



KAZAKHMYS PLC

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Company registered in England and Wales
Company Number: 5180783

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KAZAKHMYS PLC HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2012

OPERATIONAL HIGHLIGHTS

- **Copper production in line with full year target**
 - Copper cathode from own concentrate of 135 kt for first half of the year
 - By-product output on track for annual targets
- **Increase in demand for power from the domestic market**
 - 10% increase in power generated at Ekibastuz GRES-1 to 7,057 GWh
 - 8% rise in average realised tariff at Ekibastuz GRES-1

GROWTH PROJECTS

- **Continued good progress with growth project pipeline**
 - Development at Bozshakol on schedule and economics improved
 - Long lead items ordered for Aktogay
- **Ekibastuz GRES-1 \$1 billion rehabilitation continues ahead of schedule**
 - Commissioning of new unit already underway

FINANCIAL HIGHLIGHTS

- **Performance affected by lower metals prices and cost pressures**
 - Group EBITDA (excluding special items) of \$949 million
 - Impacted by temporary build up of copper inventory due to logistics issues in June
 - Net debt of \$418 million
 - Strong cash position backed by long dated debt facilities
- **Net cash costs of 171 US cents per pound - in line with guidance**
 - Impacted by reduced sales volumes and cost inflation

RETURNS TO SHAREHOLDERS

- **Completion of share buy-back of \$165 million in May 2012**
 - 2.2% of issued share capital purchased
- **Interim dividend declared of 3.0 US cents per share**
 - Total returned to shareholders of \$1,733 million since Listing

OUTLOOK

- **Positive outlook for copper underpinned by good demand from customers**
- **Copper production on track to meet full year target of between 285 and 295 kt**
 - Input cost pressures should ease in the remainder of 2012
- **Sound balance sheet with long term funding for growth projects**
 - Feasibility study to be completed for Aktogay by the end of 2012
 - Complete key construction phase at Bozshakol
 - First output from Bozymchak expected in 2013
- **Commissioning of new unit at Ekibastuz GRES-1 in second half of 2012**
 - 20% increase in generating capacity
 - Strong power demand and tariff curve to persist

\$ million (unless otherwise stated)	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenues	1,516	1,817
Earnings:		
Group EBITDA (excluding special items) ¹	949	1,608
Segmental EBITDA (excluding special items) ¹	621	1,065
Profit before taxation from continuing operations	178	1,004 ²
Underlying Profit	307	866
EPS:		
Basic and diluted (\$)	0.23	0.70
Based on Underlying Profit ³ (\$)	0.58	1.62
Free Cash Flow ⁴	(129)	554
Cash cost of copper after by-product credits ⁵ (USc/lb)	171	93

¹ Reconciliation of Group and Segmental EBITDA (excluding special items) to operating profit is found in note 5(a)(ii). The most significant special item for the period ended 30 June 2012 is an impairment charge of \$162 million recognised in respect of the Bozymchak project.

² Kazakhmys Petroleum was sold in December 2011 so for the period ended 30 June 2011 the business has been reclassified as a discontinued operation.

³ Reconciliation of EPS based on Underlying Profit is found in note 10(b).

⁴ Net cash flows from operating activities less sustaining capital expenditure on tangible and intangible assets.

⁵ Cash operating costs excluding MET and purchased concentrate less by-product revenues, divided by the volume of copper cathode equivalent sales.

Oleg Novachuk, Chief Executive of Kazakhmys PLC, said: “We are pleased to report another six months of solid operational performance. Following disruptions caused by adverse weather conditions at the beginning of the year, we raised output towards the end of the first half, allowing us to maintain our copper production target range for 2012 of between 285 and 295 kt. Cost control remains a significant challenge and focus for management. Uncertainty prevails in the global markets, but we are encouraged by the continuing demand from our customers. With the growth projects moving closer to production and a sound balance sheet, the longer term outlook also remains positive.”

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AVAILABILITY OF THIS ANNOUNCEMENT

Copies of the half-yearly report will not be mailed to shareholders. Copies can be obtained from the Kazakhmys website (www.kazakhmys.com) or by contacting the Corporate Communications department at the Company's registered office.

REGISTERED OFFICE

6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom.

SHAREHOLDER INFORMATION

The Company declares dividends in US dollars. For those shareholders who hold their shares on the London Stock Exchange the default currency for receipt of their dividends is US dollars although they can elect to receive their dividends in UK pounds sterling. For those shareholders who wish to receive their dividends in UK pounds sterling, currency election forms should be sent to the Company's registrar, Computershare Investor Services PLC, so as to arrive by 3.00pm on Monday 10 September 2012.

For those shareholders who hold their shares on the Hong Kong Stock Exchange the default currency for receipt of their dividends is Hong Kong dollars although they can elect to receive their dividends in US dollars. For those shareholders who wish to receive their dividends in US dollars, currency election forms will be dispatched by the Company's registrar, Computershare Hong Kong Investor Services Limited, on Thursday 6 September 2012 and must be returned so as to arrive by 4.30pm on Friday 21 September 2012.

For those shareholders who have elected to receive their dividends in UK pounds sterling, the currency conversion rate to convert the dividend into UK pounds sterling will be £0.63692 to the US dollar. For those shareholders who receive their dividends in Hong Kong dollars, the currency conversion rate to convert the dividend into Hong Kong dollars will be HK\$7.75721 to the US dollar. These conversion rates are based on the average exchange rate for the five business days ending two days before the date of the half-yearly results announcement.

The interim dividend in US dollars and UK pounds sterling will be paid on Wednesday 3 October 2012 to shareholders who hold their shares on the London Stock Exchange ('London register of members') at the close of business on Friday 7 September 2012 (the 'London record date'). The interim dividend in US dollars and Hong Kong dollars will be paid on Wednesday 3 October 2012 to shareholders who hold their shares on the Hong Kong Stock Exchange ('Hong Kong register of members') at the opening of business on Friday 7 September 2012 (the 'Hong Kong record date'). For those shareholders who hold their shares on either the London register of members at the London record date or the Hong Kong register of members at the Hong Kong record date, the ex-dividend date is Wednesday 5 September 2012.

FORWARD-LOOKING STATEMENT

This half-yearly report includes forward-looking statements with respect to the business, strategy and plans of Kazakhmys and its current goals, assumptions and expectations relating to its future financial condition, performance and results. By their nature, forward-looking statements involve known and unknown risks, assumptions and uncertainties and other factors which may cause actual results, performance or achievements of Kazakhmys to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Although Kazakhmys believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements.

No part of this half-yearly report constitutes, or shall be taken to constitute, an invitation or inducement to invest in Kazakhmys PLC, or any other entity, and shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the Listing Rules and applicable law, Kazakhmys does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this half-yearly report.

CHIEF EXECUTIVE'S REVIEW

Summary

In the first six months of 2012, we enjoyed solid production in our mining business and increasing demand for power in Kazakhstan. There has been a build up of work in progress and inventory at several stages of production, which will weight production and sales towards the second half of the year. Rising costs remain a significant issue across the mining industry, and cost optimisation is one of our highest priorities.

Copper production and sales

Ore output was held back at the start of the year by severe weather and equipment availability, but recovered in the second quarter, bringing ore output for the first six months of 2012 to 17.5 million tonnes, 6% above the comparative period in 2011. The average copper grade of 0.99% was slightly below the same period last year but above the forecast run rate for the year. The grade is expected to decrease in the second half of the year as output increases from the relatively lower grade, open pit Konyrat mine which restarted operations at the end of June 2012. Higher ore extraction in the period offset the decline in grade leading to a 4% increase in metal in ore mined.

Output of copper in concentrate from own material reduced by 4% compared to the first six months of 2011 reflecting a decline in the volume of metal in ore processed as stockpiled ore increased. Copper cathode output of 134.7 kt reduced by 12%, due to the lower volume of copper in concentrate and the processing of work in progress at the smelters in the prior year which had built up towards the end of 2010. Copper cathode production will increase in the second half of the year from the processing of stockpiled ore and concentrate.

There has been a build up of goods in transit, due to temporary transportation delays on the Chinese railways, resulting in sales of copper cathode being below production volumes for the six month period. This issue is now resolved and the backlog of material is expected to clear by October 2012.

Other metals production and sales

By-product output followed a similar pattern to copper, with an increase in the output of metal in ore, but there was a rise in the level of work in progress leading to lower metal output. Output of finished metal products will be higher in the second half of the year from the processing of this additional material.

Zinc metal in ore mined increased by 12%, however, the stockpiling of material led to a 5% reduction in zinc in concentrate production to 71.6 kt. Precious metals in ore mined increased, however maintenance work at the Balkhash smelter and precious metals refinery saw a reduction in the output of finished material and led to an increase in work in progress. Silver production at 5,639 koz was 17% lower than in the first six months of 2011 and output of finished gold at 52.6 koz was 25% lower than the corresponding period.

Sales of zinc in concentrate and silver in the first six months of the year were broadly in line with output. Sales of gold were lifted by 69 koz, following a build up of inventory in the second half of 2011 pending negotiations on terms of sales with the National Bank of Kazakhstan.

Markets and demand

The proportion of our copper sales to China has increased to 75% this year, driven by the relative economic strength of China compared to Europe. Demand from our customers remains sound and approximately 85% of our anticipated output for 2012 is covered by off-take agreements, a similar proportion to previous years.

Copper remains a product in good demand, fundamental to a wide range of applications and with restricted supply. We believe that the supply/demand balance will underpin the copper price in the medium term.

Growth projects

We continue to make excellent progress with our growth projects. Over the long term these projects will transform Kazakhmys, bringing the majority of our output from two modern, large, low cost, open pit mines. Construction at Bozshakol commenced ahead of schedule in April 2012 and first concrete has been poured for the main sites with good progress on engineering design and ordering of equipment. All long lead items have been ordered and the project remains on track. The clay plant at Bozshakol has been upgraded to increase the throughput of material, which will add around \$100 million to the capital cost, but the overall value of the project has been enhanced by this upgrade. We continue to anticipate producing first concentrate in 2015.

The feasibility study for Aktogay, our second major growth project, is on track to complete by the end of this year and the long lead items have already been ordered, reflecting our confidence in the project.

At Bozymchak, a gold and copper mine in Kyrgyzstan, we have replaced one of the main contractors, who had failed to meet their obligations. Commissioning has been delayed by a few months and is now expected during the second half of 2013. The delay in commissioning has led to an increase in capital costs, and an impairment charge of \$162 million has been recognised in the period. Bozymchak is anticipated to have annual output of 35 koz of gold and 7 kt of copper.

Capital expenditure for our major projects is backed by \$4.2 billion of long-term funding, principally from the China Development Bank.

Operating costs

Costs are a significant headwind for the mining industry and Kazakhmys has seen inflation in both input costs and labour. Kazakhstan has a relatively small skilled labour force and as the economy is dominated by the petroleum sector, it is vulnerable to labour inflation. As ore volumes increase, particularly from those mines with no adjacent processing facilities, transportation costs are also under pressure. Overall, Kazakhmys Mining's cash operating costs have increased by 20% to \$966 million, compared to the corresponding period. However, excluding the movement in work in progress and finished goods, cash operating costs have increased by 13%.

In the second half of 2012, the higher sales volumes will help to reduce unit costs. Input cost pressures have moderated and we have implemented cost mitigation programmes across a wide range of activities. Labour costs are unlikely to increase further in the second half of the year, although the impact of the salary rises awarded during the first six months of 2012 will continue to be felt. Lower by-product pricing combined with the higher disability provision, as mentioned below, lead us to anticipate that the net cash cost will be in the range of 160 to 190 cents per pound for the year.

Power business

The power business has had another highly successful six months, driven by strong local demand. Net power generated at Ekibastuz GRES-1 of 7,057 GWh was 10% higher than in the first six months of 2011. Domestic sales rose 23%, allowing us to reduce sales to Russia, which take place at a lower realised price. The weighted average realised tariff for the first six months of 2012 was 5.81 KZT/kWh, an increase of 8% compared to the corresponding period of 2011. The ceiling tariff for domestic sales of 5.60 KZT/kWh set by the Government of Kazakhstan for 2011 was raised to 6.50 KZT/kWh on 1 April 2012 and given the strength of demand, pricing quickly moved to that level.

The modernisation programme at Ekibastuz GRES-1 continues to progress ahead of schedule. We will launch the sixth turbine by the end of 2012 thereby increasing capacity from 2,500 MW to 3,000 MW. The \$1 billion investment programme, the largest power development programme in Kazakhstan, will be funded from the power station's own cash flows. The rehabilitation of the seventh turbine is proceeding to schedule with commissioning expected by the end of 2014, and during 2017 the plant should return to its original nameplate capacity of 4,000 MW with eight operational turbines.

MKM

MKM, a downstream copper fabricating business in Germany, had a solid six month performance, with higher sales volumes and tight cost control. MKM increased sales in its domestic market and increased sales to the rest of Europe. In the year to date, MKM declared dividends of €15 million, taking total dividends since acquisition to €34 million. In the first six months of 2012, MKM achieved an EBITDA (before special items) of \$34 million and profit before tax of \$22 million. MKM is classified as an asset held for sale, as the business does not fit with the Group's strategy of pursuing natural resource opportunities in Central Asia. A sales process is being undertaken, the results of which will be reviewed by the Board before the end of 2012.

Financial performance

Revenue declined by 17% to \$1,516 million, due to a combination of lower sales volumes and prices. The average realised sales price of copper was \$8,253 per tonne for the first six months of the year, compared to \$9,454 per tonne in the prior period. Sales volumes were impacted by the logistics issues, as mentioned above.

Segmental EBITDA (excluding special items) was \$621 million, compared to \$1,065 million in the first six months of 2011, reflecting reduced revenues and the pressure of rising costs. There was also a net charge of \$41 million for specific items, dominated by a charge relating to the Group's disability payment obligations.

The combination of higher tariffs and increased volumes saw the EBITDA (excluding special items) from our Power Division increase to \$96 million, a rise of 10% adjusting for the sale of the Maikuben coal mine in May 2011. The cash flow produced by Ekibastuz GRES-1 is principally used to fund the refurbishment of the power station. In June 2012 however, we received an inaugural dividend of \$28 million.

Group EBITDA (excluding special items) was \$949 million for the period, which includes \$328 million arising from our 26% share in ENRC. Group EBITDA (excluding special items) for the comparative period was \$1,608 million.

Earnings per share based on Underlying Profit, including our share of ENRC's equity accounted earnings, was 58 US cents per share compared to 162 US cents per share for the first six months of 2011.

The contribution from ENRC to Group EBITDA reduced by 40%, due to a combination of lower commodity prices, reduced sales volumes and cost inflation across their major divisions. The most significant decline was seen in the iron ore division, where lower realised prices and higher costs resulted in a 43% reduction in the division's EBITDA. The EBITDA for the ferroalloys division was adversely affected by a decline in sales volumes and a lower pricing environment for key products. These two divisions account for around 80% of ENRC's EBITDA.

Financial position

The impact of lower metals' prices and sales volumes combined with higher costs, sharply reduced net cash flows from operating activities to \$168 million in the first six months of 2012, compared to \$730 million in the comparative period. Tax payments for the period were approximately \$35 million in excess of the tax charge, which will reverse in the second half of the year. Free Cash Flow for the six month period was an outflow of \$129 million, reflecting the increase in sustaining capital expenditure, advance tax payments and higher interest costs.

Sustaining capital expenditure amounted to \$297 million in the first six months of 2012 and expansionary capital expenditure was \$157 million, of which \$78 million was spent on Bozshakol. In the second half of the year it is anticipated that capital expenditure will be in the region of a further \$850 million, of which \$250 million will be sustaining capital expenditure and \$600 million will be expansionary.

Net debt increased to \$418 million at the period end as our investment programme has accelerated, particularly with the start of development at Bozshakol. Bozshakol is backed by a debt facility from Samruk-Kazyna and the China Development Bank of \$2.7 billion, of which \$1.7 billion was drawn by the end of June 2012. A second facility with the China Development Bank of \$1.5 billion for the development of Aktogay was signed in December 2011. This second facility is ready for draw down on completion of a successful feasibility study at Aktogay. The pre-export finance debt facility is repaid at \$44 million each month and the outstanding principal stood at \$349 million at the end of the period. This facility will be fully repaid by February 2013 which will reduce cash outflows from the Group thereafter.

The balance sheet remains in a sound position and with our existing long dated debt facilities we are well placed to take our projects forwards. The maturity profile of the debt is particularly attractive for substantial capital projects.

Shareholder returns

The dividend policy, established at the time of Listing, is to pay a dividend based on the underlying profitability and funding requirements of the business. The Board is declaring an interim dividend for 2012 of 3.0 US cents per share. This dividend payment reflects the lower level of cash generated by our operations in this period and the relatively high level of capital expenditure to be incurred in the next few years.

A share buy-back programme was commenced in September 2011 and completed on 10 May 2012. The final value of the programme was \$165 million with 2.2% of the outstanding share capital at the start of the programme bought back and held as treasury shares. The total returned by Kazakhmys to shareholders since Listing, including the 2012 interim dividend, is \$1,733 million, which compares to \$491 million raised at the time of Listing.

Health and safety

It is with deepest regret that I have to report 12 fatalities for the first seven months of 2012 and I can only reiterate our absolute commitment to raising health and safety standards at all of our operations. The Board and management will continue to focus our efforts on improving our health and safety performance and there is clearly much to do in order to achieve our goal of zero fatalities.

There is further information on health and safety, and other areas of corporate responsibility in the Corporate Social Responsibility section.

Outlook

Our growth projects are at an exciting stage of development and we will continue to focus on their efficient execution. Cost management at our existing operations will clearly be a major issue in order to protect profit margins and enhance cash generation. The second half of the year should benefit from an increase in output and sales and the outlook for copper demand remains sound. I look forward to updating on our progress at the year end.

DIVISIONAL REVIEW

REVIEW OF KAZAKHMYNS MINING

The Kazakhmys Mining Division incorporates the Group's mining, concentrating, smelting and auxiliary operations in Kazakhstan.

Kazakhmys Mining production summary

Copper

kt (unless otherwise stated)	Six months ended 30 June 2012	Six months ended 30 June 2011
Ore output ¹	17,487	16,537
Copper grade (%)	0.99	1.01
Copper in concentrate from own production	147	153
Copper cathode from own concentrate ²	135	153
Copper cathode from purchased concentrate	1	–
Copper rod production	9	16

¹ Excludes output from the Central Mukur gold mine.

² Includes cathode converted into rod.

