9 CHF million at December 31, 1999. Total assets represents CHF 34.4 million. During the period, provisions of CHF 5 million required against the declining value of investments in prior years was reversed, resulting in a net gain for the year of CHF 6 million. The accumulated deficit as of December 31, 2000 amounts to CHF 4.7 million.

Determination of the Net Asset Value as of December 31, 2000

	Notes	2000	2000
		CHF	CHF
		Following IAS presentation	Representing the existing shareholders' economic interest
Total assets		40'699'171	40'699'171
Liabilities			
Convertible bonds	5	6'847'042	7'480'000
Other liabilities		924'124	924'124
Total liabilities		7'771'166	8'404'124
Shareholders' equity			
Share-capital		37'500'000	37'500'000
Capital paid in excess of par value (share premium)		1'778'431	1'778'431
Equity component of convertible bonds	5	1'527'465	–
Accumulated deficit		(7'877'891)	(6'983'384)
Total shareholders' equity		32'928'005	32'295'047
Total liabilities and shareholders' equity		40'699'171	40'699'171
Net asset value per share			43.06

The conversion rights relating to the convertible bonds have a non dilutive effect on the net asset value at December 31, 2000.

Consolidated Balance Sheet as of December 31, 2000

	Notes	2000	1999
Assets		CHF	CHF
Cash and cash equivalents		8'929'178	10'246'175
Investment portfolio	4	31'756'390	18'332'277
Other assets		13'603	69'265
Total current assets		*40'699'171*	*28'647'717*
Treasury warrants	5	-	3'212
Total assets		40'699'171	28'650'929
Liabilities and Shareholders' Equity			
Accounts payable and accrued expenses		851'902	983'950
Provision for income and deferred taxes	6	72'222	201'517
Total current liabilities		*924'124*	*1'185'467*
Convertible bonds	5	6'847'042	7'500'650
Total liabilities		*7'771'166*	*8'686'117*
Share capital	5	37'500'000	37'500'000
Capital paid in excess of par value (share premium)		1'778'431	1'673'830
Equity component of convertible bonds	5	1'527'465	1'752'092
Accumulated deficit		(7'877'891)	(20'961'110)
Shareholders' Equity		*32'928'005*	*19'964'812*
Total Liabilities and Shareholders' Equity		40'699'171	28'650'929

Consolidated Statement of Income and Retained Earnings for the year ended December 31, 2000

	Notes	2000	1999
Operating Income		CHF	CHF
Interest income		282'098	67'120
Dividends		2'420'028	788'010
Gain on sale of investments		2'213'971	1'462'395
Net fair value adjustment of investments		22'405'963	11'392'537
Net gain on cancellation of convertible bonds		13'634	340'072
Exchange (loss)/gain net		(22'687)	57'510
Total operating income		27'313'007	14'107'644
Operating expenses			
Loss on sale of investments		12'597'270	6'037'673
Management and performance fees		621'062	529'950
Administrative fees		107'500	50'750
Professional and directors' fees		244'628	370'362
Amortisation of capitalised expenditure		–	2'870'861
Bank charges and interest expenses		432'958	434'566
Accrued finance cost of convertible bonds	5	221'764	(37'877)
Other expenses		46'193	58'460
Taxes other than on income		119'053	117'600
Total operating expenses		14'390'428	10'432'345
Net income before income taxes		12'922'579	3'675'299
Income taxes	6	160'640	250'000
Net income for the year		13'083'219	3'925'299
Accumulated deficit at the beginning of the year		(20'961'110)	(24'886'409)
Accumulated deficit at the end of the year		(7'877'891)	(20'961'110)
Earnings per share		17.44	5.23