Kazakhmys Mining's ore output in the first six months of 2012 was 6% above the corresponding period in the prior year as higher ore output from the Central Region more than offset declining production from the Zhezkazgan Region.

Ore extraction from the Central Region increased significantly in the first six months of 2012 compared to the corresponding period in the prior year with the re-opening of the Akbastau open pit mine in September 2011 and the ramp-up of output from the West Nurkazgan mine through improved ore transportation at the deposit. Ore production in the East Region was 8% higher than in the first six months of 2011, as the reconstruction work on the Artemyevsky mine's backfill plant in 2011 enabled higher output from the mine. In the Zhezkazgan Region, total extraction volumes were 4% below the prior year, impacted by harsh weather conditions and a shortage of railcars in the first quarter of 2012, and as a number of mines mature with the North mine closing one of its open pits and output from the Annensky mine declining.

The copper grade of ore extracted was marginally below the prior year at 0.99% as lower grades at the Zhomart and Orlovsky mines were partially offset by the recommencement of production from the higher than average grade Akbastau mine. Overall, copper metal in ore extracted in the first six months of 2012 was 6 kt or 4% above the corresponding period in the prior year reflecting the higher ore output volumes. The planned ramp-up of the Konyrat mine in the second half of 2012 at a grade of around 0.3% will lower the average copper grade in the second half of 2012.

Despite the increase in the volume of copper metal in ore extracted in the first six months of 2012, the content of metal in ore processed was below the corresponding period in the prior year due to the stockpiling of ore. The build-up of ore stockpiles was partially offset by an increase in the volume of low grade waste materials reprocessed at the Balkhash concentrator, but overall, Kazakhmys Mining reported a 4% decline in the production of copper in concentrate from own material to 147 kt.

Copper cathode production from own concentrate was 135 kt in the first six months of 2012, 12% below the corresponding period in the prior year with the 6 kt decline in copper in concentrate output and as the prior year also benefited from the processing of work in progress built-up at the smelters at the end of 2010. Kazakhmys Mining remains on track to achieve own copper cathode production of between 285 kt and 295 kt for the full year.

Copper rod production remains below capacity as comparatively more favourable terms were obtained for copper cathode sales.

Zinc

	Six months ended 30 June 2012	Six months ended 30 June 2011
Zinc grade (%)	3.23	4.06
Zinc in concentrate (kt)	72	76

The output of ore containing zinc increased significantly in the first six months of 2012 with the recommencement of the Akbastau mine and higher ore production from mines in the East Region. The zinc grade fell as ore from the Akbastau mine has a lower than average zinc content and as zinc grades at the Nikolayevsky mine were impacted by ventilation issues which limited access to the ore body.

Despite extracting a greater volume of ore containing zinc in the first six months of 2012, zinc in concentrate production of 72 kt was 5% below the corresponding period in the prior year. This decrease is due to the stockpiling of ore from the Abyz mine and zinc bearing ore from the Akbastau mine in the first six months of 2012. The stockpiled ore from the Abyz mine is expected to be processed in the second half of the year. The copper-zinc ore from the Akbastau mine will be the subject of technical studies to determine whether it will be processed further in future years.

Kazakhmys Mining's zinc in concentrate production volumes are on target to reach 150 kt in 2012.

Precious metals

	Six months ended 30 June 2012	Six months ended 30 June 2011
Silver grade (g/t)	17.47	18.20
Silver own production (koz) ^{1,2}	5,639	6,773
Gold grade (by-product) (g/t)	0.67	0.71
Gold own production (by-product) (koz) ¹	45.5	55.9
Gold grade (primary) (g/t)	1.31	1.28
Gold doré production (primary) (koz)	7.1	14.0

¹ Includes slimes from purchased concentrate.

² Includes a small volume of by-product production from the former Kazakhmys Gold mines: Central Mukur and Mizek.

Silver in ore mined increased by 2% in the first six months of 2012 as declining silver grades at a number of the Division's mines were offset by higher ore output from the Central Region. Silver production however declined by 17% as output in the first six months of 2011 benefited from the processing of accumulated work in progress and as production in the second quarter of 2012 was impacted by repairs to the Balkhash smelter and precious metal refinery. Silver production volumes are expected to reach 12,000 koz in 2012.

The average gold grade of ore mined was marginally lower than in the first six months of 2011, but due to the recommencement of the Akbastau mine and increased output from the Artemyevsky mine the gold metal in ore extracted was 20% above the corresponding period in the prior year. However, the stockpiling of high gold grade ore from the Abyz mine and ore from the Akbastau mine together with an increase of work in progress at the processing facilities resulted in a 19% reduction in gold production in the first six months of 2012.

Gold doré (primary production) from the former Kazakhmys Gold mines reduced by 49% in the first six months of 2012 as output from the heap leaching of ore declines with the closure of the Mizek mine at the end of 2010 and lower output from the Central Mukur mine which closed in July 2012. Kazakhmys Mining's total gold production is expected to be approximately 120 koz in 2012.

Kazakhmys Mining financial summary

\$ million (unless otherwise stated)	Six months ended 30 June 2012	Six months ended 30 June 2011
Sales revenues	1,508	1,809
Copper cathodes	895	1,154
Copper rods	81	133
Zinc concentrate	70	105
Silver ¹	191	220
Gold (by-product)	183	78
Gold (primary)	12	20
Other	76	99
Average realised price of copper (\$/t)	8,253	9,454
EBITDA (excluding special items)	516	977
Net cash costs excluding purchased concentrate (US\$/lb)	171	93
Gross cash costs excluding purchased concentrate (US\$/lb)	361	252
Capital expenditure	460	302
Sustaining	285	157
Expansionary	175	145

¹ Includes a small amount of sales revenue from the former Kazakhmys Gold mines: Central Mukur and Mizek.

Revenues

Kazakhmys Mining's revenues declined by 17% compared to the first six months of 2011, with weaker pricing for copper, silver and zinc concentrate and lower sales volumes of copper and zinc products.

Revenue from copper cathodes and rods fell by \$311 million to \$976 million for the first six months of 2012 due to a combination of lower prices and sales volumes. The realised price for copper products fell by 13% to \$8,253 per tonne for the six month period driven by a similar decline in the average LME copper price.

Copper product sales volumes totalled 118 kt in the first six months of 2012 compared to 136 kt in the corresponding period in the prior year. The decline in sales volumes is largely due to the 17 kt decrease in copper cathode production volumes in the first six months of 2012, and both periods experienced increases in inventory levels. In the first six months of 2012 finished goods rose by 17 kt, mainly due to logistics issues in June 2012 associated with the shipment of goods to China. In conjunction with customers and the railway authorities, the logistics issues are being addressed and it is anticipated that inventories will reduce in the second half of 2012.

Sales income from zinc concentrate of \$70 million was 33% lower than in the first six months of 2011 as sales volumes declined by 6 kt to 69 kt and the realised price for zinc concentrate fell by 28%. Whilst the average LME zinc metal price was 15% below the prior period, the impact of the fixed refining charge in the sales price formula led to a greater fall in the realised price.

Revenue generated from sales of silver bars and granules declined as the average realised price for silver was \$31 per ounce in the first six months of 2012, 15% below the prior period, with weaker pricing on the LBMA exchange for silver. A 3% growth in silver sales volumes to 6,091 koz in the six months to 30 June 2012 partially compensated for the lower silver price.

Revenues from gold bar sales benefited from the sale of 69 koz of inventory in March 2012 which had been built up in the second half of 2011 due to the export restriction placed on precious metals sales in July 2011. Following the resumption of gold sales in March 2012, shipments to the National Bank of Kazakhstan are continuing on a monthly basis. Overall, gold product sales volumes in the first half were 78% above the comparative period in the prior year. Gold revenues were also higher as the realised price for gold increased by 11%, averaging \$1,647 per ounce compared to \$1,478 per ounce in the first six months of 2011, reflecting the improved pricing for gold on the LBMA exchange.

Other revenue includes by-products from Kazakhmys Mining's operations such sulphuric acid and coal sales, both to third parties and to the captive power stations in the Kazakhmys Power Division.

EBITDA (excluding special items)

Kazakhmys Mining's EBITDA decreased by 47% to \$516 million for the first six months of 2012 as revenues were lower and cash operating costs at Kazakhmys Mining grew by 20%.

The rise in Kazakhmys Mining's cost base was partially driven by the 6% increase in ore extraction and processing volumes. In addition, the sale of 69 koz of gold bar held in inventory in March 2012 led to the costs associated with the production of the gold bar incurred in the prior year being expensed in the current period.

Within cost of sales, fuel costs were higher due to the strength of oil prices in the first quarter of 2012 although oil prices quoted on international exchanges fell back at the end of the period. Other input prices were above those in the corresponding period in the prior year but broadly consistent with the levels seen in the second half of 2011.

The pressure on salary costs continued with strong demand for skilled labour in Kazakhstan. Operational salary costs rose by 30%, which includes the pay awards made to staff in April 2011, as certain categories of staff were moved to a collective pay rate consistent across Kazakhmys Mining. Salary awards were also made in April and May 2012 following a re-organisation of the Division's wage structure to recognise skills and experience. These pay awards reflect the tight inflationary pressures in the local economy for skilled and mobile labour.

There has been an increase in the cost of outsourced transportation services which were significantly higher as railway and auto-transportation tariffs rose along with the higher volume of ore transported due to the recommencement of the Akbastau mine. Ore from the Akbastau mine is transported to the Karagaily or Nurkazgan concentrators, both long road routes, as the mine does not have on-site processing facilities. A project to develop an on-site concentrator has progressed to the feasibility stage.

Administration costs were broadly unchanged on the prior period as inflationary pay awards to employees were mitigated by lower contributions to social projects. Included within administrative costs is a charge of \$79 million for the Group's disability payment obligations in respect of future years. The salary pay awards in 2012 and the application of a lower discount rate has increased the present value of the expected future payments.

The Division's results for the current period also include the release of a \$38 million provision which was made in the first six months of 2011 in respect of environmental levies that the authorities were seeking to apply on some of the Group's operations. The provision was released following a favourable court ruling for Kazakhmys and has been divided evenly between cost of sales and administration costs in the first half of 2012.

Operating costs denominated in tenge benefited marginally by the depreciation of the tenge against the US dollar, with an average rate of 148.16 KZT/\$ in the first half of 2012, compared to 146.01 KZT/\$ in the prior period in 2011.

Cash costs

The gross and net cash cost metrics are used as a measure of the cost efficiency of Kazakhmys Mining's copper production operations, and therefore the costs and revenues associated with the former Kazakhmys Gold mines are excluded from the calculation. The gross and net cash cost calculations include electricity purchased from the captive power stations at cost.

The gross cash cost of copper increased to 361 US cents per pound, up from 252 US cents per pound in the first six months of 2011, as sales volumes of copper products were 13% lower and operational costs were higher mainly due to the increase in ore extraction volumes, along with higher salary and transportation costs. The gross cash cost also includes the recognition of costs related to the sale of 69 koz of gold bar inventory produced in 2011 and the re-assessment of the Group's future disability payment obligations.

The net cash cost increased from 93 US cents per pound to 171 US cents per pound due to the impact of higher gross cash costs outlined above on reduced copper sales volumes, which were only partially offset by improved by-product credits with the sale of 69 koz of gold bar held in inventory at the end of 2011.

Capital expenditure

Sustaining

Sustaining capital expenditure includes the annual mining equipment replacement programme which covers drilling, haulage and other mobile equipment. In the first six months of 2012, funding was allocated for shafting work to facilitate extraction at a number of underground mines along with improvements to ventilation systems.

Capital expenditure was incurred on the overhaul of the Balkhash smelter and precious metals refinery during the period. Expenditure also included the replacement of milling and crushing equipment at the Balkhash and Zhezkazgan concentrators and a project to improve recovery rates and the processing capacity of the Nikolayevsky concentrator.

Health, safety and environmental protection projects continued during the period with support equipment purchased to facilitate safe working practices, fire safety enhancements implemented at a number of facilities, maintenance conducted on the Balkhash smelter's drainage systems along with rehabilitating and expanding tailings dams.

During the period equipment was delivered and stripping work conducted at the large low grade open pit Konyrat deposit for the re-opening of the mine in June 2012. The economics of the project benefit from the existing infrastructure at the mine which suspended operations in 2008. The Konyrat mine is planned to ramp up output throughout the second half of 2012 with an annual copper cathode production of around 14 kt and a mine life of 12 years.

The project to develop the Itauz mine has been approved to move to the execution phase with stripping work to continue in the second half of 2012 and production is anticipated to commence during 2013. The Itauz mine will produce copper metal at a grade of 0.83% with annual copper cathode production of around 10 kt. The mine will have a life of 3 years.

Work has also progressed on re-opening the North Nurkazgan open pit mine where operations were suspended in 2008. The ore body at North Nurkazgan contains a mixture of oxide and sulphide ore with the oxide ore to be processed at a SX-EW plant which will be constructed on-site. The mine is expected to recommence operations in the second half of 2013 with annual copper cathode production of around 4 kt. A project to process oxide ore at the Shatytkul deposit is also being developed and the mine is currently expected to produce around 2 kt of copper cathode annually.

Expansionary

Progress was also made on a number of Kazakhmys Mining's other medium-sized mine projects which are moving through the development stages. The project to develop the Akbastau and Kosmurun mines and associated concentrator is at the feasibility study stage and work continued on the second phase of the Zhomart mine to enable its future expansion.

Bozymchak

The Bozymchak gold-copper deposit is located in Kyrgyzstan and the development of the infrastructure required for the project to commence operation continued during the period. However, due to issues with local contractors and the challenges of operating in Kyrgyzstan, the installation of the processing plant and other key infrastructure has been delayed.

The revised project timetable expects ore output from the deposit in the second half of 2013. The delays have also impacted the cost for the mine's initial development, which including spend to date, is expected to be in the region of \$330 million.

The mine's initial operation will be as an open pit with 1 MT per annum of ore extraction, with the potential development of an underground mine in the future. Production is anticipated to be 7 kt of copper in concentrate and 35 koz of gold per annum.

Bozshakol

The Bozshakol sulphide ore deposit is located in the north of Kazakhstan and is a major growth project for Kazakhmys Mining. The development of the mine and the associated concentrator along with infrastructure is expected to cost around \$1.9 billion. The deposit has a resource of 1,173 MT of ore at a copper grade of 0.35% and a production life of over 40 years.

The sulphide ore extracted from the mine will be processed by a 25 MT per annum concentrator producing 87 kt of copper in concentrate per annum in the first 15 years, with gold, silver and molybdenum as by-products. A 5 MT per annum clay plant will also operate in addition to the concentrator.

The three year development phase for Bozshakol which began in 2011, continued in the first half of 2012 with the EPC contractor, Alsim Alarko Sanayi Tesisleri, conducting the majority of the project delivery. Engineering work continued on the sulphide concentrator and engineering of the clay plant has been completed. Tenders for procurement packages for infrastructure and equipment for the project are being conducted and technical and commercial evaluations are on-going. The majority of the major mechanical and electrical equipment suppliers have been selected and orders are being progressively placed. Early construction works on telecommunications, water and electricity supply to the site have been completed. Bulk earthworks for the concentrator site are well advanced and the first set of foundations for the main concentrator building are in place. The first copper from Bozshakol is expected to be produced in 2015.

Aktogay

The Group's other major copper growth project is the Aktogay deposit which comprises an oxide ore resource of 119 MT with a copper grade of 0.37%, and a sulphide ore resource of 1,148 MT at a copper grade of 0.38%. A

\$1.5 billion financing facility was signed between Kazakhmys and China Development Bank in December 2011 to fund the development of the deposit.

The project's feasibility study progressed with the contractor, Ausenco Services Pty, expected to finalise the study in the second half of 2012. Long lead items essential to the delivery of the project have been ordered to reduce the risk of project delays. Early engineering work has been conducted with Aktogay's design benefiting from the work conducted on the Bozshakol project due to the similarities between the two large scale open pit mines.

REVIEW OF KAZAKHMY'S POWER

Kazakhmys Power includes the results of the Ekibastuz GRES-1 coal fired power station in which Kazakhmys has a 50% interest and the Group's three captive heat and power stations. Ekibastuz GRES-1 is located in the north of Kazakhstan and has a nameplate capacity of 4,000 MW. The Group's captive heat and power stations are located in Karaganda, Balkhash and Zhezkazgan and have a combined nameplate capacity of 1,025 MW. The captive power stations predominantly supply electricity to support Kazakhmys Mining's operations.

Kazakhmys Power production summary

EKIBASTUZ GRES-1

	Six months ended 30 June 2012	Six months ended 30 June 2011
Net power generated (GWh)	7,057	6,395
Net power generated attributable to Kazakhmys ¹ (GWh)	3,529	3,198
Net dependable capacity (MW)	2,222	2,205

¹ Based on the Group's 50% non-controlling interest in Ekibastuz GRES-1.

The net power generation volumes at Ekibastuz GRES-1 rose by 10% in the first six months of 2012 as the power station used the spare capacity from its five 500 MW operating units to meet the continued growth in demand for electricity from within Kazakhstan. Domestic sales were 23% or 1,273 GWh higher than in the first half of 2011. Sales to Russia fell by 612 GWh as available capacity was utilised for the domestic market.

The net dependable capacity at Ekibastuz GRES-1 in the first six months of 2012 was above the corresponding period in the prior year due to the commissioning of an electrostatic precipitator at Unit 6 which enhanced the unit's operating performance.

CAPTIVE POWER STATIONS

	Six months ended 30 June 2012	Six months ended 30 June 2011
Net power generated (GWh)	2,864	2,907
Net dependable capacity (MW)	849	853
Heating (KGcal)	2,216	2,146

The net power generation from the captive stations in the first six months of 2012 was consistent with the prior period as generation levels remain close to full capacity.

The net dependable capacity was consistent with the comparative period in the prior year. Heating volumes increased marginally compared to the first six months of 2011 with increased demand for heating in February 2012 being the main driver.

Kazakhmys Power financial summary

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
EBITDA (excluding special items) ^{1,2}	96	95
Capital expenditure ^{1,2}	74	61
Sustaining ^{1,2}	44	27
Expansionary ^{1,2}	30	34

¹ Includes 50% of Ekibastuz GRES-1's results and 100% of the captive power stations' results.

² Includes 100% of Maikuben West coal mine's results until 17 May 2011.

The financial results for Ekibastuz GRES-1 and the captive power stations are discussed separately below.

EKIBASTUZ GRES-1 AND MAIKUBEN WEST COAL MINE

\$ million (unless otherwise stated)	Six months ended 30 June 2012	Six months ended 30 June 2011
Sales revenues	139	142
Electricity generation ¹	139	117
Coal ²	–	25
Average tariff price (KZT/kWh)	5.81	5.36
Domestic sales	5.89	5.51
Export sales	4.07	4.46
Average cost (KZT/kWh)	1.82	1.71
EBITDA (excluding special items) ^{1,2}	92	88
Capital expenditure ^{1,2}	61	52
Sustaining ^{1,2}	31	18
Expansionary ^{1,2}	30	34

¹ Represents 50% of Ekibastuz GRES-1's results.

² Represents 100% of Maikuben West coal mine's results until 17 May 2011.

Revenues

Ekibastuz GRES-1 recorded a 19% growth in electricity revenues in the first six months of 2012 as both tariffs and electricity sales volumes were significantly above those in the corresponding period in the prior year. The reduction in coal revenue relates to the disposal of the Maikuben West coal mine on 17 May 2011.

Ekibastuz GRES-1's electricity sales volumes increased by 10% in the first six months of 2012 due to strong domestic demand. As there were higher tariffs available and ready demand in Kazakhstan, a large proportion of the electricity volumes previously distributed to Russia were instead sold locally so domestic electricity sales volumes grew by 23%. Power generation in Kazakhstan was 4% above the first six months of 2011, of which Ekibastuz GRES-1's market share was 16.3%, an increase from 15.5% in the prior period.

The average tariff realised by Ekibastuz GRES-1 in the first six months of 2012 increased by 8% from the comparative period in the prior year.

The ceiling tariff for domestic sales of 5.60 KZT/kWh set by the Government of Kazakhstan for 2011 was maintained until 31 March 2012 and for the remainder of 2012 the ceiling tariff has increased to 6.50 KZT/kWh. Due to the strong demand for electricity in Kazakhstan, Ekibastuz GRES-1 has been able to achieve sales tariffs close to the applicable ceiling tariffs throughout the first half of 2012. The tariff for sales to Russia was impacted by the devaluation of the rouble during the first half of 2012.

EBITDA (excluding special items)

Ekibastuz GRES-1's EBITDA was 15% higher than in the first six months of 2011, excluding the EBITDA contribution of the Maikuben West coal mine which was disposed of on 17 May 2011. The improved EBITDA contribution from Ekibastuz GRES-1 reflects the \$22 million growth in electricity revenues which more than offset the \$10 million increase in cash operating costs on a 50% basis.

The growth in Ekibastuz GRES-1's cash operating costs was mainly attributable to a 17% increase in expenditure on coal as consumption increased with the 10% rise in generation volumes and higher prices charged by coal suppliers. The increase in generation volumes and higher tariffs imposed by the regulatory authorities also drove rises in emission charges, water usage and distribution costs. The Ekibastuz GRES-1 maintenance programme

expanded compared to the prior period thereby raising the cost of repair work. The results for the period also include a \$3 million charge related to changes in the discount rate used for medium term receivables due to Ekibastuz GRES-1. Inflation linked pay awards were made to employees during the current period.

Administration costs were below the first six months of 2011 mainly as the corresponding period in the prior year included additional social responsibility costs for assistance provided for the development of local infrastructure.

Average cost

The average cash cost rose by 6% in the first six months of 2012 to 1.82 KZT/kWh due to the increase in the price of coal and other variable costs as discussed above, partially offset by fixed costs being allocated over higher sales volumes.

Capital expenditure

Sustaining

Ekibastuz GRES-1's maintenance programme for the power station's infrastructure and the five operating units in the first six months of 2012 involved repair work to the steam turbines at Unit 3 from April 2012 until May 2012. Major capital repair work was also performed at Unit 7 from May 2012 to June 2012 to replace essential components for the boiler, feed pumps and dust system and prepayments were made for equipment for the major overhaul of Unit 4 which will be conducted in the second half of 2012.

Expansionary

Work continued on the rehabilitation of two of the three dormant units at Ekibastuz GRES-1 as part of the programme to restore the nameplate capacity of the power station to 4,000 MW.

The rehabilitation of Unit 8, which commenced in late 2009, remains on target for completion in the final quarter of 2012. Work on restoring the unit's boiler, electrical, and turbine equipment is almost complete. Testing has started ahead of the unit's extensive commissioning programme that will be conducted prior to the unit commencing operation. Work on the unit's auxiliary and support infrastructure which includes the rehabilitation of fuel handling equipment and installation of the unit's electrostatic precipitator (ESP) to reduce emissions is also progressing on schedule.

The rehabilitation of Unit 2, which is due for completion in the second half of 2014, is also progressing with orders placed for the turbine set and generator. The EPC contractor has developed the project's design documents and dismantling work at the unit continued with the removal of heating surfaces and obsolete equipment. Once operational, the unit will expand Ekibastuz GRES-1's nameplate capacity to 3,500 MW.

Ekibastuz GRES-1's capital expenditure programme includes the installation of ESPs to the plant's existing generators to reduce ash emissions to international benchmark standards. Under the environmental programme, Unit 5's ESP was successfully commissioned in September 2010, and during the period Unit 6's ESP went through a testing period and is expected to be commissioned in the second half of 2012. Work has also continued on the installation of an ESP at Unit 7, which is expected to be commissioned by the end of 2012, and the installation of an ESP at Unit 4 has been brought forward by 12 months so it can be connected to the unit in 2012 instead of 2013. Initial orders have been made for equipment required for the installation of an ESP at Unit 3, with work expected to be completed on the ESP in the second half of 2013.

CAPTIVE POWER STATIONS

\$ million (unless otherwise stated)	Six months ended 30 June 2012	Six months ended 30 June 2011
Sales revenues	99	85
Electricity generation	75	66
Heat and other	24	19
Average realised electricity tariff price (KZT/kWh)	3.87	3.29
Third party sales	3.95	3.43
Intercompany sales	3.82	3.19
Average cost (KZT/kWh)	3.18	2.55
EBITDA (excluding special items)	4	7
Capital expenditure (sustaining)	13	9

Revenues

The captive power stations generate revenue from the sale of electricity and heat to Kazakhmys Mining and to third parties. Total electricity sales volumes were flat against the comparative period in the prior year, however the ceiling tariff applicable to third party sales in the second quarter of 2012 increased to 4.55 KZT/kWh, resulting in revenues rising by 16%.

EBITDA (excluding special items)

The cost of coal used by the captive power stations, sourced from the Mining Division, grew faster than revenues so the captive power stations' EBITDA reduced by \$3 million to \$4 million.

Capital expenditure

Capital expenditure in the first six months of 2012 was focused on maintaining equipment. A turbine replacement programme is underway with projects to install a new turbine at each of the three captive power stations. Capital expenditure is expected to be incurred on the three new turbines in the second half of the year.

REVIEW OF MKM

MKM is the Group's downstream copper business, which produces copper and copper alloy semi-finished products. Based in Germany, the business is structured into three sections: wire products, flat products (strips and sheets) and tubes and bars. Kazakhmys determined in 2009 that MKM was not a core business as it was inconsistent with the Group's geographic and strategic focus and therefore classified it as "held for sale".

MKM financial summary

\$ million (unless otherwise stated)	Six months ended 30 June 2012	Six months ended 30 June 2011
GVA ¹ (€ million)	86	84
Wire section (€ million)	20	20
Flat section (€ million)	43	42
Tubes and bars (€ million)	23	22
EBITDA (excluding special items)	34	30
Capital expenditure	3	9
Sustaining	3	7
Expansionary	–	2

¹ "GVA" is Gross Value Added which is calculated as turnover less the input cost of copper cathode, i.e. MKM's 'value add'. It is not a statutory reporting measure. The GVA figures are presented in Euros, MKM's operating currency.

GVA

Demand for MKM's products remained strong in the first six months of 2012 despite the economic uncertainty in the euro zone. MKM's reputation for quality and its development of new products enabled it to grow sales to Germany, its core market, and maintain sales volumes to the rest of Europe at a similar level to that in the first six months of 2011. MKM also had considerable success in expanding volumes sold into North America.

Within the product groups, the wire section grew sales of wire rod as MKM expanded its tolling business, however orders for drawn wire were below the prior period, leading to a similar GVA for the section. Flat products which represent 50% of total GVA, had a strong performance as MKM attracted new business for pre-rolled strip, sheets from strips and roofing. GVA from tubes and bars rose despite weaker demand for industrial tubes, as MKM's strategy of focusing on higher margin products led to an increased GVA contribution from the section.

EBITDA (excluding special items)

EBITDA was \$34 million, \$4 million above the comparative period in the prior year. Copper price movements are reflected through the IFRS inventory adjustment which had a positive impact on EBITDA of \$12 million in the first six months of 2012, above the positive impact of \$8 million recorded in the six months to 30 June 2011. Excluding the IFRS adjustments and expressed in euros to better reflect underlying performance, MKM's EBITDA was €18 million, €1 million above the first six months of 2011 driven by the strong sales performance and effective cost management.

Capital expenditure

Capital expenditure in the first half of 2012 was \$3 million as MKM invested to maintain its production equipment.

REVIEW OF ENRC

Kazakhmys has a 26% interest in ENRC PLC, a diversified natural resources group. The Group's investment in ENRC had a market value as at 30 June 2012 of \$2,185 million and a dividend of \$37 million was received in the first six months of 2012. ENRC's EBITDA was 40% below the corresponding period in the prior year with a reduced contribution from all of its divisions, except the Energy Division, as a decline in commodity prices, reduced sales volumes and cost inflation impacted operating margins.

ENRC divisional EBITDA (excluding special items) ¹

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Ferroalloys	529	750
Iron ore	512	893
Alumina and aluminium	54	196
Other non-ferrous	(13)	66
Energy	210	188
Logistics	35	37
Corporate	(67)	(42)
ENRC EBITDA (excluding special items)	1,260	2,088
Kazakhmys' share of EBITDA (excluding special items) of ENRC	328	543

¹ Excludes MET.

The Ferroalloys Division operates chrome ore and manganese mines along with processing plants which produce ferroalloys. The division's EBITDA was 29% below the corresponding period in the prior year due to a decline in sales volumes and a lower pricing environment for key products such as high-carbon ferrochrome and chrome ore. The reduction in sales volumes and cost control initiatives resulted in cash operating costs in the division falling by 10% in the current period.

The Iron Ore Division mines and processes iron ore into concentrate and pellets for sale. During the first six months of 2012, the division's revenue declined by 24% with the realised prices for iron ore concentrate and pellets falling by 25% and 20% respectively, due to weaker demand. The lower revenues and a 17% rise in cash operating costs, with higher costs for input materials, labour and distribution as a greater volume of products were shipped to China, led to a 43% decrease in the division's EBITDA.

The Alumina and Aluminium Division operates two bauxite mines which feed an alumina refinery and an aluminium smelter which are supported by a captive heat and energy plant. The division recorded a 72% decline in EBITDA in the first six months of 2012 primarily due to lower realised prices and processing problems impacting alumina output. Cash operating costs were marginally higher as the growth in input prices was partially offset by the lower sales volumes of alumina when compared to the first six months of 2011.

The Other Non-ferrous Division produces and processes copper and cobalt ore and is predominately based in the Democratic Republic of Congo (DRC) and Zambia. During the period to date, additional processing capacity was acquired at the Kolwezi Tailings project along with interests in the Frontier and Lonshi mines located in the DRC. Benefiting from higher copper production from the pre-stripping programmes at the Kabolela South and Kakanda North deposits, the division recorded a 34% increase in copper sales volumes. However, revenues declined by 8% with lower copper and cobalt prices. As a result of lower revenues, together with an increase in the division's cash operating costs due to inflationary pressures and higher exploration costs, EBITDA fell by \$79 million.

The Energy Division operates the Vostochny and Shubarkol Komir coal mines and the coal fired power station at Aksu making it a significant producer of coal and electricity in Kazakhstan. The completion of the acquisition of the Shubarkol Komir coal mine in April 2012 increased coal sales volumes, while electricity sales volumes were also above the first six months of 2011 due to 25 MW of additional capacity installed at the end of June 2011. The division's EBITDA grew by 12% as the 14% growth in revenue offset the inclusion of costs associated with the Shubarkol Komir coal mine and higher input costs.

The Logistics Division provides transportation and logistics services, such as freight forwarding and wagon repair services to third parties and to ENRC's operations in Kazakhstan. The division's EBITDA was marginally below the level recorded in the six months to 30 June 2011 due to costs incurred on the rental of railcars and the disposal of the railway line repair business, Zhol Zhondeushy LLP.

FINANCIAL REVIEW

Basis of preparation

The financial information has been prepared in accordance with IFRSs as adopted by the EU using accounting policies consistent with those adopted in the consolidated financial statements for the year ended 31 December 2011.

As explained in note 4 of the condensed consolidated financial statements, MKM is a separate business line of the Group, which was classified as an asset held for sale throughout the prior period and continued to be treated as a discontinued operation for the first six months of 2012. MKM is the only asset held for sale as at 30 June 2012. In the prior period MKM, Kazakhmys Petroleum and the Maikuben West coal mine were assets held for sale and were included within discontinued operations.

Income statement

A summary of the income statement is shown below:

\$ million (unless otherwise stated)	Six months ended 30 June 2012	Six months ended 30 June 2011
Continuing operations		
Revenues	1,516	1,817
Operating costs (excluding depreciation, depletion, amortisation, MET and special items)	(1,021)	(870)
EBITDA from subsidiaries (excluding special items)	495	947
EBITDA from joint venture (excluding special items)	92	80
Segmental EBITDA (excluding special items) from continuing operations	587	1,027
Less: interest and taxes of joint venture	(13)	(13)
Special items:		
Less: impairment (charge)/reversal against property, plant and equipment	(91)	9
Less: impairment charge against mining assets	(71)	(2)
Less: loss on disposal of subsidiary	(8)	–
Less: loss on disposal of property, plant and equipment	(2)	(1)
Less: MET	(129)	(142)
Less: depreciation, depletion and amortisation	(147)	(127)
Operating profit	126	751
Share of profits from associate	97	279
Profit before finance items and taxation	223	1,030
Net finance expenses	(45)	(26)
Profit before taxation	178	1,004
Income tax expense	(63)	(161)
Profit for the period from continuing operations	115	843
Discontinued operations		
Profit/(loss) for the period from discontinued operations	7	(468)
Profit for the period	122	375
Non-controlling interests	(1)	(1)
Profit attributable to equity holders of the Company	121	374
EPS – basic and diluted (\$)		
From continuing operations	0.22	1.57
From discontinued operations	0.01	(0.87)
	0.23	0.70
EPS based on Underlying Profit (\$)		
From continuing operations	0.53	1.57
From discontinued operations	0.05	0.05
	0.58	1.62

Revenues

Group revenue in the first half of 2012 was \$1,516 million, 17% below the \$1,817 million achieved in the first six months of 2011. The change in revenues was primarily due to lower copper revenues from the Mining division which reported lower sales volumes and a fall in the realised price.

EBITDA (excluding special items) by operating segment

EBITDA (excluding special items) has been chosen as the key measure in assessing the underlying trading performance of the Group. This performance measure removes depreciation, depletion, amortisation, MET and

those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the Group.

The Directors believe that the exclusion of MET provides a more informed measure of the operational profitability of the Group given the nature of the tax as further explained in the 'Taxation' section.

Following the sale of Kazakhmys Petroleum in December 2011, the Group's operating segments have changed from those previously reported at 30 June 2011 and 31 December 2011. The Group is now managed in three separate business units: Kazakhmys Mining, Kazakhmys Power and MKM.

A reconciliation of Group EBITDA (excluding special items) by operating segment is shown below:

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Continuing operations		
Kazakhmys Mining	516	977
Kazakhmys Power ¹	96	87
Corporate Services	(25)	(37)
Total continuing operations	587	1,027
Discontinued operations		
MKM	34	30
Kazakhmys Power ²	–	8
Kazakhmys Petroleum	–	–
Total discontinued operations	34	38
Segmental EBITDA (excluding special items)	621	1,065
Share of EBITDA of associate ³	328	543
Group EBITDA (excluding special items)	949	1,608

¹ Kazakhmys Power EBITDA (excluding special items) includes the Group's share of EBITDA (excluding special items) of the joint venture, Ekibastuz GRES-1, and the Group's captive power stations.

² In the period ended 30 June 2011, Kazakhmys Power EBITDA (excluding special items) included the EBITDA (excluding special items) of the Maikuben West coal mine for the period to 17 May 2011, the date on which it was sold.

³ The share of EBITDA (excluding special items) of associate excludes MET of the associate.

Segmental EBITDA (excluding special items) of \$621 million was 42% lower than the prior period, reflecting a reduced contribution from Kazakhmys Mining. The Mining segment was impacted by a decline in revenues and higher costs, resulting in an EBITDA contribution of \$516 million, \$461 million below the prior period.

Kazakhmys Power, the largest asset of which is the Ekibastuz GRES-1 coal fired power station, benefited from the rising ceiling tariffs in Kazakhstan and strong domestic demand.

EBITDA (excluding special items) from discontinued operations declined compared to the prior period which included the Maikuben West coal mine until 17 May 2011. MKM's improved contribution is due to a strong performance of the business in a challenging marketplace as well as the impact of a positive IFRS inventory adjustment.

Group EBITDA (excluding special items) in the first six months of 2012 was \$949 million, compared to \$1,608 million in 2011. Included in Group EBITDA is the Group's share of EBITDA (excluding special items) of ENRC of \$328 million based on its published unaudited results for the six months ended 30 June 2012, a decrease from the \$543 million recognised for the first six months of 2011.

Special items

During the six months ended 30 June 2012, the special items recognised principally comprise a \$162 million impairment of the Bozymchak gold/copper project in Kyrgyzstan. As a result of operational challenges experienced in Kyrgyzstan the project is now expected to commence production later than envisaged, capital costs have been revised upwards and the risks associated with the project's execution have been re-assessed. Following the impairment charge, which consists of \$71 million against mining assets and \$91 million against property, plant and equipment, the Bozymchak project has been recognised at its recoverable amount of \$76 million as at 30 June 2012. Of the total Bozymchak impairment, \$19 million relates to the impairment of capitalised borrowing costs.

The loss on disposal of subsidiary of \$8 million relates to the sale of a captive insurance company in Kazakhstan early in 2012.

Special items from continuing operations in the first six months of 2011 totalled \$6 million, mainly related to the impairment of mining assets, offset by the reversal of previous impairment provisions on property, plant and equipment.