Consolidated Cash Flow Statement for the year ended December 31, 2000

	Notes	2000	1999
Cash flow from operating activities		CHF	CHF
Net income for the year		13'083'219	3'925'299
Adjustments for:			
Amortisation of capitalised expenditure		–	2'870'860
Accrued finance cost of convertible bonds	5	221'764	(37'877)
Net gain on cancellation of convertible bonds		(13'634)	(340'072)
Fair value adjustment on convertible bonds		–	46'134
Fair value adjustment on investment portfolio	4	(12'022'664)	(6'891'334)
Operating gain / (loss) before working capital changes		1'268'685	(426'990)
Movement in working capital:			
Net (purchase)/sale of investments	4	(1'401'447)	722'136
Accounts payable and accrued expenses		(132'048)	(185'341)
Other assets		55'662	431'279
Provision for income and deferred taxes	6	(129'295)	(120'526)
Net cash flow (used in) / from operating activities		(338'443)	420'558
Cash flow from financing activities			
Purchase of convertible bonds for cancellation		(1'082'867)	(4'275'866)
Net sale of treasury warrants		3'212	3'970
Gain on sale of treasury warrants		101'101	27'942
Net cash flow used in financing activities		(978'554)	(4'243'954)
Net cash flow		(1'316'997)	(3'823'396)
Cash and cash equivalents at beginning of the year		10'246'175	14'069'571
Cash and cash equivalents at end of the year		8'929'178	10'246'175

Consolidated Statement of changes in equity for the year ended December 31, 2000

	Share Capital CHF *	Share premium CHF *	(Accumated Deficit) CHF *	Equity component of convertible bonds CHF *	Total Equity CHF *
Balance as at January 1, 1999	37'500	1'587	(24'886)	3'571	17'772
Purchase of convertible bonds	–	87	–	(1'819)	(1'732)
Net gain for year	–	–	3'925	–	3'925
Balance as at December 31, 1999	37'500	1'674	(20'961)	1'752	19'965
Purchase of convertible bonds	–	3	–	(224)	(221)
Net gain on sale of treasury warrants	–	101	–	–	101
Net gain for period	–	–	13'083	–	13'083
Balance as at December 31, 2000	**37'500**	**1'778**	**(7'878)**	**1'528**	**32'928**

* *in thousands*

Notes to the Consolidated Financial Statements as of December 31, 2000

1 Incorporation and activity

ENR Eastern Natural Resources SA, Geneva (hereinafter, the «Company») is an investment holding company incorporated as a limited company under the laws of Switzerland and with its registered office in Geneva. The company has no employees. NRM Natural Resources Management Ltd acts as the investment manager to implement decisions and to monitor investment performance.

The Company invests, through its wholly-owned subsidiaries (hereinafter, together, the «Group»), in a diversified portfolio composed primarily of equity and equity-related securities of companies with substantial activities in the natural resources industry in the Commonwealth of Independent States (CIS) and the Baltic States.

2 Basis for the presentation of the consolidated financial statements

The consolidated financial statements of the Group, which include the accounts of ENR Eastern Natural Resources SA and its subsidiaries at December 31, 2000, are prepared in accordance with International Accounting Standards (IAS) as issued by the International Accounting Standards Committee. Financial instruments held for dealing purposes are measured on a fair value basis, as described in note 3.5, all other assets / liabilities are measured on an historical cost basis.

3 Significant accounting policies

3.1 Consolidation

Full consolidation is applied to subsidiaries, all of which are wholly-owned. The accounts of the Company's subsidiaries are appropriately reclassified and adjusted for consolidation purposes to conform to the Group's accounting policies. All intra-group balances and operations are eliminated.

3.2 Fully consolidated companies

At December 31, 2000, the ENR Group was composed of ENR Eastern Natural Resources SA and the following wholly-owned subsidiaries:

	Share capital*			
Company		2000		1999
ENR Overseas Ltd, Nicosia	C£	1'833.0	C£	1'833.0
ENR Holdings Ltd, Nicosia	C£	3'310.0	C£	3'310.0
ENR Treasury Ltd, Nicosia	C£	370.0	C£	370.0
ENR Investment Ltd, Nicosia	C£	3'846.0	C£	3'846.0
ENR Securities Ltd, Grand Cayman	USD	0.1	USD	0.1
ENR Finance Ltd, Grand Cayman	USD	0.1	USD	0.1

3.3 Recognition of revenues and costs

Revenues and costs are recognised as they are earned or incurred and recorded in the financial statements of the periods to which they relate.

3.3.1 Interest

Interest is recognised on a time proportion basis that reflects the effective yield on the asset or liability.

3.3.2 Gain / (Loss) on investments

The gains or losses arising from the disposal of investments are recognised in the statement of income as they arise.

3.3.3 Dividends

Dividends are recognised when the Company's right to receive payment is established.

3.3.4 Other revenue

Other revenue is measured at the fair value of the consideration received or receivable.