Associate

The share of profits from the Group's associate, ENRC, recognised in the consolidated income statement for the six months ended 30 June 2012, net of tax, is \$97 million based on the results of ENRC for the period which were published on 15 August 2012. The share of profits from ENRC decreased following a decline in commodity prices for ENRC's major product lines in the first six months of the year.

Net finance expenses

Net finance expenses from continuing operations for the period ended 30 June 2012, excluding foreign exchange movements, interest on employee obligations and the discount on the unwinding of long-term provisions, were \$26 million compared to \$21 million in the prior period. The increase in the net finance expense reflects a larger outstanding principal balance under the CDB/Samruk-Kazyna financing facilities which carry interest at US\$ LIBOR plus 4.80%. The balance outstanding under the pre-export debt facility, which bears interest at US\$ LIBOR plus 1.25%, has been steadily reducing and will be fully repaid by February 2013.

For the period ended 30 June 2012, \$16 million of the total \$44 million interest charged under the CDB/Samruk-Kazyna financing facilities was capitalised to the development projects, Bozshakol and Bozymchak, an increase of \$9 million over the costs capitalised in the first half of 2011.

Taxation

The table below shows the Group's effective tax rate as well as the all-in effective tax rate which takes into account the impact of MET and removes the effect of special items and non-recurring items on the Group's tax charge. The all-in effective tax rate excludes the effect of equity accounted earnings as these are derived from businesses that are not controlled by the Group and which are included in the consolidated income statement on a post-tax basis.

\$ million (unless otherwise stated)	Six months ended 30 June 2012	Six months ended 30 June 2011
Profit before taxation from continuing operations	178	1,004
Add: MET	129	142
Add: special items	172	(6)
Less: share of profits from joint venture	(63)	(53)
Less: share of profits from associate	(97)	(279)
Adjusted profit before taxation from continuing operations	319	808
Income tax expense	63	161
Add: MET	129	142
Add/(less): tax effect of special items	13	(1)
Adjusted tax expense from continuing operations	205	302
Effective tax rate (%)	35.4	16.0
All-in effective tax rate¹ (%)	64.3	37.4

¹ All-in effective tax rate is calculated as the income tax expense plus MET and adjusted to exclude the tax effect of special items and other non-recurring items, divided by profit before taxation which is adjusted for MET, special items and other non-recurring items and the share of profits from the joint venture and associate.

The reduction in the Group's profit before tax led to a reduced income tax charge in the period compared to the corresponding period. However, the effective income tax rate increased from 16.0% to 35.4% in the period due to the impairment of the Bozymchak asset, for which a deferred tax credit is only obtained at 10%, being the statutory rate in Kyrgyzstan, and a proportionately higher level of non-deductible expenses, which were only partially offset by the proportionately higher contribution from ENRC, whose earnings are included in the consolidated income statement on a post-tax basis.

The all-in effective tax rate, which is a more representative tax rate on the recurring profits of the Group's subsidiary businesses, increased from 37.4% in 2011 to 64.3% as MET is determined independently of the profitability of operations, and whilst MET fell slightly in absolute terms, in the first six months of 2012 it represented a much higher proportion of profit before tax than in the prior period. The MET charge for the six months ended 30 June 2012 represents 40% of the Group's adjusted profit before taxation compared to 18% in the prior period.

Discontinued operations

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
MKM		
EBITDA (excluding special items)	34	30
Profit before tax excluding impairment losses	33	26
Impairment losses	(11)	(28)
Taxation (charge)/credit	(2)	1
Profit/(loss) for the period	20	(1)
Kazakhmys Power		
EBITDA (excluding special items)	–	8
Profit before tax excluding impairment losses and loss on disposal	–	8
Loss on disposal	–	(20)
Taxation charge	–	(1)
Loss for the period	–	(13)
Kazakhmys Petroleum		
EBITDA (excluding special items)	–	–
Profit before tax excluding impairment losses and loss on disposal	–	1
Impairment loss on remeasurement to fair value	–	(455)
Loss on disposal	(13)	–
Taxation charge	–	–
Loss for the period	(13)	(454)
Profit/(loss) for the period from discontinued operations	7	(468)

The discontinued operations of the Group for the period ended 30 June 2012 include the post-tax results of MKM for the full six months, whilst the comparative period also includes Kazakhmys Petroleum which was sold on 23 December 2011, and the Maikuben West coal mine for the period to 17 May 2011, the date on which Maikuben West was sold.

Discontinued operations contributed a post-tax profit of \$7 million, comprising MKM's profit for the period and a \$13 million loss representing the final completion price adjustment from the sale of Kazakhmys Petroleum. The comparative period post-tax loss of \$468 million included the loss recognised on the sale of the Maikuben West coal mine of \$20 million and the impairment loss of \$455 million recognised to re-measure Kazakhmys Petroleum to fair value.

MKM's contribution to the result for the period from discontinued operations has increased from a post-tax loss of \$1 million for the first half of 2011 to a post-tax profit of \$20 million in the first six months of 2012. The payment of an intercompany dividend of \$19 million by MKM during the period has led to the improved post-tax profit as it reduced the net impairment charge required to write down MKM to its recoverable amount from \$22 million in the prior period to \$8 million.

Underlying Profit

The reconciliation of Underlying Profit from profit attributable to equity holders of the Company is set out below:

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Net profit attributable to equity holders of the Company from continuing operations	114	842
Special items:		
Subsidiary businesses		
Impairment charge/(reversal) against property, plant and equipment	91	(9)
Impairment charge against mining assets	71	2
Loss on disposal of subsidiary	8	–
Loss on disposal of property, plant and equipment	2	1
Associate		
Loss related to acquisition of associate	4	–
Acquisition related transaction costs	2	–
Tax effect of special items:		
Subsidiary businesses	(13)	1
Underlying Profit from continuing operations	279	837
Net profit/(loss) attributable to equity holders of the Company from discontinued operations	7	(468)
Special items:		
Impairment charge against property, plant and equipment – MKM	–	10
Provisions against inventories – MKM	10	17
Loss on disposal of subsidiaries	13	20
Impairment charge against intangible assets – Kazakhmys Petroleum	–	455
Release of deferred tax liabilities resulting from impairment charges	(2)	(5)
Underlying Profit from discontinued operations	28	29
Total Underlying Profit	307	866

The Group's net profit attributable to equity holders of the Company from continuing operations for the period was \$114 million for the six months ended 30 June 2012, down from \$842 million in the prior period. Excluding impairment charges and other special items, Underlying Profit for the period was \$279 million from continuing operations and \$28 million from discontinued operations, with the total Underlying Profit being \$307 million.

Earnings per share

\$ million (unless otherwise stated)	Six months ended 30 June 2012	Six months ended 30 June 2011
Net profit attributable to equity holders of the Company	121	374
Total Underlying Profit	307	866
Weighted average number of shares in issue (million)	526	535
EPS – basic and diluted (\$)	0.23	0.70
EPS based on Underlying Profit (\$)	0.58	1.62

Basic earnings per share from continuing and discontinued operations was 67% below the prior period at \$0.23 following the lower net profit for the period. Earnings per share based on Underlying Profit decreased to \$0.58 for the six months ended 30 June 2012 from \$1.62 in the prior period.

In the second half of 2011, the Directors announced a share buy-back programme of up to \$250 million, the completion of which was subject to market conditions. In 2011, 5.6 million shares were purchased, with a further 6.1 million purchased in 2012, at a total cost of \$165 million, representing 2.2% of the Company's shares in issue at the commencement of the programme. The Company's authority for this share buy-back programme expired in May 2012 and the Company did not seek its renewal.

The share buy-back programme led to a decrease in the weighted average number of shares in issue for the year. The shares purchased through the share buy-back programme are being held in treasury and are accounted for as own shares.

Key financial indicators

The definitions of the Group's key financial indicators are shown in the Glossary and these measures, on a total Group basis including continuing and discontinued operations, are set out below:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Group EBITDA (excluding special items) (\$ million)	949	1,608
EPS based on Underlying Profit (\$)	0.58	1.62
Free Cash Flow (\$ million)	(129)	554
Net cash cost of copper after by-product credits excluding purchased concentrate (USc/lb)	171	93

Dividends

The policy established at the time of Listing was for the Company to maintain a dividend policy which took into account the profitability of the business and underlying growth in earnings of the Group, as well as its cash flows and growth requirements. The Directors would also ensure that dividend cover is prudently maintained. Interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively. Share buy-backs and special dividends have been used in addition to the ordinary dividend to return surplus funds to shareholders.

The Directors have declared an interim ordinary dividend in respect of the period ended 30 June 2012 of 3.0 US cents per share (\$16 million). The decrease in the interim dividend from the prior period reflects the lower underlying profits of the Group and also acknowledges that in future years the gearing of the Group is likely to increase given the development of the Group's major and mid-sized projects.

CASH FLOWS

A summary of cash flows is shown below:

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Segmental EBITDA before joint venture and associate	334	509
Impairment losses	186	490
Share-based payments	3	2
Loss on disposal of subsidiaries	21	–
Dividends received from associate and joint venture	65	60
Working capital movements ¹	(141)	(12)
Interest paid	(38)	(29)
MET paid	(131)	(119)
Income tax paid	(121)	(157)
Foreign exchange and other movements	(10)	(14)
Net cash flows from operating activities	168	730
Sustaining capital expenditure	(297)	(176)
Free Cash Flow	(129)	554
Expansionary and new project capital expenditure	(157)	(157)
Interest received	7	5
Dividends paid	(105)	(86)
Proceeds from disposal of property, plant and equipment	26	11
Purchase of own shares under the Group's employee share-based payment plans	–	(5)
Purchase of own shares under the Group's share buy-back programme	(88)	–
Other movements	(7)	(4)
Cash flow movement in net debt	(453)	318

¹ Working capital movements exclude any accruals relating to MET.

Net cash flows from operating activities declined following the lower profitability of the Group, along with a significant increase in working capital requirements and higher interest payments.

Working capital increased at Kazakhmys Mining reflecting higher inventory levels as copper production exceeded sales, larger prepayments as the Group paid in advance for long-lead items for development projects, and a decrease in provisions following the release of a previous accrual for a historic environmental claim. The movements were marginally offset by lower receivables as sales declined and an additional accrual for future disability payments reflecting the impact of labour inflation. At MKM, working capital also increased as receivables and inventory rose due to seasonal fluctuations and higher average copper prices, respectively.

Interest paid during the first half of 2012 was \$38 million, \$9 million above the interest paid in the first half of 2011, primarily due to the higher average effective interest rate of 4.55% compared to 3.02% in 2011, on an increased level of debt outstanding during the period.

MET payments were broadly in line with the income statement charge of \$129 million. Income tax payments of \$121 million, were lower than the prior period reflecting the fall in the Group's profitability, although the payments exceeded the income statement charge for current tax of \$86 million. At 30 June 2012, the Group's net tax receivable position was \$99 million compared to \$64 million at 31 December 2011, as the Group continued to make payments on account for the 2012 estimated tax liability. It is anticipated that payments on account in the second half of 2012 will reduce in order to lower the tax receivable position by the year end.

Capital expenditure on sustaining the current business operations rose to \$297 million from \$176 million, whilst expansionary and new project expenditure remained at similar levels to the comparative period. Total capital expenditure incurred in the period was \$454 million, compared to \$333 million in the first six months of 2011. Please refer to the Divisional Review for a detailed analysis of the Group's capital expenditure by operating segment.

BALANCE SHEET

The Group's attributable profit for the period, returns to shareholders during the period, including the share buy-back programme, and a non-cash loss of \$91 million mainly recognised in the foreign currency translation reserve, have led to a \$160 million decrease in equity attributable to holders of the Company to \$8,665 million at 30 June 2012.

The Group's capital employed position as at 30 June 2012 is shown below:

\$ million	At 30 June 2012	At 31 December 2011
Equity attributable to owners of the Company	8,665	8,825
Non-controlling interests	6	7
Borrowings	2,026	1,893
Capital employed	10,697	10,725

ENRC

The Group's 26% investment in ENRC had a carrying value of \$4,598 million at 30 June 2012 compared to \$4,600 million at 31 December 2011. The Group's share of equity accounted earnings of \$97 million for the period was offset by the Group's share of losses of ENRC recognised directly in equity of \$62 million and the \$37 million dividend received from ENRC in June 2012.

At 30 June 2012, the ENRC shareholding had a market value of \$2,185 million based on the published price quotation on the London Stock Exchange. The market value of the ENRC shareholding at the period end was determined to be significantly below the carrying value on the Group's balance sheet as envisaged by IAS 39 and consequently an impairment review of the investment was undertaken at 30 June 2012. No impairment has been recognised as the recoverable value of the ENRC shareholding, as calculated on a value-in-use basis, exceeded the carrying value at 30 June 2012. The calculation of the value-in-use is particularly sensitive to changes in commodity prices, operating cost inflation, capital expenditure and the discount rate used. Any changes to these assumptions, individually or in aggregate, may alter the result of the value-in-use calculation and any subsequent judgement in relation to the recognition of impairment charges.

Ekibastuz GRES-1 (within Kazakhmys Power)

The investment in the Ekibastuz GRES-1 joint venture is included on the Group's consolidated balance sheet at a carrying value of \$869 million at 30 June 2012. The increase in the carrying value of \$31 million from 31 December 2011 represents the Group's share of the post-tax profits of \$63 million which was offset by a \$28 million dividend received in June 2012 and the Group's share of losses recognised in equity of \$4 million.

Net (debt)/funds

Net (debt)/funds consist of cash and cash equivalents, current investments and borrowings. A summary of the net (debt)/funds position of continuing operations is shown below:

\$ million	At 30 June 2012	At 31 December 2011
Cash and cash equivalents	1,107	1,102
Current investments	501	810
Borrowings	(2,026)	(1,893)
Net (debt)/funds¹	(418)	19

¹ Excludes discontinued operations.

Cash and short-term deposits of the Group's continuing businesses as at 30 June 2012 were \$1,608 million, a decrease from \$1,912 million as at 31 December 2011 principally due to the lower cash flows from operating activities, coupled with increased capital expenditure, returns to shareholders and the repayments of the principal under the pre-export debt finance facility. Of the cash balances, approximately \$1,150 million has been drawn under the CDB/Samruk-Kazyna financing facilities and is intended to be used for the development of the Group's projects under the terms of the individual facility agreements. Current investments are cash deposits with a three to six month maturity profile.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The funds within the UK are held primarily with major European and US financial institutions and triple-'A' rated liquidity funds. At 30 June 2012, \$1,443 million of cash and short-term deposits were held in the UK, with \$165 million being held in Kazakhstan.

Gross borrowings of the Group's continuing operations increased from \$1,893 million at 31 December 2011 to \$2,026 million at 30 June 2012, following the continued monthly repayments of the pre-export debt finance facility of \$263 million offset by \$400 million drawn down under the CDB/Samruk-Kazyna financing facilities. The Group was in a net debt position of \$418 million at 30 June 2012 compared to a net funds position of \$19 million at 31 December 2011.

Borrowings under the CDB/Samruk-Kazyna financing facilities were \$1,677 million compared to \$1,281 million at 31 December 2011 and borrowings under the pre-export debt finance facility were \$349 million at 30 June 2012 compared to \$612 million at 31 December 2011. Of the \$1,700 million, excluding amortised fees, drawn down under the CDB/Samruk-Kazyna financing facilities, \$1,400 million is intended for the development of the Bozshakol copper project and \$300 million is intended for the development of the Bozymchak deposit in Kyrgyzstan.

As at 30 June 2012, the Group had \$300 million of revolving credit facilities available for standby liquidity and general corporate purposes. These facilities have remained undrawn since inception. A further \$1.0 billion remains available to be drawn down under the CDB/Samruk-Kazyna financing facilities by December 2012.

PRINCIPAL RISKS

The significant risks and uncertainties identified by Kazakhmys that could materially affect the Group's financial condition, performance, strategies and prospects, together with their potential impact and the mitigating actions being taken by management, are set out on pages 34 to 37 of the 2011 Annual Report and Accounts, which is available at www.kazakhmys.com.

In the view of the Board, the risk factors set out in the 2011 Annual Report and Accounts are the significant risks and uncertainties for the remaining six months of the year, however the protracted economic uncertainty in Europe and the potential threat to the euro zone, are also considered to represent risks to Kazakhmys. The applicable disclosures given in the 2011 Annual Report and Accounts have been set out below in summary form, updated to include details of the exposure to Europe. There may be other risks unknown, or currently believed immaterial by Kazakhmys, which might become material.

Operational risks

Health and safety

Mining is a hazardous industry and failure to adopt and embed health and safety management systems could result in harm to Kazakhmys' employees as well as fines and penalties and damage to the Group's reputation.

Business interruption

The business of mining, smelting and refining metals and the production of power is resource intensive, and involves a number of risks, including, but not limited to, geological and technological challenges, weather and other natural phenomena such as floods and earthquakes, fires, explosions, equipment failures, delays in supplies and loss of key inputs including electricity, water and coal, which can cause prolonged mine or plant shutdowns or periods of reduced production.

Assets controlled by third parties and joint ventures

Kazakhmys holds a 26% investment in ENRC PLC. The business and financial performance of this investment is not controlled by the Group. Furthermore, the Group is party to a joint venture arrangement in respect of the ownership and management of the Ekibastuz GRES-1 power station. Kazakhmys has also engaged outsourcing companies to manage certain Group assets, principally engaged in the transportation of production materials by road and rail.

New projects

The development of new projects involves many risks including geological, engineering, procurement, financing and regulatory risks. If the Group fails to adopt an appropriate procurement and project management strategy, it may experience delays to project schedules and an increase in costs. Regulatory risks include failures to obtain and maintain applicable permits, licences or approvals from the relevant authorities to perform certain works.

Specialist staff, mining equipment and supplies

Commodity price fluctuations can have an impact on industry demand for specialist staff and mining equipment and supplies. In periods of elevated commodity prices competition for skilled personnel intensifies, both internationally and within Kazakhstan, and availability of mining equipment and supplies can be subject to long lead times and cost inflation. The remote location of some of the Group's operations also makes the attraction and retention of skilled staff at these sites more challenging.

Political risk

Most of the Group's mining and power operations are in Kazakhstan. Accordingly, the Group is substantially dependent on the social, political, economic, legal and fiscal conditions prevailing in Kazakhstan.

Reserves and resources

Kazakhmys' ore reserves for operating mines and development projects are largely based on the estimation method for reserves and resources established by the former Soviet Union. There are numerous uncertainties inherent in estimating ore reserves, and geological, technical and economic assumptions that were valid at the time of estimation may change significantly when new information becomes available.

Compliance risks

Subsoil use rights

In Kazakhstan and certain other countries in which the Group operates, all subsoil reserves belong to the State. Subsoil use rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. Rights may be terminated if the Group does not satisfy its licensing or contractual obligations, which may include financial commitments to State authorities and the satisfaction of mining, development, environmental, social, health and safety requirements. Recent legislation relating to subsoil use rights has come into force in Kazakhstan, which sets out stricter requirements on the performance of licence obligations, technical documentation, work programmes and the level of goods and services sourced from Kazakhstan.

Environmental compliance

The Group operates in an industry that is subject to numerous environmental laws and regulations. As regulatory standards and requirements continually develop, the Group may be exposed to increased compliance costs and environmental emission charges. Policies and measures at a national and international level to tackle climate change will increasingly affect the business, thereby presenting greater environmental and regulatory risks.

Financial risks

Commodity prices and demand

The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international global metal exchanges. Kazakhmys' financial results are strongly influenced by commodity prices which are dependent on a number of factors, including world supply and demand and investor sentiment. European economic uncertainty can impact demand in western markets and affect commodity prices and physical demand for the Group's products. Kazakhmys is particularly exposed to demand from China, a major consumer of the metals which the Group produces. Due to these factors, commodity prices may be subject to significant fluctuations, which could have a positive or negative impact on the Group's financial results.

Exposure to China

In addition to the impact of Chinese demand on the pricing of Kazakhmys' major products, as noted under the Commodity Prices risk above, the Group makes significant physical sales to China which over the past five years have represented an average of 43% of Kazakhmys Mining's revenues, and in the first half of 2012 represented almost 60%. The proportion of sales into China is likely to increase in the future when production commences from the two major growth projects, Bozshakol and Aktogay. China is an important source of debt financing to the Group, with Kazakhmys currently utilising a \$2.7 billion financing line from the CDB and Samruk-Kazyna for the development of the Bozshakol copper mine and a number of mid-sized projects. In 2011, Kazakhmys also signed a loan facility directly with the CDB for \$1.5 billion to fund the development of the Aktogay copper project.

Acquisitions and divestments

In the course of delivering its strategy, Kazakhmys may acquire or dispose of assets or businesses. Corporate transactions may however fail to achieve the expected benefit or value to Kazakhmys.

Liquidity risk

The Group is exposed to liquidity risks, including the risk that borrowing facilities are not available to meet cash requirements, and the risk that financial assets cannot readily be converted to cash without the loss of value. The economic uncertainty in Europe, including the potential threat to the euro, could negatively impact the availability of funds to corporate borrowers.

Taxation

As the tax legislation in Kazakhstan has been in force for a relatively short period of time, tax risks in Kazakhstan are substantially greater than typically found in countries with more developed tax systems. Tax law is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

CORPORATE SOCIAL RESPONSIBILITY

Reporting

Whilst external assurance of Corporate Responsibility reports is currently not compulsory, we view the recent decision of the UK Government to mandate greenhouse gas emissions reporting for companies listed on the London Stock Exchange as a positive development in this area. We continue to put considerable effort into improving our data collection processes to ensure our Corporate Social Responsibility reporting remains ahead of regulatory requirements. We also believe that these improvements will allow us to report on and monitor our performance more accurately and regularly, assess risk and set clear long-term targets.

Health and Safety

The health and safety of our employees remains our first priority. In the first seven months of 2012 there were 12 fatalities at our operations, including 3 contractors. There were 16 and 21 fatalities in the same periods for 2011 and 2010, respectively.

The LTIFR for the first six months of 2012 was 1.98, compared to 1.55 during the same period last year, which reflects the anticipated rise in the reporting of incidents as we roll out our health and safety awareness programme and training for all employees.

We identified six key health and safety areas across our operations, namely rock fall, electrocution, personal safety equipment, ventilation, transportation safety and education. Our current effort is aimed at introducing new

technologies and equipment to create a safer working environment while improving the appreciation of risk amongst our employees. In February 2012 we launched a comprehensive long-term Group-wide educational and training scheme aimed at a change of working culture and behaviour.

Environment

In the first six months of 2012, total energy use for the Group was 3,025 GWh, 14% less than during the comparative period of 3,527 GWh. This reduction was mainly driven by lower output.

There has been a 14% reduction in ash emissions in the first six months of 2012, compared to the same period of 2011, due to ongoing modernisation at our captive power plants.

The increase in power generation at Ekibastuz GRES-1 has resulted in higher levels of CO₂, SO₂ and NO_x emissions in the first six months of 2012 compared to the corresponding period in the prior year. During the reporting period, the Group produced 27,659 tonnes of NO_x and 127,811 tonnes of SO₂. The Power Division produced 7,545,147 tonnes of carbon dioxide equivalent. The Mining Division currently reports CO₂ emissions on an annual basis and we will provide an update on the data in our 2012 Annual Report and Accounts. We continue to improve our internal data collection procedures, with the assistance of external consultants, to achieve a standardised reporting cycle for all of our Corporate Social Responsibility KPI's.

Employees and Social

In the first six months of 2012 we spent over \$720 million on locally sourced goods and services, more than double the amount spent during the same period last year. This represents 67% of total spending on goods and services and we continue to support local producers as part of "Made in KZ", a national programme we helped initiate, encouraging the development of local small and medium-sized businesses.

We prioritise our support to local communities through a series of initiatives in education, infrastructure improvements and healthcare. Expenditure on social investment is currently reported on an annual basis and will be included in our 2012 Annual Report and Accounts.

Investment in people is a core aspect of our growth strategy. In the first six months of 2012 we launched the Kazakhmys HiPo Programme, which will provide training and development opportunities to 100 high potential employees who we believe can lead our business in the future.

In July 2012 we completed the skills attestation process for over 40,000 employees at our operations. The initiative allows us to assess and monitor the progress and potential of our employees more accurately as well as make structured adjustments to the salary levels. The scale and the purpose of the programme initially caused some anxiety, which was addressed and we continue to invest in and promote the skills and capabilities of our employees.

DIRECTORS' RESPONSIBILITY STATEMENT

Each Director confirms to the best of his knowledge that this condensed set of financial statements has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union and that the half-yearly report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year, and their impact on this condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions that have taken place in the first six months of the current financial year and any material changes in the related party transactions described in the Kazakhmys 2011 Annual Report and Accounts.

The Directors of Kazakhmys PLC are listed on the Company's website at www.kazakhmys.com.

OLEG NOVACHUK
CHIEF EXECUTIVE
22 August 2012

INDEPENDENT REVIEW REPORT TO KAZAKHMY'S PLC

Introduction

We have been engaged by Kazakhmys PLC (the 'Company') to review the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises consolidated income statement, consolidated statement of other comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules (the 'DTR') of the UK's Financial Services Authority (the 'UK FSA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR and UK FSA.

As disclosed in note 2(d), the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and as issued by the International Accounting Standards Board ('IASB'). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 ('IAS 34'), Interim Financial Reporting, as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in the United Kingdom ('UK'). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Jimmy Daboo

For and on behalf of KPMG Audit Plc

Chartered Accountants
15 Canada Square
London E14 5GL

22 August 2012

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Six months ended 30 June 2012

\$ million (unless otherwise stated)		Notes	Six months ended 30 June 2012	Six months ended 30 June 2011
Continuing operations				
Revenues		5(b)	1,516	1,817
Cost of sales			(888)	(744)
Gross profit			628	1,073
Selling and distribution expenses			(27)	(31)
Administrative expenses			(347)	(345)
Other operating income			27	27
Other operating expenses			(43)	(19)
Impairment losses	6		(175)	(7)
Share of profits from joint venture			63	53
Operating profit			126	751
Share of profits from associate	12		97	279
Profit before finance items and taxation			223	1,030
Analysed as:				
Profit before finance items and taxation (excluding special items)			395	1,024
Special items	7		(172)	6
Finance income	8		27	38
Finance costs	8		(72)	(64)
Profit before taxation			178	1,004
Income tax expense	9		(63)	(161)
Profit for the period from continuing operations			115	843
Discontinued operations				
Profit/(loss) for the period from discontinued operations	4(d)		7	(468)
Profit for the period			122	375
Attributable to:				
Equity holders of the Company			121	374
Non-controlling interests			1	1
			122	375
Earnings per share attributable to equity holders of the Company – basic and diluted				
From continuing operations (\$)	10(a)		0.22	1.57
From discontinued operations (\$)	10(a)		0.01	(0.87)
			0.23	0.70
Earnings per share based on Underlying Profit – basic and diluted				
From continuing operations (\$)	10(b)		0.53	1.57
From discontinued operations (\$)	10(b)		0.05	0.05
			0.58	1.62

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

Six months ended 30 June 2012

\$ million	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011
Profit for the period		122	375
Other comprehensive (expense)/income for the period after tax:			
Exchange differences on retranslation of foreign operations		(25)	34
Recycling of exchange differences on disposal of subsidiary		–	13
Share of other comprehensive losses of joint venture		(4)	–
Share of other comprehensive (losses)/gains of associate	12	(62)	45
Other comprehensive (expense)/income for the period		(91)	92
Total comprehensive income for the period		31	467
Attributable to:			
Equity holders of the Company		30	466
Non-controlling interests		1	1
		31	467

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2012

\$ million	Notes	At 30 June 2012	At 31 December 2011	At 30 June 2011
Assets				
Non-current assets				
Intangible assets		58	53	60
Tangible assets		2,913	2,793	2,702
Property, plant and equipment		2,386	2,256	2,233
Mining assets		527	537	469
Investment in joint venture		869	838	795
Investment in associate	12	4,598	4,600	4,620
Other non-current investments		15	10	10
Deferred tax asset		77	61	21
		8,530	8,355	8,208
Current assets				
Inventories		800	744	685
Prepayments and other current assets		313	227	192
Income taxes reclaimable		99	71	26
Trade and other receivables		148	190	245
Investments		501	810	376
Cash and cash equivalents	13	1,107	1,102	1,246
		2,968	3,144	2,770
Assets classified as held for sale	4(d)	290	232	365
		3,258	3,376	3,135
Total assets		11,788	11,731	11,343
Equity and liabilities				
Equity				
Share capital	14(a)	200	200	200
Share premium		2,650	2,650	2,648
Capital reserves		(931)	(840)	(647)
Retained earnings		6,746	6,815	6,382
Attributable to equity holders of the Company		8,665	8,825	8,583
Non-controlling interests		6	7	14
Total equity		8,671	8,832	8,597
Non-current liabilities				
Borrowings	15	1,677	1,368	1,138
Deferred tax liability		–	6	8
Employee benefits		243	188	56
Provisions		94	86	105
		2,014	1,648	1,307
Current liabilities				
Trade and other payables		518	498	530
Borrowings	15	349	525	520
Income taxes payable		–	7	39
Dividends payable		2	1	1
Employee benefits		33	23	–
Provisions		5	43	70
		907	1,097	1,160
Liabilities directly associated with assets classified as held for sale	4(d)	196	154	279
		1,103	1,251	1,439
Total liabilities		3,117	2,899	2,746
Total equity and liabilities		11,788	11,731	11,343

These condensed consolidated financial statements were approved by the Board of Directors on 22 August 2012.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 June 2012

\$ million	Notes	Six months ended 30 June 2012	Six months ended 30 June 2011
Cash flows from operating activities			
Cash inflow from operations before interest, income taxes and dividends from associate and joint venture	16	262	856
Interest paid		(38)	(29)
Income taxes paid		(121)	(157)
Dividends from associate and joint venture		65	60
Net cash inflow from operating activities		168	730
Cash flows from investing activities			
Interest received		7	5
Proceeds from disposal of property, plant and equipment		26	11
Purchase of intangible assets		(8)	(1)
Purchase of property, plant and equipment		(369)	(292)
Investment in mining assets		(77)	(40)
Licence payments for subsoil contracts		(3)	(2)
Acquisition of non-current investments		(5)	(1)
Acquisition of non-controlling interest in subsidiary		(2)	–
Movement in short-term bank deposits		296	(19)
Proceeds from disposal of long-term investments		–	3
Cash received/(disposed) in relation to disposal of subsidiary		3	(4)
Net cash flows used in investing activities		(132)	(340)
Cash flows from financing activities			
Purchase of own shares under the Group's employee share-based payment plans		–	(5)
Purchase of own shares under the Group's share buy-back programme		(88)	–
Proceeds from borrowings – net of arrangement fees paid of \$6 million (2011: \$2 million)		419	111
Repayment of borrowings		(263)	(270)
Dividends paid by the Company	11(a)	(105)	(86)
Net cash flows used in financing activities		(37)	(250)
Net (decrease)/increase in cash and cash equivalents	17	(1)	140
Cash and cash equivalents at the beginning of the period	13	1,111	1,126
Effect of exchange rate changes on cash and cash equivalents	17	(2)	2
Cash and cash equivalents at the end of the period	13	1,108	1,268

The consolidated statement of cash flows includes cash flows from both continuing and discontinued operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 June 2012

\$ million	Notes	Attributable to equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Capital reserves	Retained earnings	Total		
At 1 January 2012		200	2,650	(840)	6,815	8,825	7	8,832
Profit for the period		–	–	–	121	121	1	122
Exchange differences on retranslation of foreign operations		–	–	(25)	–	(25)	–	(25)
Share of losses of joint venture recognised in other comprehensive income		–	–	(4)	–	(4)	–	(4)
Share of losses of associate recognised in other comprehensive income	12	–	–	(62)	–	(62)	–	(62)
Total comprehensive income for the period		–	–	(91)	121	30	1	31
Acquisition of non-controlling interest in subsidiary		–	–	–	–	–	(2)	(2)
Share-based payments		–	–	–	3	3	–	3
Own shares acquired under the Group's share buy-back programme		–	–	–	(88)	(88)	–	(88)
Dividends paid by the Company	11(a)	–	–	–	(105)	(105)	–	(105)
At 30 June 2012		200	2,650	(931)	6,746	8,665	6	8,671
At 1 January 2011		200	2,648	(739)	6,097	8,206	13	8,219
Profit for the period		–	–	–	374	374	1	375
Exchange differences on retranslation of foreign operations		–	–	34	–	34	–	34
Recycling of exchange differences on disposal of subsidiary		–	–	13	–	13	–	13
Share of gains of associate recognised in other comprehensive income	12	–	–	45	–	45	–	45
Total comprehensive income for the period		–	–	92	374	466	1	467
Share-based payments		–	–	–	2	2	–	2
Own shares acquired under the Group's employee share-based payment plans		–	–	–	(5)	(5)	–	(5)
Dividends paid by the Company	11(a)	–	–	–	(86)	(86)	–	(86)
At 30 June 2011		200	2,648	(647)	6,382	8,583	14	8,597

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Six months ended 30 June 2012

1. Corporate information

Kazakhmys PLC (the “Company”) is a public limited company incorporated in the United Kingdom of Great Britain and Northern Ireland. The Company’s registered address is 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom. The Group comprises the Company and its consolidated divisions as set out below.

The Group operates in the natural resources industry. The Group’s operations are primarily conducted through the Company’s principal division, Kazakhmys Mining, whose major business is the mining and processing of copper ore into copper cathodes and copper rods, and the refining and sale of precious metals and other by-products of its copper mining process.

The Group operates in a number of divisions within the natural resources sector, the principal activities of which are as follows as at 30 June 2012:

Operating division	Principal activity	Primary country of operations
Kazakhmys Mining	Mining and processing of copper and other metals	Kazakhstan
MKM	Copper processing	Germany
Kazakhmys Power	Power generation	Kazakhstan

An entity within Kazakhmys Power, the Maikuben West Coal mine (for the period until 17 May 2011, the date of its disposal), MKM (for the periods ended 30 June 2012 and 30 June 2011) and Kazakhmys Petroleum (for the period ended 30 June 2011), which was sold on 23 December 2011, are included as discontinued operations within the condensed consolidated financial statements (see note 4).

These condensed consolidated financial statements for the six months ended 30 June 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 22 August 2012. The information for the year ended 31 December 2011 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union up to 31 December 2011, has been delivered to the Register of Companies. The auditor’s opinion in relation to those accounts was unqualified, did not draw attention to any matters by way of emphasis and also did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Basis of preparation

(a) Condensed consolidated financial statements

The condensed financial statements for the six month period ended 30 June 2012 have been prepared in accordance with International Accounting Standard (IAS) 34 ‘Interim Financial Reporting’ and the requirements of the Disclosure and Transparency Rules (DTR) of the Financial Services Authority (FSA) in the United Kingdom as applicable to interim financial reporting. These condensed consolidated financial statements represent a ‘condensed set of financial statements’ as referred to in the DTR issued by the FSA. Accordingly, they do not include all the information and disclosures required for full annual financial statements, and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2011.

(b) Comparative figures

Where a change in the presentational format of these condensed consolidated financial statements has been made during the period, comparative figures have been restated accordingly.

(c) Significant accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements are based on the Directors’ best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the condensed consolidated financial statements.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated financial statements, significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same, in all material respects, as those applied to the Group's consolidated financial statements for the year ended 31 December 2011. Whilst the judgements made by the Directors and key sources of estimation uncertainty were the same in all material respects as at 31 December 2011, there have been developments in the facts and circumstances in respect of the carrying value of the Bozymchak project, the recognition of a provision for environmental pollution charges and the disclosure of a contingent asset in respect of excess profits tax which have impacted the conclusions reached by the Directors as at 30 June 2012. These developments and the conclusions reached on these matters are disclosed in notes 6 and 19.

(d) Going concern

The Directors have considered the Group's cash flow forecasts for the period to 30 September 2013. The Board is satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group for the foreseeable future will have sufficient funds available to meet its obligations as they fall due. Furthermore, the Group has committed facilities in place to meet the funding requirements for the development of the two major growth projects at Bozshakol and Aktogay. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

3. Summary of significant accounting policies

(a) Basis of accounting

These condensed consolidated financial statements have been prepared under the historical cost basis, except for certain classes of property, plant and equipment which have been revalued at 1 January 2002 to determine deemed cost as part of the first-time adoption of IFRSs at that date, and derivative financial instruments which have been measured at fair value. These condensed consolidated financial statements are presented in US dollars (\$) and all monetary amounts are rounded to the nearest million (\$ million) except when otherwise indicated.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

In preparing these condensed consolidated financial statements, the Group has adopted all the applicable extant accounting standards issued by the IASB and all the applicable extant interpretations issued by the IFRIC as at 30 June 2012, as adopted by the European Union up to 30 June 2012.