3.4 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Swiss francs at exchange rates ruling on the balance sheet date. Foreign exchange profits and losses are included in the income statement of the year in which the profits and losses arise. The financial statements of the subsidiaries are prepared in Swiss Francs as subsidiaries are integral to the operations of the parent. Their operations in foreign currencies are translated according to the above mentioned principles.

3.5 Investment portfolio

The investment portfolio is composed of listed shares and other investments and is recorded in the balance sheet at fair value. Fair value is determined on the basis of bid price for both actively-traded investments and for illiquid and special situation investments. If negative developments occur in any company, a write down will be made immediately. Changes in value are charged or credited in the statement of income.

3.6 Taxation

The Company provides for taxes when profits are earned. A provision is made in the consolidated accounts for deferred taxation arising from timing differences. Deferred taxation is provided for under the liability method.

3.7 Risk management policies

The Group's risks are currently concentrated in its listed and non listed equity positions. These are managed on a daily basis under the oversight of the Investment Committee and the Board of Directors within the guidelines set forth in the prospectus.

* *in thousands*

Investments are usually not denominated in Swiss francs, the base currency of the company. In order to protect the net asset against unfavorable currency fluctuations, the company regularly engages in currency hedging transactions. This policy is implemented with options and forward contracts to protect the value of foreign-denominated assets that are likely to undergo significant currency fluctuations. The hedging positions are recorded in the balance sheet at fair value, which is determined on the basis of market price. Changes in value are charged or credited in the statement of income

3.8 Treasury stock

As Treasury stock, which is held for trading and market making purposes, is purchased, the amount of consideration paid is recognized as a charge to equity and reported in the balance sheet as treasury shares. The subsequent resale of treasury shares does not give rise to a profit for the company, the difference over purchase price being taken to equity.

3.9 Reclassifications

The hedging amount of CHF 500'000 in 1999 has been reclassified from other assets to investment portfolio to conform with 2000 presentation.

4 Investment portfolio

	Equities CHF *	Fixed Income instrument CHF *	Hedging CHF *	2000 CHF *	1999 CHF *
Fair value of portfolio brought forward	17'832	p.m.	500	18'332	12'163
Purchase of investments	23'072	–	1'460	24'532	248
Sale of investments	(19'849)	–	(3'281)	(23'130)	(970)
Net gain / (loss) on disposal of investments	(10'992)	–	608	(10'384)	(4'501)
Net investment movement for the year	(7'769)	–	(1'213)	(8'982)	(5'223)
Increase in fair value	20'976	–	1'430	22'406	11'392
Fair value of portfolio	31'039	p.m.	717	31'756	18'332

At December 31, the investment portfolio consisted of the following:

	2000		1999	
Fair value	CHF *	%	CHF *	%
Listed shares	20'779	63.21	10'150	55.37
Special situations and illiquid shares	10'260	34.54	7'682	41.90
Hedging	717	2.25	500	2.73
Fixed income instruments	p.m.	–	p.m.	–
Total	31'756	100.00	18'332	100.00

13

The investment portfolio was invested in the following sectors:

	2000	1999
Fair value	CHF *	CHF *
Pulp and paper	9'703	5'593
Energy	2'439	803
Steel, pipes and tubes	3'902	2'041
Oil and gas	14'473	9'064
Other	522	331
Hedging	717	500
Total	31'756	18'332

All investments have been made in Russian entities.

The investments in listed shares consist of the following positions:

Companies	Number of shares as of 31.12.2000	Changes since 31.12.1999	Local currency	Fair value 31.12.2000 (CHF *)	in % of portfolio
Listed shares					
Cheljabinsk Trubny Zavod	18'347'616	–	USD	1'286	4.05%
Gazprom financial contracts	3'000'000	3'000'000	USD	1'413	4.45%
Lenenergo -preferred-	750'000	–	USD	31	0.10%
Lukoil Holding -common-	125'000	115'000	USD	1'812	5.71%
Lukoil -preferred-	65'000	55'000	USD	932	2.93%
Lukoil -ADR-	37'000	37'000	USD	2'176	6.85%
Mosenergo	24'500'000	24'500'000	USD	955	3.01%

** in thousands*

Mosenergo -ADR-	22'500	22'500	USD	82	0.26%
Nizhnitagil Met Combinat	–	(29'143'990)	USD	–	0.00%
Norilsk Nickel	155'000	155'000	USD	1'773	5.58%
Oskol Steel (Oskolskyy electromet.kom)	12'500	–	USD	101	0.32%
Purneftegas -preferred-	120'000	–	USD	97	0.31%
Sakhalinenergo	2'200'000	–	USD	18	0.06%
Sahalinmorneftegaz -preferred-	135'000	–	USD	122	0.38%
Sahalinmorneftegaz -common-	–	(1'656'710)	USD	–	0.00%
Samaraenergo	19'050'000	(10'000'000)	USD	368	1.16%
Seversky Tube -ADR-	–	(58'250)	USD	–	0.00%
Sibneft	–	(4'263'840)	USD	–	0.00%
Surgutneftegas -common-	6'100'000	6'100'000	USD	1'985	6.25%
Surgutneftegas -preferred-	10'000'000	10'000'000	USD	1'482	4.67%
Surgutneftegaz -Sp. ADR-	80'000	80'000	USD	1'321	4.16%
Sverdlovenergo -preferred-	500'000	–	USD	6	0.02%
Unified Energy System -common-	7'500'000	7'500'000	USD	979	3.08%
Yuganskneftegaz -common-	–	(250'000)	USD	–	0.00%
Yuganskneftegaz -preferred-	–	(25'000)	USD	–	0.00%
Yukos Holding	1'092'500	1'092'500	USD	3'133	9.87%
Sub-total				**20'072**	**63.21%**
Special situations and illiquid shares					
Akron	10	–	USD	2	0.01%
BAM Resources PLC -Reg-	200'000	–	USD	–	0.00%
Buryatzoloto	285'800	–	USD	519	1.63%
Kondopoga	162'314	–	USD	1'308	4.12%
Moscow Refinery -common-	–	(41'463)	USD	–	0.00%
Moscow Refinery -preferred-	–	(12'500)	USD	–	0.00%
Nosta (Orsko-Khalilovsk Met C)	45'000	–	USD	36	0.11%
Slavneft	–	(5'159'314)	USD	–	0.00%
Sinarsky Trubny Zadov	156'631	–	USD	707	2.23%
Syktyvkarsky LPK -common-(see below)	40'083	–	USD	8'395	26.44%
Sub-total				**10'967**	**34.54%**
Fixed income instruments					
The Red Square Debt Fund	400'000	–	USD	–	0.00%
Sub-total				–	0.00%
Total fair value securities				**31'039**	**97.75%**

The investment in hedging instruments consists of the following positions:

Hedging instruments	Currency	Strike price	Expiry date	Quantity	Market value (CHF *)
Call USD/CHF	CHF	1.680	15.01.01	(2,500,000)	–
Call USD/CHF	CHF	1.780	15.01.01	(2,500,000)	–
Put USD/CHF	CHF	1.680	15.01.01	5,000,000	357
Put USD/CHF	CHF	1.680	30.01.01	5,000,000	378
Call USD/CHF	CHF	1.680	30.01.01	5,000,000	(18)
Total Hedging instruments					717
Total portfolio					**31'756**

Exchange rates USD/CHF: 1.6111 as at December 31, 2000 (December 31, 1999: 1.6000).
The average exchange rate for the year 2000 was 1.7015 (1999: 1.4995)

Special situation and illiquid shares
Special situation and illiquid shares include investments where the Company holds a significant stake, either on its own or in agreement with other shareholders, in the investment and / or where the shares are not readily tradable. The Group has entered into an agreement with other shareholders of Syktyvkarsky LPK which restricts their right to sell the shares before the end of May 2002. Syktyvkarsky LPK represents CHF 8.4 million of the illiquid/special situations segment of the investment portfolio.

5 Share capital

At December 31, 2000, the issued ordinary share capital of the Company was CHF 37.5 million, divided into 750'000 fully paid bearer shares of par value CHF 50 each. Each share has one vote and all shares are equally entitled to dividends.

* *in thousands*

5.1 **Own warrants**

At December 31, the company held the following own warrants:

	2000	1999
Number of warrants	–	107'080

5.2 **Conditional capital and authorised capital**

The Company may increase its share capital by the exercise of option or conversion rights by up to a maximum amount of CHF 18'750'000 through the issue of a maximum of 375,000 bearer shares of par value of CHF 50 each. These shares are reserved for the exercise of option and conversion rights issued by the Company (see note 5.4).