(b) Exchange rates

The following foreign exchange rates against the US dollar have been used in the preparation of the condensed consolidated financial statements:

	30 June 2012		31 December 2011		30 June 2011	
	Spot	Average	Spot	Average	Spot	Average
Kazakhstan tenge	149.42	148.16	148.40	146.62	146.25	146.01
Euro	0.80	0.77	0.77	0.72	0.69	0.72
UK pounds sterling	0.64	0.63	0.65	0.62	0.62	0.62

4. Discontinued operations and assets held-for-sale

Discontinued operations consist of MKM, Kazakhmys Petroleum (for the period ended 30 June 2011) and the Maikuben West coal mine (for the period up to 17 May 2011) within Kazakhmys Power.

(a) MKM

During 2009 the Directors decided to dispose of MKM given the Group's strategy is to focus on natural resource opportunities in the Central Asian region. The business was classified as an asset held for sale at 31 December 2009, and correspondingly as a discontinued operation in the consolidated income statement for the 2009 financial year. This classification was made as the Group believed that a sale was highly probable to take place within 12 months from the date the business was first classified as held-for-sale. The sale of MKM has not completed within the envisaged 12 month period, as negotiations with potential acquirers have taken longer than was originally anticipated, principally due to challenges faced by potential interested parties in raising the finance necessary to complete the transaction. The failure of the potential acquirers to secure the level of funding required to meet MKM's working capital requirements is a factor that was neither anticipated nor within management's control. In June 2012, management appointed an investment bank to conduct a structured tender process for the sale of the MKM business. The sales process managed by the investment bank is being run in conjunction with on-going discussions by management with potential suitors who have shown an interest with indicative offers.

The Group's strategic objective of disposing of MKM remains the same, and discussions continue with a number of interested parties at a price consistent with previous expectations. The Directors consider that MKM still meets the criteria to be classified as held for sale at the balance sheet date for the following reasons:

- MKM is available for immediate sale and can be sold to a potential buyer in its current condition;
- the Group's strategic objective of disposing of MKM remains the same and the Directors remain committed to the sales process;
- an active marketing programme continues with the engagement of an investment bank to enhance the sales process and discussions are being held with a number of interested parties for the purchase of the business at a price consistent with previous expectations; and
- a disposal within 12 months is considered to be highly probable.

(b) Kazakhmys Power

The discontinued operation within Kazakhmys Power comprises Maikuben West coal mine which was sold on 17 May 2011 for a consideration of \$3 million. Consequently, the results of discontinued operations only include the results of Maikuben West coal mine for the period ended 17 May 2011.

(c) Kazakhmys Petroleum

Following the decision taken to dispose of Kazakhmys Petroleum in June 2011, the sale of the business completed on 23 December 2011 and is therefore classified as a discontinued operation for the period ended 30 June 2011. As a result, the comparative period ended 30 June 2011 has been restated to present Kazakhmys Petroleum as a discontinued operation.

(d) Financial results, balance sheet and cash flow information of discontinued operations

The results from discontinued operations for the six months as presented in the consolidated income statement are shown below:

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenues	805	940
Cost of sales	(741)	(860)
Operating costs	(29)	(41)
Impairment losses	(1)	(1)
Net finance costs	(2)	(4)
Impairment loss recognised on the remeasurement to fair value less costs to sell ¹	(10)	(482)
Profit before tax from discontinued operations	22	(448)
Income taxes:		
Related to the profit before taxation for the current period	(4)	(5)
Related to remeasurement to fair value less costs to sell (deferred tax)	2	5
	20	(448)
Loss on disposal of subsidiary ^{2,3}	(13)	(20)
Profit/(loss) for the period from discontinued operations	7	(468)
Analysed as:		
MKM	20	(1)
Kazakhmys Petroleum	(13)	(454)
Kazakhmys Power	–	(13)

¹ At 30 June 2012, the carrying value of MKM has been written down to its fair value less costs to sell with the result that an impairment charge of \$10 million has been recognised in the period. The positive financial performance of MKM resulted in an increase in its carrying value during the period, which exceeded its fair value less costs to sell as previously recorded. The carrying values of MKM and Kazakhmys Petroleum were written down to their fair values less costs to sell, at 30 June 2011, with the result that an impairment charges of \$27 million and \$455 million respectively were recognised in the period.

² In the period ended 30 June 2012, the negotiations over the completion adjustment in respect of Kazakhmys Petroleum were concluded. As a result of these negotiations the completion adjustment has been revised downwards resulting in the reduction of the final purchase consideration by \$13 million.

³ The loss on disposal of subsidiary in the period ended 30 June 2011 relates to the sale of the Maikuben West coal mine for a consideration of \$3 million. The loss was determined by the excess of the net assets disposed over the proceeds received of \$7 million and the \$13 million transfer from equity of the unrealised exchange losses which arose on consolidation when converting the net assets, which are denominated in tenge, into US dollars.

As the Maikuben West coal mine and Kazakhmys Petroleum were sold prior to 31 December 2011, assets classified as held for sale and liabilities directly associated with those assets at 30 June 2012 and 31 December 2011 relate solely to MKM.

The balance sheets of the discontinued operations are shown below:

\$ million	At 30 June 2012	At 31 December 2011	At 30 June 2011
Assets			
Property, plant and equipment	17	14	–
Inventories	99	95	150
Prepayments and other current assets	–	–	–
Trade and other receivables	173	114	193
Cash and cash equivalents	1	9	22
Assets classified as held for sale	290	232	365
Liabilities			
Borrowings	(141)	(121)	(214)
Deferred tax liability	–	–	(2)
Employee benefits and provisions	(5)	(6)	(5)
Trade and other payables	(40)	(18)	(45)
Income taxes payable	(10)	(9)	(13)
Liabilities directly associated with assets classified as held for sale	(196)	(154)	(279)
Net assets directly associated with disposal groups	94	78	86
Intercompany dividend payable	(19)	–	–
Net assets directly associated with disposal groups including intercompany dividend payable	75	78	86

Net cash flows from discontinued operations included within the consolidated cash flow statement are shown below:

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Operating activities	(30)	23
Investing activities	(3)	(41)
Financing activities	25	6
Net cash outflow	(8)	(12)

5. Segment information

Information provided to the Group's Board of Directors for the purposes of resource allocation and the assessment of segmental performance is prepared in accordance with the management and operational structure of the Group. For management and operational purposes, the Group is organised into four separate business units, as shown below, according to the nature of their operations, end-products and services rendered. Each of these business units represents an operating segment in accordance with IFRS 8 'Operating segments'. The operating segments of the Group are:

Kazakhmys Mining

The Kazakhmys Mining business is managed as one operating segment and comprises all entities and functions within the Group responsible for the exploration, evaluation, development, mining and processing of the Group's mineral resources and sale of the Group's metal products. The segment consists of:

- the Group's main operating entity, Kazakhmys Corporation LLC, whose principal activity is the mining and processing of copper and other metals which are produced as by-products;
- the Group's UK trading function, Kazakhmys Sales Limited, which is responsible for the purchase of exported products from Kazakhmys Corporation LLC and subsequently applies an appropriate mark-up prior to onward sale to third parties. The UK entity is a sales function on behalf of the Kazakhmys Mining business and consequently the assets and liabilities related to those trading operations, i.e. trade payables and trade receivables, are included within the Kazakhmys Mining operating segment;
- the Group's exploration companies which provide services for greenfield drilling on new projects and deposits, brownfield drilling on expansion projects and deposits at existing mines, and exploration work for potential new projects and deposits for the Mining segment;
- the Group's project companies, whose responsibility is the development of metal production related assets on behalf of the Mining segment including the evaluation and development of the Group's major mining projects; and
- the Group's technical and ancillary services which provide technical, logistics and other services principally to the Mining segment and which are managed as an extension of the Mining segment.

The financial and operating information used by the Board of Directors for the purpose of resource allocation of all these separate functions and entities are included within the Mining segment.

MKM

MKM operates in Germany, where it manufactures copper and copper alloy semi-finished products. MKM faces different risks to the Group's other businesses, and produces different products. It is therefore shown as a separate operating segment.

As stated in note 4, the Directors have decided to dispose of MKM. As a result, at 30 June 2012, 31 December 2011 and 30 June 2011, MKM has been classified as a disposal group held for sale and as a discontinued operation.

Kazakhmys Power

Kazakhmys Power operates in Kazakhstan, and consists of the Group's captive power stations, the Ekibastuz GRES-1 coal-fired power station joint venture and the Maikuben West coal mine (up to the period ended 17 May 2011). The principal activity of the Kazakhmys Power operating segment is the sale of electricity and coal to external customers and internally to the Kazakhmys Mining segment. The captive power stations and the Group's 50% interest in the Ekibastuz GRES-1 coal-fired power station are managed by the same management team and

produce discrete financial and operating information that is used by the Board of Directors for operational and resource allocation decisions.

Kazakhmys Petroleum

As stated in note 4, the Group disposed of Kazakhmys Petroleum in December 2011, and as a result, it has been classified as a discontinued operation for the period ended 30 June 2011.

Managing and measuring operating segments

The key performance measure of the operating segments is EBITDA (excluding special items). Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business (see note 7).

The Group's Treasury department monitors finance income and finance costs at the Group level on a net basis rather than on a gross basis at an operating segment level.

Inter-segment sales include power sales from Kazakhmys Power to Kazakhmys Mining from the Group's captive power stations, and coal sales from Kazakhmys Mining to Kazakhmys Power from the Borly coal mines.

Segmental information is also provided in respect of revenues, by destination and by product in note 5(b).

(a) Operating segments

(i) Income statement information

\$ million	Kazakhmys Mining	MKM ¹	Kazakhmys Power	Corporate Services	Total	Six months ended 30 June 2012		
						Continuing operations	Joint venture ²	Discontinued operations
						Income statement		
Revenues								
Segment sales	1,508	805	238	–	2,551			
Inter-segment sales	(26)	–	(65)	–	(91)			
Sales to external customers	1,482	805	173	–	2,460	1,516	139	805
Gross profit	625	64	91	–	780	628	88	64
Operating costs	(346)	(29)	(20)	(28)	(423)	(382)	(12)	(29)
Impairment losses	(174)	(11)	–	(1)	(186)	(175)	–	(11)
Share of profits from joint venture ³	–	–	–	–	–	63	(63)	–
Segmental operating results	105	24	71	(29)	171	134	13	24
Loss on disposal of subsidiary ⁴	(8)	–	–	(13)	(21)	(8)	–	(13)
Segmental results	97	24	71	(42)	150	126	13	11
Share of profits from associate ³					97	97	–	–
Net finance (costs)/income					(44)	(45)	3	(2)
Income tax expense					(81)	(63)	(16)	(2)
Profit for the period					122	115	–	7

¹ MKM has been classified as an asset held for sale and is included within discontinued operations (see note 4).

² For segment reporting, the Group includes its 50% share of the income statement line items that relate to Ekibastuz GRES-1 LLP on a line-by-line basis, whereas in the Group's income statement, the financial results of Ekibastuz GRES-1 LLP are included within 'share of profits from joint venture'.

³ Share of profits is net of tax.

⁴ In early 2012, the Group disposed of its captive insurance company, included within Kazakhmys Mining, for proceeds of \$3 million recognising a loss of \$8 million on disposal.

Six months ended 30 June 2011									
\$ million	Kazakhmys Mining	MKM ¹	Kazakhmys Power ²	Kazakhmys Petroleum ³	Corporate Services	Total	Continuing operations		
							Income statement	Joint venture ⁴	Discontinued operations ⁵
Revenues									
Segment sales	1,809	915	227	–	–	2,951			
Inter-segment sales	(26)	–	(51)	–	–	(77)			
Sales to external customers	1,783	915	176	–	–	2,874	1,817	117	940
Gross profit	1,065	59	104	–	–	1,228	1,073	75	80
Operating costs	(321)	(28)	(30)	–	(39)	(418)	(368)	(9)	(41)
Impairment losses	(7)	(28)	–	(455)	–	(490)	(7)	–	(483)
Share of profits from joint venture ^{4,5}	–	–	–	–	–	–	53	(53)	–
Segmental operating results	737	3	74	(455)	(39)	320	751	13	(444)
Loss on disposal of subsidiary	–	–	(20)	–	–	(20)	–	–	(20)
Segmental results	737	3	54	(455)	(39)	300	751	13	(464)
Share of profits from associate ⁵						279	279	–	–
Net finance costs						(29)	(26)	1	(4)
Income tax expense						(175)	(161)	(14)	–
Profit/(loss) for the period						375	843	–	(468)

¹ MKM has been classified as an asset held for sale and is included within discontinued operations (see note 4).

² Kazakhmys Power includes the results of the Group's captive power stations and 50% of the results of Ekibastuz GRES-1 LLP, an equity accounted joint venture, and the results of the Maikuben West coal mine for the period ended 17 May 2011 which was included within discontinued operations (see note 4).

³ Kazakhmys Petroleum was sold in December 2011 and is therefore included within discontinued operations for the period ended 30 June 2011 (see note 4).

⁴ For segment reporting, the Group includes its 50% share of the income statement line items that relate to Ekibastuz GRES-1 LLP on a line-by-line basis, whereas in the Group's income statement, the financial results of Ekibastuz GRES-1 LLP are included within 'share of profits from joint venture'.

⁵ Share of profits is net of tax.

(ii) Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding special items¹

\$ million	Kazakhmys Mining	MKM ²	Kazakhmys Power ³	Corporate Services	Six months ended 30 June 2012			
					Continuing operations			
					Total	Subsidiaries	Joint venture ³	Discontinued operations ²
Operating profit/(loss) per income statement ³	97	24	58	(42)	137	63	63	11
Interest and taxation of joint venture	–	–	13	–	13	–	13	–
Segmental operating profit/(loss)³	97	24	71	(42)	150	63	76	11
Special items:								
Add: impairment charge against property, plant and equipment	91	–	–	–	91	91	–	–
Add: impairment charge against mining assets	71	–	–	–	71	71	–	–
Add: provisions against inventory	–	10	–	–	10	–	–	10
Add: loss on disposal of subsidiary	8	–	–	13	21	8	–	13
Add: loss on disposal of property, plant and equipment	–	–	–	2	2	2	–	–
Profit/(loss) before finance items and taxation (excluding special items)	267	34	71	(27)	345	235	76	34
Add: depreciation and depletion	117	–	25	2	144	128	16	–
Add: amortisation	3	–	–	–	3	3	–	–
Add: mineral extraction tax ⁴	129	–	–	–	129	129	–	–
Segment EBITDA (excluding special items)	516	34	96	(25)	621	495	92	34
Share of EBITDA (excluding special items) of associate ⁵					328	328	–	–
Group EBITDA (excluding special items)					949	823	92	34

¹ EBITDA (excluding special items) is defined as profit before interest, taxation, depreciation, depletion, amortisation and mineral extraction tax, as adjusted for special items. Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business.

² MKM has been classified as an asset held for sale and is included within discontinued operations (see note 4).

³ As the operating profit in the consolidated income statement includes the equity accounted profit from the joint venture, Ekibastuz GRES-1, on a post-interest and tax basis, the joint venture's interest and taxation expenses are added back to calculate the operating profit from continuing operations of the Group on a consistent pre-interest and tax basis.

⁴ Mineral extraction tax has been excluded from the key financial indicator of EBITDA as its exclusion provides a more informed measure of the operational performance of the Group as the Directors believe that MET is a substitute for a tax on profits.

⁵ The share of EBITDA of associate excludes MET of the associate.

\$ million	Six months ended 30 June 2011								
	Kazakhmys Mining	MKM ¹	Kazakhmys Power ²	Kazakhmys Petroleum ³	Corporate Services	Total	Continuing operations		
							Subsidiaries	Joint venture ^{2,4}	Discontinued operations ^{5,6}
Operating profit/(loss) per income statement ⁴	737	3	61	(455)	(39)	307	698	53	(444)
Interest and taxation of joint venture	–	–	13	–	–	13	–	13	–
Segmental operating profit/(loss) ⁴	737	3	74	(455)	(39)	320	698	66	(444)
Special items:									
Add: impairment charge against intangible assets – Kazakhmys Petroleum	–	–	–	455	–	455	–	–	455
Add: impairment (reversal)/charge against property, plant and equipment	(9)	10	–	–	–	1	(9)	–	10
Add: impairment charge against mining assets	2	–	–	–	–	2	2	–	–
Add: provisions against inventory	–	17	–	–	–	17	–	–	17
Add: loss on disposal of property, plant and equipment	1	–	–	–	–	1	1	–	–
Profit/(loss) before finance items and taxation (excluding special items)	731	30	74	–	(39)	796	692	66	38
Add: depreciation and depletion	103	–	21	–	2	126	112	14	–
Add: amortisation	1	–	–	–	–	1	1	–	–
Add: mineral extraction tax ⁵	142	–	–	–	–	142	142	–	–
Segment EBITDA (excluding special items)	977	30	95	–	(37)	1,065	947	80	38
Share of EBITDA (excluding special items) of associate ⁶						543	543	–	–
Group EBITDA (excluding special items)						1,608	1,490	80	38

¹ MKM has been classified as an asset held for sale and is included within discontinued operations (see note 4).

² Kazakhmys Power includes the results of the Group's captive power stations, 50% of the results of Ekibastuz GRES-1 LLP, an equity accounted joint venture, and the results of the Maikuben West coal mine for the period ended 17 May 2011 which was included within discontinued operations (see note 4).

³ Kazakhmys Petroleum was sold in December 2011 and is therefore included within discontinued operations for the period ended 30 June 2011 (see note 4).

⁴ As the operating profit in the consolidated income statement includes the equity accounted profit from the joint venture, Ekibastuz GRES-1, on a post-interest and tax basis, the joint venture's interest and taxation expenses are added back to calculate the operating profit from continuing operations of the Group on a consistent pre-interest and tax basis.

⁵ Mineral extraction tax has been excluded from the key financial indicator of EBITDA as its exclusion provides a more informed measure of the operational performance of the Group as the Directors believe that MET is a substitute for a tax on profits.

⁶ The share of EBITDA of associate excludes MET of the associate.