The Board of Directors is authorised until June 19, 2002 to increase the Company's share capital by up to CHF 18'750'000 through the issue of a maximum of 375'000 bearer shares of par value of CHF 50 each.

	2000 CHF *	1999 CHF *
Conditional capital	18'750	18'750
Authorised capital	18'750	18'750

5.3 **Warrants**

The Company had issued a total of 1'900'000 option rights in the form of warrants, entitling warrant holders to subscribe for one share for every ten warrants up to May 31, 2000 (maturity date). Following the June 1997 capital increase, the exercise price of the warrants was reduced from CHF 100 to CHF 83.10. At maturity date, no warrants were exercised.

5.4 **Convertible bonds**

On October 28, 1997, ENR Finance Ltd issued, at par value, 3 3/4% convertible bonds for CHF 60'000'000, maturing October 28, 2002. Each bond of CHF 5'000 nominal is convertible into 20 bearer shares of ENR Eastern Natural Resources SA of CHF 50 nominal each. In the consolidated financial statements, the loan is divided into a liability and an equity component. The fair value of the liability component is calculated using a discount rate of 9%, as if the bonds have no embedded conversion rights and the market rate of interest applied.

As the amount payable on redemption will normally exceed the amount allocated to the debt at the time of issue, a finance cost, additional to the coupon actually paid, is being accrued in each accounting period. The interest expense on the effective yield basis comprises of the coupon and the finance cost.

At the date of issue, the detail of the liability and equity components was as follows:

	CHF *
Present value of the principal (CHF 60 million payable at the end of five years)	38'996
Present value of the interest (CHF 2.25 million payable annually in arrears for five years)	8'752
Total liability component	47'748
Equity component	12'252
Proceeds of the bonds issue	60'000

As of December 31, 2000, the Company had bought for cancellation, on the open market, CHF 52'520'000 nominal value of its own bonds.

The purchase of bonds cancelled during the year 2000 resulted in a total gain of CHF 17'133 of which CHF 3'499 representing the gain on the equity component of the cancelled bonds, has been credited to the share premium account and the CHF 13'634 gain the liability component has been taken to the statement of income and retained earnings.

At December 31, 2000 the liability and the equity component of the convertible bonds consist of the following:

	Liability component	Equity component	Nominal value
At January 1, 2000	7'501	1'752	8'580
Reversal of prior year finance cost on cancelled bonds	164	–	–
Less: cancelled bonds in 2000	(876)	(224)	(1'100)
Less: accrued finance cost at December 31, 2000 of outstanding bonds	58	–	–
Outstanding convertible bonds	**6'847**	**1'528**	**7'480**

6 **Provision for income taxes**

In 2000, the provision for deferred taxes was reduced by an amount of CHF 0.1 mio (1999 : CHF 0.2 mio).

* *in thousands*

ERNST & YOUNG

Report of the Group Auditors to the General Meeting of ENR Eastern Natural Resources SA, Geneva

As auditors of the group, we have audited the consolidated financial statements on pages 10 to 15 (consolidated balance sheet, consolidated statement of income and retained earnings, consolidated cash flow statement and notes) of ENR Eastern Natural Resources SA for the year ended December 31, 2000.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards, promulgated by the Swiss profession and with International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Accounting Standards (IAS) and comply with Swiss law and the accounting provisions as contained in the additional rules for the listing of investment companies of the Swiss Exchange.

In addition, as required under article 20 of the additional rules for the listing of investment companies of the Swiss Exchange, in our opinion the board of directors has used reasonable methods and estimates to determine the fair value of the investment portfolio.

We recommend that the consolidated financial statements submitted to you be approved.

Geneva, May 15, 2001

Ernst & Young SA

Pascal Gisiger
Certified Accountant

Nigel Le Masurier
Chartered Accountant
(Auditor in charge)

ERNST & YOUNG

Report of the Statutory Auditors to the General Meeting of ENR Eastern Natural Resources SA, Geneva

As statutory auditors, we have audited the accounting records and the financial statements on pages 18 and 19 of ENR Eastern Natural Resources SA for the year ended December 31, 2000.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accounting records and the financial statements comply with Swiss law and the company's articles of incorporation as well as the additional rules for the listing of investment companies of the Swiss Exchange.