(iii) Balance sheet information

	At 30 June 2012						
\$ million	Kazakhmys Mining	MKM ¹	Kazakhmys Power	Corporate Services	Total	Balance sheet	Discontinued operations
Assets							
Tangible and intangible assets ²	2,832	17	124	15	2,988	2,971	17
Intragroup investments	–	–	–	4,079	4,079	4,079	–
Non-current investments ³	11	–	869	4,602	5,482	5,482	–
Operating assets ⁴	1,149	272	57	190	1,668	1,396	272
Current investments	51	–	–	450	501	501	–
Cash and cash equivalents	252	1	6	849	1,108	1,107	1
Segment assets	4,295	290	1,056	10,185	15,826	15,536	290
Deferred tax asset					77	77	–
Income taxes reclaimable					99	99	–
Assets classified as held for sale					–	290	(290)
Elimination					(4,214)	(4,214)	–
Total assets					11,788	11,788	–
Liabilities							
Employee benefits and provisions	374	5	1	–	380	375	5
Operating liabilities ⁵	600	40	–	55	695	655	40
Segment liabilities	974	45	1	55	1,075	1,030	45
Borrowings					2,167	2,026	141
Income taxes payable					10	–	10
Liabilities directly associated with assets classified as held for sale					–	196	(196)
Elimination					(135)	(135)	–
Total liabilities					3,117	3,117	–

¹ MKM has been classified as an asset held for sale and is included within discontinued operations (see note 4).

² Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Mining and Kazakhmys Power; (ii) Germany – MKM; and (iii) Kazakhmys Mining also includes \$49 million in Kyrgyzstan.

³ Non-current investments include the Group's investment in Ekibastuz GRES-1 LLP within the Kazakhmys Power segment and the Group's investment in ENRC within Corporate Services.

⁴ Operating assets include inventories, prepayments and other current assets and trade and other receivables.

⁵ Operating liabilities include trade and other payables and dividends payable by subsidiaries.

	At 31 December 2011						
\$ million	Kazakhmys Mining	MKM ¹	Kazakhmys Power	Corporate Services	Total	Balance sheet	Discontinued operations
Assets							
Tangible and intangible assets ²	2,691	14	121	34	2,860	2,846	14
Intragroup investments	–	–	–	4,027	4,027	4,027	–
Non-current investments ³	10	–	838	4,600	5,448	5,448	–
Operating assets ⁴	1,061	209	41	199	1,510	1,301	209
Current investments	60	–	–	750	810	810	–
Cash and cash equivalents	262	9	4	836	1,111	1,102	9
Segment assets	4,084	232	1,004	10,446	15,766	15,534	232
Deferred tax asset					61	61	–
Income taxes reclaimable					71	71	–
Assets classified as held for sale					–	232	(232)
Elimination					(4,167)	(4,167)	–
Total assets					11,731	11,731	–
Liabilities							
Employee benefits and provisions	339	6	1	–	346	340	6
Operating liabilities ⁵	595	18	–	44	657	639	18
Segment liabilities	934	24	1	44	1,003	979	24
Borrowings					2,014	1,893	121
Deferred tax liability					6	6	–
Income taxes payable					16	7	9
Liabilities directly associated with the assets classified as held for sale					–	154	(154)
Elimination					(140)	(140)	–
Total liabilities					2,899	2,899	–

¹ MKM has been classified as an asset held for sale and is included within discontinued operations (see note 4).

² Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Mining and Kazakhmys Power; (ii) Germany – MKM; and (iii) Kazakhmys Mining also includes \$168 million in Kyrgyzstan.

³ Non-current investments include the Group's investment in Ekibastuz GRES-1 LLP within the Kazakhmys Power segment and the Group's investment in ENRC within Corporate Services.

⁴ Operating assets include inventories, prepayments and other current assets and trade and other receivables.

⁵ Operating liabilities include trade and other payables and dividends payable by subsidiaries.

At 30 June 2011

\$ million	Kazakhmys Mining	MKM ¹	Kazakhmys Power	Kazakhmys Petroleum	Corporate Services	Total	Balance sheet	Discontinued operations
Assets								
Tangible and intangible assets ²	2,497	—	103	125	37	2,762	2,762	—
Intragroup investments	—	—	—	—	5,845	5,845	5,845	—
Non-current investments ³	10	—	795	—	4,620	5,425	5,425	—
Operating assets ⁴	1,058	343	46	9	79	1,535	1,192	343
Current investments	26	—	—	—	350	376	376	—
Cash and cash equivalents	241	22	6	15	984	1,268	1,246	22
Segment assets	3,832	365	950	149	11,915	17,211	16,846	365
Deferred tax asset						21	21	—
Income taxes reclaimable						26	26	—
Assets classified as held for sale						—	365	(365)
Elimination						(5,915)	(5,915)	—
Total assets						11,343	11,343	—
Liabilities								
Employee benefits and provisions	196	5	1	34	—	236	231	5
Operating liabilities ⁵	548	45	—	6	47	646	601	45
Segment liabilities	744	50	1	40	47	882	832	50
Borrowings						1,872	1,658	214
Deferred tax liability						10	8	2
Income taxes payable						52	39	13
Liabilities directly associated with assets classified as held for sale						—	279	(279)
Elimination						(70)	(70)	—
Total liabilities						2,746	2,746	—

¹ MKM has been classified as an asset held for sale and is included within discontinued operations (see note 4).

² Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Mining, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany – MKM; and (iii) Kazakhmys Mining also includes \$163 million in Kyrgyzstan.

³ Non-current investments include the Group's investment in Ekibastuz GRES-1 LLP within the Kazakhmys Power segment and the Group's investment in ENRC within Corporate Services.

⁴ Operating assets include inventories, prepayments and other current assets and trade and other receivables.

⁵ Operating liabilities include trade and other payables and dividends payable by subsidiaries.

(b) Segmental information in respect of revenues

Revenues by product are as follows:

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Kazakhmys Mining		
Copper cathodes	895	1,154
Copper rods	81	133
Total copper products	976	1,287
Silver	191	220
Gold bar	183	78
Gold doré	12	20
Zinc concentrate	70	105
Other by-products	30	48
Other revenue	20	25
	1,482	1,783
MKM		
Wire	279	333
Sheets and strips	342	373
Tubes and bars	169	191
Metal trade	15	18
	805	915
Kazakhmys Power¹		
Electricity generation and other	173	151
Coal	–	25
	173	176
Total revenues	2,460	2,874
Continuing operations	1,516	1,817
Discontinued operations	805	940
Share of joint venture's revenues – Kazakhmys Power	139	117
Total revenues	2,460	2,874

¹ Kazakhmys Power revenues include the external revenues of the Group's captive power stations and 50% of the revenues of Ekibastuz GRES-1 LLP.

Revenues by destination to third parties are as follows:

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Continuing operations		
Europe	233	780
China	845	844
Kazakhstan	369	180
Other	69	13
	1,516	1,817
Discontinued operations		
Europe	643	746
China	12	9
Kazakhstan	–	25
Other	150	160
	805	940
Share of joint venture's revenues		
Kazakhstan	135	103
Other	4	14
	139	117
Total revenues	2,460	2,874

Six months ended 30 June 2012

Four customers, three of which are collectively under common control, within the Kazakhmys Mining segment represent 45% of total Group revenue for the six months from continuing operations. The total revenue from these customers is \$676 million. The revenue from the three customers under common control of \$555 million represents 37% of the total Group revenue from continuing operations. Revenues from the fourth major customer of \$121 million represent 8% of total Group revenue from continuing operations.

Six months ended 30 June 2011

Four customers, three of which are collectively under common control, within the Kazakhmys Mining segment represent 44% of total Group revenue for the six months from continuing operations. The total revenue from these customers is \$802 million. The revenue from the three customers under common control of \$597 million represents 33% of the total Group revenue from continuing operations. Revenues from the fourth major customer of \$205 million represent 11% of total Group revenue from continuing operations.

6. Impairment losses

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Impairment charge/(reversal) against property, plant and equipment	91	(9)
Impairment charge against mining assets	71	2
Impairment charge against prepayments and other current assets	–	2
Provisions against trade and other receivables	3	3
Provisions against inventories	10	9
Continuing operations	175	7
Discontinued operations ^{1,2}	11	483
	186	490

¹ At 30 June 2012, the carrying value of MKM has been written down to its fair values less costs to sell with the result that an impairment charge of \$10 million (2011: \$27 million) has been recognised in the period. The positive financial performance of MKM resulted in an increase in its carrying value during the period, which exceeded its fair value less costs to sell as previously recorded.

² Following the adverse drilling results received at the end of June 2011, management performed an impairment test on Kazakhmys Petroleum which resulted in an impairment of \$455 million being recognised to reduce the carrying value of Kazakhmys Petroleum to its recoverable amount. In July 2011, the Board commenced a sales process for the Group's interest in the oil and gas exploration licence, the net expected proceeds of which were used to determine the recoverable amount. The sale completed on 23 December 2011.

Kazakhmys Mining – impairment charge against mining assets and property plant and equipment

The Bozymchak gold/copper development project, included in the Kazakhmys Mining division, has been subject to an impairment review due to difficulties experienced from operating in Kyrgyzstan. The impairment review has assumed a revised date for commercial production, additional capital costs and re-assessed the risks associated with the project's execution. As a result, the Group has recognised an impairment charge of \$162 million against the mining assets and property, plant and equipment of the Bozymchak project. The impairment charge reduces the carrying value of the Bozymchak project to its recoverable amount of \$76 million, determined as its value-in-use on a discounted cash flow basis. The charge of \$162 million has been recorded against tangible assets (mining assets – \$71 million and property, plant and equipment – \$91 million) with an associated deferred tax credit of \$13 million. The cash flow forecasts were discounted at a pre-tax rate of 16%.

7. Special items

Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business.

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Continuing operations		
Special items within operating profit:		
Impairment charge/(reversal) against property, plant and equipment	91	(9)
Impairment charge against mining assets	71	2
Loss on disposal of subsidiary – Kazakhmys Mining	8	–
Loss on disposal of property, plant and equipment	2	1
	172	(6)
Special items within net profit attributable to equity shareholders of the Company:		
Subsidiary businesses		
Recognition of a deferred tax asset resulting from the impairment of Bozymchak Associate	(13)	–
Loss related to acquisition of associate	4	–
Acquisition related transaction costs	2	–
Discontinued operations		
Special items within operating profit:		
Impairment charge against property, plant and equipment – MKM	–	10
Provisions against inventories – MKM	10	17
Loss on disposal of subsidiaries	13	20
Impairment charge against intangible assets – Kazakhmys Petroleum	–	455
	23	502
Special items within net profit attributable to equity shareholders of the Company:		
Release of deferred tax liabilities resulting from the impairment of MKM	(2)	(5)

8. Finance income and finance costs

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Finance income		
Interest income	10	4
Foreign exchange gains	17	34
Continuing operations	27	38
Interest income	–	–
Foreign exchange gains	5	9
Discontinued operations	5	9
	32	47
Finance costs		
Interest expense	(36)	(25)
Total interest expense	(52)	(32)
Less: amounts capitalised to the cost of qualifying assets ¹	16	7
Interest on employee obligations	(8)	(2)
Unwinding of discount on provisions	(3)	(3)
Finance costs before foreign exchange losses	(47)	(30)
Foreign exchange losses	(25)	(34)
Continuing operations	(72)	(64)
Interest expense	(3)	(5)
Unwinding of discount on provisions	–	(1)
Foreign exchange losses	(4)	(7)
Discontinued operations	(7)	(13)
	(79)	(77)

¹ At 30 June 2012, the Group capitalised to the cost of qualifying assets \$16 million (2011: \$7 million) of borrowing costs incurred on the outstanding debt during the period on the CDB/Samruk-Kazyna financing facilities at an average rate of interest of 5.57% (2011: 5.27%).

9. Income taxes

Major components of income tax expense for the periods presented are:

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Current income tax		
Corporate income tax – current period (UK)	3	15
Corporate income tax – current period (overseas)	81	165
Corporate income tax – prior periods	–	2
Deferred income tax		
Corporate income tax – current period temporary differences	(21)	(21)
Income tax attributable to continuing operations	63	161
Current income tax attributable to discontinued operations	2	3
Deferred income tax attributable to discontinued operations	–	(3)
Income tax attributable to discontinued operations	2	–
Total income tax expense	65	161

A reconciliation of the income tax expense applicable to the accounting profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate is as follows:

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Profit before taxation from continuing operations	178	1,004
At UK statutory income tax rate of 24.5% (2011: 26.5%) ¹	44	266
Tax effect of share of profits from joint venture	(15)	(14)
Tax effect of share of profits from associate	(24)	(74)
Underprovided in previous periods – current income tax	–	2
Effect of domestic tax rates applicable to individual Group entities	11	(44)
Release of deferred tax assets on unrecognised tax losses	13	–
Non-deductible expenses:		
Transfer pricing	12	8
Other non-deductible expenses	22	17
Income tax expense attributable to continuing operations	63	161
Income tax attributable to discontinued operations	2	–
Total income tax expense	65	161

¹ For the period ended 30 June 2011, the UK statutory income tax rate for January to March 2011 was 28.0% and for April to December 2011 was 26.0%, giving a weighted average full year rate of 26.5%. For the period ended 30 June 2012, the UK statutory rate for January to March 2012 was 26.0% and for April to December 2012 was 24.0%, giving a weighted average full year rate of 24.5%.

Corporate income tax is calculated at 24.5% (2011: 26.5%) of the assessable profit for the six months for the Company and its UK subsidiaries and 20.0% for the operating subsidiaries in Kazakhstan (2011: 20.0%). MKM, which is included as part of discontinued operations, has a tax rate of 28.5% (2011: 28.5%) that relates to German corporate income tax and trade tax.

The effective tax rate for continuing operations for the six months ended 30 June 2012 is 35.4% (2011: 16.0%).

10. Earnings per share

(a) Basic and diluted EPS

Basic EPS is calculated by dividing profit for the period attributable to owners of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the period. Purchases of the Company's shares by the Employee Benefit Trust and by the Company under the share buy-back programme are both held in treasury and treated as own shares.

The following reflects the income and share data used in the EPS computations.

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Net profit attributable to equity shareholders of the Company from continuing operations	114	842
Net profit/(loss) attributable to equity shareholders of the Company from discontinued operations	7	(468)
	121	374
	Six months ended 30 June 2012	Six months ended 30 June 2011
Weighted average number of ordinary shares of 20 pence each	526,280,884	534,641,161
EPS – basic and diluted (\$)		
From continuing operations	0.22	1.57
From discontinued operations	0.01	(0.87)
	0.23	0.70

(b) EPS based on Underlying Profit

The Group's Underlying Profit is the net profit for the six months after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and non-controlling interest effects, as shown in the table below. EPS based on Underlying Profit is calculated by dividing Underlying Profit by the weighted average number of ordinary shares of 20 pence each outstanding during the period. The Directors believe EPS based on Underlying Profit provides a more consistent measure for comparing the underlying trading performance of the Group.

The following shows the reconciliation of Underlying Profit from the reported profit and the share data used in the computations for EPS based on Underlying Profit:

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Net profit attributable to equity shareholders of the Company from continuing operations	114	842
Special items:		
Subsidiary businesses		
Impairment charge/(reversal) against property, plant and equipment	91	(9)
Impairment charge against mining assets	71	2
Loss on disposal of subsidiary	8	–
Loss on disposal of property, plant and equipment	2	1
Associate		
Loss related to acquisition of associate	4	–
Acquisition related transaction costs	2	–
Tax effect of special items:		
Subsidiary businesses	(13)	1
Underlying Profit from continuing operations	279	837
Net profit/(loss) attributable to equity shareholders of the Company from discontinued operations	7	(468)
Special items:		
Impairment charge against property, plant and equipment – MKM	–	10
Provisions against inventories – MKM	10	17
Impairment charge against intangible assets – Kazakhmys Petroleum	–	455
Loss on disposal of subsidiaries	13	20
Release of deferred tax liabilities resulting from the impairment of MKM	(2)	(5)
Underlying Profit from discontinued operations	28	29
Total Underlying Profit	307	866
	Six months ended 30 June 2012	Six months ended 30 June 2011
Weighted average number of ordinary shares of 20 pence each	526,280,884	534,641,161
EPS based on Underlying Profit – basic and diluted (\$)		
From continuing operations	0.53	1.57
From discontinued operations	0.05	0.05
	0.58	1.62

11. Dividends paid and proposed

(a) Dividends paid

The dividends paid during the six months ended 30 June 2012 and 2011 are as follows:

	Per share US cents	Amount \$ million
Six months ended 30 June 2012		
Final dividend in respect of year ended 31 December 2011	20.0	105
Six months ended 30 June 2011		
Final dividend in respect of year ended 31 December 2010	16.0	86

(i) Six months ended 30 June 2012

On 15 May 2012, the Company paid the final dividend of \$105 million in respect of the year ended 31 December 2011 to shareholders on the register as at 20 April 2012.

(ii) Six months ended 30 June 2011

On 17 May 2011, the Company paid the final dividend of \$86 million in respect of the year ended 31 December 2010 to shareholders on the register as at 26 April 2011.

(b) Dividends declared after the balance sheet date

	Per share US cents	Amount \$ million
Proposed by the Directors on 22 August 2012 (not recognised as a liability as at 30 June 2012):		
Interim dividend in respect of the year ended 31 December 2012	3.0	16

12. Investment in associate

The Group holds 334,824,860 shares in ENRC representing 26.0% of the issued share capital. There have been no changes in this holding in 2011 and 2012.

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
At 1 January	4,600	4,356
Share of profits from associate ^{1,2}	97	279
Net share of (losses)/gains of associate recognised in other comprehensive income ²	(62)	45
Dividends received	(37)	(60)
At 30 June	4,598	4,620

¹ Share of profits from associate is net of tax.

² Based on ENRC's published unaudited interim results for the period ended 30 June 2012.

At 30 June 2012, the Group's shareholding in ENRC had a market value of \$2,185 million (31 December 2011: \$3,289 million, 30 June 2011: \$4,191 million) which was determined by reference to the published price quotation on the London Stock Exchange. The carrying value of the Group's equity investment in ENRC exceeded the market value by an amount that the Directors deemed as significant as envisaged by IAS 39 'Financial instruments: recognition and measurement'. As a result, an impairment review was performed in accordance with IAS 36 'Impairment of assets', which concluded that no impairment was necessary as the recoverable amount of the ENRC investment, being its value-in-use, exceeded the carrying value. In determining the value-in-use of the ENRC investment, the Directors made estimates of the future cash flows to be generated by ENRC using assumptions derived from publically available information on ENRC's production volumes and capital expenditure, inflation, exchange rates and commodity price forecasts. The calculation of the value-in-use is particularly sensitive to changes in commodity prices, operating cost inflation, capital expenditure and the discount rate used. Any changes to these assumptions, individually or in aggregate, may alter the result of the value-in-use calculation and any subsequent judgement in relation to the recognition of impairment charges.