In addition, as required under article 20 of the additional rules for the listing of investment companies of the Swiss Exchange, in our opinion the board of directors has used reasonable methods and estimates to determine the fair value of the investment portfolio.

We recommend that the financial statements submitted to you be approved.

Geneva, May 15, 2001

Ernst & Young SA

Pascal Gisiger
Certified Accountant

Nigel Le Masurier
Chartered Accountant
(Auditor in charge)

Parent Company Balance Sheet as of December 31, 2000

	Notes	2000	1999
Assets		CHF	CHF
Cash and cash equivalents		6'831	6'974
Receivables from subsidiaries			
(net of a provision of CHF 22'476'405; 1999: CHF 23'476'405)		9'363'943	7'432'528
Other assets		2'410	41'208
Current assets		*9'373'184*	*7'480'710*
Investments (net of a provision			
of CHF 25'000'000; 1999: CHF 29'000'000)	1	25'000'000	21'000'000
Total assets		34'373'184	28'480'710
Liabilities and Shareholder's Equity			
Account payable		–	1'262
Accrued expenses		72'589	189'450
Payables to subsidiaries		1'481'662	1'427'056
Liabilities		*1'554'251*	*1'617'768*
Share capital	2	37'500'000	37'500'000
Accumulated deficit		(4'681'067)	(10'637'058)
Shareholders' Equity		*32'818'933*	*26'862'942*
Total Liabilities and Shareholders' Equity		34'373'184	28'480'710

Parent Company Statement of Income and Retained Earnings for the year ended December 31, 2000

	2000	1999
Income	CHF	CHF
Interest income	962'542	566'256
Reversal of provision on receivable from subsidiaries	1'000'000	7'279'957
Reversal of provision on investments	4'000'000	3'000'000
Reversal of provision for taxes	132'519	–
Total income	6'095'061	10'846'213
Expenses		
Administrative fees	10'750	10'750
Professional and director's fees	88'958	276'592
Amortisation of capitalised expenditure	–	1'284'074
Bank charges and interest	786	378
Other expenses	38'576	30'661
Taxes	–	117'600
Total expenses	139'070	1'720'055
Net income for the year	5'955'991	9'126'158
Accumulated deficit at the beginning of the year	(10'637'058)	(19'763'216)
Accumulated deficit at the end of the year	(4'681'067)	(10'637'058)

Notes to the Financial Statements as of December 31, 2000

1 Significant investments

At December 31, 2000, the ENR Group was composed of ENR Eastern Natural Resources SA and the following wholly-owned subsidiaries:

	Share capital*			
Company		2000		1999
ENR Overseas Ltd, Nicosia	C£	1'833.0	C£	1'833.0
ENR Holdings Ltd, Nicosia	C£	3'310.0	C£	3'310.0
ENR Treasury Ltd, Nicosia	C£	370.0	C£	370.0
ENR Investment Ltd, Nicosia	C£	3'846.0	C£	3'846.0
ENR Securities Ltd, Grand Cayman	USD	0.1	USD	0.1
ENR Finance Ltd, Grand Cayman	USD	0.1	USD	0.1

2 Share capital

At December 31, 2000, the issued ordinary share capital of the Company was CHF 37.5 million, divided into 750'000 bearer shares of par value CHF 50 each.

2.1 Movements in shareholders' equity

	Share capital CHF *	Accumulated deficit CHF *	Total CHF *
Balance at January 1, 2000	37,500	(10,637)	26,863
Net profit for the year	–	5'956	5'956
Balance at December 31, 2000	37,500	(4'681)	32'819

2.2 Treasury stock and warrants

At December 31, treasury stock and warrants held by a subsidiary consisted of the following:

	2000	1999
Number of warrants	–	107'080

2.3 Conditional capital and authorised capital

The Company may increase its share capital by the exercise of option or conversion rights by up to a maximum amount of CHF 18,750,000 through the issue of a maximum of 375'000 bearer shares of par value of CHF 50 each. These shares are reserved for the exercise of option and conversion rights issued by the Company.

The Board of Directors is authorised until June 19, 2002 to increase the Company's share capital by up to CHF 18'750'000 through the issue of a maximum of 375'000 bearer shares of par value of CHF 50 each.

	2000 CHF *	1999 CHF *
Conditional capital	18'750	18'750
Authorised capital	18'750	18'750

2.4 Warrants

The Company had issued a total of 1'900'000 option rights in the form of warrants, entitling warrant holders to subscribe for one share for every ten warrants up to May 31, 2000. Following the June 1997 capital increase, the exercise price of the warrants was reduced from CHF 100 to CHF 83.10. At maturity date, no warrants were exercised.

3 Guarantees for the convertible bonds

On October 28, 1997, ENR Finance Ltd issued, at par value, 3 3/4% convertible bonds for CHF 60'000'000, maturing October 28, 2002. Each bond of CHF 5'000 nominal is convertible into 20 bearer shares of ENR Eastern Natural Resources SA of CHF 50 nominal each.

As of December 31, 2000, ENR Finance Ltd had bought for cancellation, on the open market, CHF 52'520'000 nominal value of its own bonds.

These bonds have been unconditionally and irrevocably indemnified by the Company.

* *in thousands*

Price information

Date	Net Assets CHF (in thousand)	NAV per share CHF (adjusted)	Share price CHF (adjusted)
31.12.1995	45'958	75.31	88.69
30.06.1996	70'260	115.13	118.55
31.12.1996	69'202	113.39	109.64
30.06.1997[1)]	162'998	217.33	154.00
31.12.1997	149'752	199.67	155.00
30.06.1998	65'003	86.67	91.00
31.12.1998	N/A	N/A	25.85
30.06.1999	N/A	N/A	24.20
31.12.1999	18'886	25.18	22.00
31.03.2000	36'051	48.07	43.50
30.06.2000	30'261	40.35	34.00
30.09.2000	39'050	52.07	44.50
31.10.2000	39'000	52.00	43.50
30.11.2000	35'068	46.76	41.05
31.12.2000	32'296	43.06	39.85

1) Capital increase of 250'000 shares, par value CHF 50, subscription price CHF 120 on June 30, 1997

Summary

Organisation

BOARD OF DIRECTORS	Hans-Jörg Rudloff	*Chairman*
	Robert Pennone	*Vice-Chairman*
	Jean-Paul Aeschimann	*Secretary*
INVESTMENT MANAGER	NRM Natural Resources Management Ltd	
INVESTMENT ADVISORS	MC Trustco Axiom Advisory Services SA Vulcan Petroleum Ltd	
CUSTODIAN	ING Bank Eurasia A/O	
ADMINISTRATOR	Fidutec Fiduciaire SA	
AUDITORS	Ernst & Young	
MANAGEMENT FEE *	2% per annum of the average total stock market capitalisation	
PERFORMANCE FEE *	15% of the amount by which the share price increase exceeds an annual return of 10% and 20% of the amount in excess of an annual return of 20%	

Publication Listing

NAV PUBLICATION	Finanz & Wirtschaft (twice a week) The Financial Times (once a week) Reuters : MCSY (daily)
INTERIM REPORT	Available upon request at the Company
LISTING	Swiss Exchange
TICKER SYMBOL	Bloomberg : ENR SW • Reuters : ENRZ.S
SECURITY NUMBER	Bearer Shares 347.166 • Warrants 347.167

Investment policy

The investment objective of the Company is to maximise the long term returns to shareholders. The Investment Manager intends to achieve this by investing the Company's assets in a diversified portfolio of securities of companies with substantial activities in the natural resources industry in Russia and in other Newly Independant States (NIS), and within certain limits, in debt instruments, physical commodities and privatisation vouchers.

* The Company informed at the Extraordinary General Meeting of Shareholders of 12 October 1998, that the Investment Manager renounces to the management fees as of 1 August 1998 until the net asset value per share reaches CHF 56.18 (being the net asset value of 14 August 1998, the day before the Russian debt moratorium was announced). As this level was reached in August of 2000, the board of directors of the Company will propose to the next general meeting of the shareholders to approve the payment of the fees suspended between August 1998 and December 1999. The hurdle rate for the calculation of the performance fee has been lowered to CHF 100.-.

ENR Eastern Natural Resources SA

62, route de Frontenex P.O. Box 6525 CH-1211 Geneva 6
Tel. (+4122) 849 06 06 • Fax (+4122) 849 06 45