The following is a summary of the financial information of the Group's investment in ENRC based on ENRC's published unaudited interim results for the period ended 30 June 2012:

\$ million	At 30 June 2012	At 31 December 2011	At 30 June 2011
Share of associate's assets and liabilities			
Total assets	4,973	4,034	4,071
Total liabilities	(2,030)	(1,113)	(1,172)
Net assets	2,943	2,921	2,899
Carrying amount of the investment	4,598	4,600	4,620

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Share of associate's revenue and profit		
Revenue	844	1,043
Operating profit	198	410
Loss arising related to the acquisition of associate	(14)	–
Profit before finance items, taxation and share of profit from joint ventures and associates	184	410
Net finance costs and share of losses from joint ventures and associates	(34)	(10)
Income tax expense and non-controlling interests	(53)	(121)
Profit for the period	97	279

13. Cash and cash equivalents

\$ million	At 30 June 2012	At 31 December 2011	At 30 June 2011
Cash deposits with maturities of less than three months	880	884	1,038
Cash at bank	227	218	207
Petty cash	–	–	1
Continuing operations¹	1,107	1,102	1,246
Discontinued operations	1	9	22
Cash and cash equivalents in the cash flow statement	1,108	1,111	1,268

¹ The total of cash and cash equivalents (\$1,107 million) and current investments (\$501 million) amounting to \$1,608 million, includes approximately \$1,150 million (at 31 December 2011: approximately \$900 million and at 30 June 2011: approximately \$520 million) of cash drawn down under the CDB/Samruk-Kazyna financing facilities which is intended to be used on the specific development projects in accordance with the relevant facility agreements (see note 15).

14. Share capital and reserves

(a) Allotted share capital

	Number	£ million	\$ million
Allotted and called up share capital – Ordinary shares of 20 pence each			
At 1 January and 30 June 2011	535,240,338	107	200
Issuance of Company's share capital pursuant to acquisition of non-controlling interest in subsidiary	177,623	–	–
At 31 December 2011	535,417,961	107	200
Issuance of Company's share capital pursuant to acquisition of non-controlling interest in subsidiary	2,219	–	–
At 30 June 2012	535,420,180	107	200

In November 2011, the Company issued 177,623 ordinary shares of 20 pence each and paid \$8 million in consideration for the transfer of 49,266,115 units in Kazakhmys LLC from non-controlling shareholders. Following this transaction, the Company's interest in Kazakhmys LLC increased from 99.73% at 1 January 2011 to 99.88% at 31 December 2011.

In June 2012, the Company issued 2,219 ordinary shares of 20 pence each and paid \$2 million in consideration for the transfer of 7,160,730 units in Kazakhmys LLC from non-controlling shareholders. Following this transaction, the Company's interest in Kazakhmys LLC increased from 99.88% at 31 December 2011 to 99.90% at 30 June 2012.

(b) Own shares

(i) Own shares purchased under the Group's share-based payment plans

The provision of shares to the Group's share-based payment plans is facilitated by an Employee Benefit Trust. The cost of shares purchased by the Trust is charged against retained earnings. The Employee Benefit Trust has waived the right to receive dividends on these shares. In the six months ended 30 June 2012, 84,183 shares valued at \$2 million were transferred out of the Trust in settlement of share awards granted to employees that were exercised during the period.

At 30 June 2012, the Group, through the Employee Benefit Trust, owned 764,126 Kazakhmys PLC shares (30 June 2011: 848,309, 31 December 2011: 848,309) with a market value of \$9 million (30 June 2011: \$19 million, 31 December 2011: \$12 million) and a cost of \$15 million (30 June 2011: \$16 million, 31 December 2011: \$16 million).

(ii) Own shares purchased under the Company's share buy-back programme

On 25 August 2011, the Group announced a share buyback programme of up to \$250 million, the completion of which was subject to market conditions. The buy-back programme commenced on 27 September 2011 following receipt of regulatory and shareholder approval. In the period from 1 January 2012 to 10 May 2012, when the buy-back programme ceased, the Group purchased 6,142,120 shares at a cost of \$88 million. In total, since the buy-back commenced, the Group purchased 11,701,830 shares at a cost of \$165 million (equivalent to 2.2% of the issued share capital prior to the commencement of the buyback programme). The bought back shares are held in treasury and have been accounted for as own shares. The cost of the shares has been charged against retained earnings and no dividends are declared on these shares.

15. Borrowings

\$ million	Maturity	Average interest rate during the year	Currency of denomination	Current \$ million	Non-current \$ million	Total \$ million
30 June 2012						
Continuing						
CDB/Samruk-Kazyna financing line – US\$ LIBOR + 4.80%	2023	5.57%	US dollar	–	1,677	1,677
Pre-export finance facility – US\$ LIBOR + 1.25%	2013	1.51%	US dollar	349	–	349
				349	1,677	2,026
Discontinued						
Revolving trade finance facility – EURIBOR + 2.25%	2015	3.88%	Euro	141	–	141
31 December 2011						
Continuing						
CDB/Samruk-Kazyna financing line – US\$ LIBOR + 4.80%	2023	5.24%	US dollar	–	1,281	1,281
Pre-export finance facility – US\$ LIBOR + 1.25%	2013	1.48%	US dollar	525	87	612
				525	1,368	1,893
Discontinued						
Revolving trade finance facility – EURIBOR + 2.25%	2015	3.83%	Euro	121	–	121
30 June 2011						
Continuing						
CDB/Samruk-Kazyna financing line – US\$ LIBOR + 4.80%	2023	5.27%	US dollar	–	787	787
Pre-export finance facility – US\$ LIBOR + 1.25%	2013	1.49%	US dollar	520	351	871
				520	1,138	1,658
Discontinued						
Revolving trade finance facility – EURIBOR + 3.00%	2012	3.88%	Euro	214	–	214

China Development Bank (“CDB”) and JSC Sovereign Wealth Fund Samruk-Kazyna (“Samruk-Kazyna”) financing line

On 30 December 2009, Kazakhmys announced that it had secured a \$2.7 billion financing line with CDB and Samruk-Kazyna, allocated from a \$3.0 billion financing line agreed between CDB and Samruk-Kazyna. Of the \$2.7 billion secured for the Group, facility agreements were signed for \$2.1 billion on 30 December 2009, and for a further \$200 million on 12 January 2010, for the development of the Group's projects at Bozshakol and Bozymchak and other development projects, and two facility agreements for \$200 million each, allocated to the Akbastau-Kosmurun and Zhomart projects, were signed on 11 June 2012. Samruk-Kazyna has separately signed an agreement for \$300 million of the \$3.0 billion to be used elsewhere and not for the benefit of the Group. As part of this financing package, the Company, along with a subsidiary of Samruk-Kazyna, provided a guarantee in favour of CDB in respect of Samruk-Kazyna's obligations under the \$3.0 billion financing line, including 85% of the \$300 million which was not on-lent for the benefit of the Group.

The funds are available for drawing any time within a three year period and once drawn will attract interest semi-annually at an annualised rate of US\$ LIBOR + 4.80%. The loans have a final maturity of between 12 and 15 years from the first draw down and repayment of principal commences from the end of the third year following the first draw down under each facility.

As at 30 June 2012, \$1,700 million (30 June 2011: \$800 million, 31 December 2011: \$1,300 million) was drawn under the facility agreements signed to date. Arrangement fees with an amortised cost as at 30 June 2012 of \$24 million (30 June 2011: \$13 million, 31 December 2011: \$19 million), gross cost before amortisation of \$26 million (30 June 2011: \$14 million, 31 December 2011: \$20 million), have been netted off against these borrowings in accordance with IAS 39.

Further details on the accounting treatment, the loan structuring and related guarantees are set out in note 30 of the 2011 Annual Report and Accounts.

16. Reconciliation of profit before taxation to net cash inflow from operating activities

\$ million	Six months ended 30 June 2012	Six months ended 30 June 2011
Profit before taxation from continuing operations	178	1,004
Profit before taxation from discontinued operations	22	(448)
Interest income	(10)	(4)
Interest expense	39	30
Depreciation and depletion	128	112
Amortisation	3	1
Share based payments	3	2
Share of profits from joint venture	(63)	(53)
Share of profits from associate	(97)	(279)
Impairment losses	186	490
Loss on disposal of subsidiary	8	–
Loss on disposal of property, plant and equipment	2	1
Unrealised foreign exchange loss/(gain)	6	(11)
Operating cash flows before changes in working capital and provisions	405	845
Increase in inventories	(88)	(58)
Increase in prepayments and other current assets	(93)	(30)
Increase in trade and other receivables	(37)	(34)
Increase/(decrease) in employee benefits	67	(2)
(Decrease)/increase in provisions	(29)	24
Increase in trade and other payables	37	111
Cash inflow from operations before interest, income taxes and dividends from associate and joint venture	262	856

Non-cash transactions

The Group capitalised to intangible assets an amount of \$3 million in respect of provisions for payments of licences (2011: \$5 million).

17. Movement in net liquid funds/(debt)

\$ million	At 1 January 2012	Cash flow	Attributable to discontinued operations	Other movements	At 30 June 2012
Cash and cash equivalents	1,102	(1)	8	(2)	1,107
Current investments	810	(296)	–	(13)	501
Borrowings	(1,893)	(156)	25	(2)	(2,026)
Net funds/(debt)	19	(453)	33	(17)	(418)

\$ million	At 1 January 2011	Cash flow	Attributable to discontinued operations	Other movements	At 30 June 2011
Cash and cash equivalents	1,113	140	(9)	2	1,246
Current investments	356	19	–	1	376
Borrowings	(1,819)	159	23	(21)	(1,658)
Net debt	(350)	318	14	(18)	(36)

¹ Other movements comprise net foreign exchange movements, non-cash amortisation of fees on borrowings and other non-cash reconciling items. For the period ended 30 June 2012, the \$13 million movement in current investments relates to the investments disposed when the captive insurance company in Kazakhstan was sold in early 2012 (see note 5(a)(i)).

18. Related party disclosures

(a) Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial period:

\$ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Companies under trust management¹				
30 June 2012	6	5	55	–
30 June 2011	7	3	52	3
Other¹				
30 June 2012	1	10	10	1
30 June 2011	1	16	9	3

¹ A provision of \$55 million (30 June 2011: \$50 million) has been set against the amounts owed by related parties within companies under trust management and other companies. The bad debt expense in relation to related parties was \$1 million for the period (2011: \$4 million).

(i) Government

Share ownership in the Company

On 24 July 2008, the Company issued 80,286,050 ordinary shares to the State Property and Privatisation Committee of the Government, thereby making the Government a 15% shareholder of the Company and a related party with effect from this date.

On 4 October 2010, the Group's Chairman, Vladimir Kim, sold 58,876,793 ordinary shares, approximately 11.0% of Kazakhmys' shares in issue, to Samruk-Kazyna. As a result of the transaction, the Government's interest in the Group increased to 139,162,843 ordinary shares, representing approximately 26.0% of the shares in issue. The Government's interest is held via The State Property & Privatisation Committee's existing 15.0% holding and the 11.0% shareholding of Samruk-Kazyna.

Following the purchase of 11,701,830 of the Company's shares under the share buy-back programme which completed in May 2012, the Government's percentage of the total voting rights held has increased to 26.57% as at 30 June 2012.

China Development Bank ("CDB") and Samruk-Kazyna financing line

As explained in note 15, the Group secured a \$2.7 billion financing line with Samruk-Kazyna and the CDB. The terms and conditions of the financing line, including a guarantee issued by the Group over the debt obligations of Samruk-Kazyna to the CDB under the financing line, are considered to be on an arm's length basis.

Other transactions

Throughout the normal course of business, the Group conducts transactions with entities controlled by the Government. The principal activities relate to the payment of electricity transmission fees, use of railway infrastructure and payments to tax authorities. In addition, the Group also constructs or pays for the construction of community assets and projects which may be transferred to the relevant Government department as part of the Group's social programme in Kazakhstan. Transactions between the Group and Government departments and agencies are considered to be related party transactions. Disclosure of these routine transactions is not made where all of the following criteria are met:

- they were done in the ordinary course of business of the Government department and/or company;
- 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 Group did not have any material or significant non-arm's length or privileged transactions with entities controlled by the Government in the period (2011: \$nil).

Dividend payment

The Government's share of the final dividend paid by the Company on 15 May 2012 was \$28 million (2011: \$22 million).

(ii) ENRC

In 2012 the Group received dividends of \$37 million from ENRC, the associated undertaking (2011: \$60 million).

(iii) Ekibastuz GRES-1

In 2012 the Group received dividends of \$28 million from Ekibastuz GRES-1, the joint venture (2011: \$nil).

(iv) Companies under trust management agreements

The Group operates a number of companies under trust management agreements with local and state authorities. The activities include heating distribution systems, road maintenance and aviation services. The purpose of these agreements is to provide public and social services without any material financial benefit for the Group.

(v) Other

Transactions with other companies primarily relate to the provision of goods and services, on an arm's length basis, with companies whose boards or shareholders include members of senior management from the Group's subsidiaries.

(b) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

19. Update on commitments and contingencies

Where tax exposures can be quantified, an accrual is made based on best estimates and management's judgement. Details of the movements in relation to material tax exposures are discussed below. As accruals can be built up over a long period of time but the ultimate resolution of tax exposures usually occurs at a point in time and given the inherent uncertainties in assessing the outcomes of these exposures (which sometimes can be binary in nature), the Group could in future periods experience adjustments to these accruals that have a material positive or negative effect on the results in any particular period.

Kazakhmys Mining – excess profits taxation (“EPT”)

As disclosed in the 2011 Annual Report and Accounts, the Supreme Court of Kazakhstan ruled in favour of Kazakhmys LLC in relation to past disputes over the interpretation of the EPT legislation. As part of this ruling, the Supreme Court also ruled that Kazakhmys LLC should not have been an EPT payer in the periods up to and including 2008.

In 2012, following the Supreme Court's ruling, management have lodged a claim with the Ministry of Finance to seek reimbursement of past EPT payments amounting to \$108 million for the periods up to and including 2008 and

it is the intention of management to offset the past EPT payments against the current year income tax and MET liabilities. The Directors believe that sufficient uncertainties still remain over the recoverability of this amount such that an asset has not been recognised in the condensed consolidated financial statements as at 30 June 2012.

Kazakhmys Mining – environmental pollution charges (“EPC”)

The tax audit conducted for the years 2006 to 2008 as disclosed in the 2011 Annual Report and Accounts, identified a potential exposure related to EPC resulting from a difference in interpretation on the applicability of the “Law on Foreign Investment” dated 27 December 1994 (the “Law”). Despite the Group having challenged the basis of certain of the claims levied by the tax authorities, the Directors assessed the position of Kazakhmys LLC as at 31 December 2011 and made a provision reflecting the probability that a settlement would be negotiated with the tax authorities following agreement being reached on the interpretation of the Law.

In May 2012, the Supreme Court of Kazakhstan ruled in favour of Kazakhmys LLC in its appeal over certain of the claims levied by the tax authorities. The Supreme Court’s ruling confirmed the basis used by Kazakhmys LLC in calculating certain of its EPC liabilities for the periods under audit. Consequently, the Directors believe that the likelihood of further liabilities or exposures existing in respect of EPC for the periods 2006 to 2008 is remote and the provision of \$38 million, including fines and penalties, relating to the possible settlement of the additional liabilities calculated by the tax authorities has been released as at 30 June 2012.

20. Events after the balance sheet date

Interim dividend

The Directors have declared an interim dividend in respect of the year ended 31 December 2012 of 3.0 US cents per share. This dividend shall be paid on 3 October 2012 to shareholders on the London register of members at the close of business on 7 September 2012 and to shareholders on the Hong Kong register of members at the opening of business on 7 September 2012.

GLOSSARY

Board or Board of Directors

the Board of Directors of the Company

capital employed

the aggregate of equity attributable to owners of the Company, non-controlling interests and borrowings

cash cost of copper after by-product credits

the total of cash operating costs excluding MET and purchased concentrate less by-product revenues, divided by the volume of copper cathode equivalent sales

cash operating costs

all costs included within operating profit, net of other operating income, excluding MET, depreciation and special items

CDB

the China Development Bank Corporation

CO₂

carbon dioxide

Company or Kazakhmys

Kazakhmys PLC

Directors

the Directors of the Company

dollar or \$ or USD

United States dollars, the currency of the United States of America

EBITDA

Earnings before interest, taxation, depreciation, depletion, amortisation and mineral extraction tax

Ekibastuz GRES-1

Ekibastuz GRES-1 LLP

ENRC or ENRC PLC

Eurasian Natural Resources Corporation PLC

EPS

Earnings per share

EPS based on Underlying Profit

Profit for the year after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business, and their resulting taxation and non-controlling interest impact, divided by the weighted average number of ordinary shares in issue during the period

EPT

Excess profits tax

EURIBOR

European Inter Bank Offer Rate

euro or €

euro, the currency of certain member states of the European Union (EU)

Free Cash Flow

net cash flow from operating activities less sustaining capital expenditure on tangible and intangible assets

g/t

grammes per metric tonne

Government

the Government of the Republic of Kazakhstan

the Group

Kazakhmys PLC and its subsidiary companies

Group EBITDA

earnings before interest, taxation, depreciation, depletion, amortisation and mineral extraction tax adjusted for special items and including the share of EBITDA of the joint venture and associate

GVA

gross value added, which is calculated as turnover less the input cost of copper cathode

GWh

gigawatt-hour, one gigawatt-hour represents one hour of electricity consumed at a constant rate of one gigawatt (billion watts)

IAS

International Accounting Standards

IASB

International Accounting Standards Board

IFRIC

International Financial Reporting Interpretations Committee

IFRS or IFRSs

International Financial Reporting Standards

Kazakhmys LLC or Kazakhmys Corporation LLC

Kazakhmys Corporation LLC, the Group's principal operating subsidiary in Kazakhstan

Kazakhmys Mining

an operating segment of the Group, which comprises all entities and functions within the Group responsible for the exploration, evaluation, development, mining and processing of the Group's mineral resources and sale of the Group's metal products

Kazakhmys Petroleum

an operating segment of the Group, until its disposal on 23 December 2011, which held a licence to conduct oil and gas exploration and development activity in the Eastern Akzhar exploration block in western Kazakhstan

Kazakhmys Power

an operating segment of the Group, which includes the Group's captive power stations, the Ekibastuz GRES-1 coal-fired power plant joint venture and Maikuben West coal mine (until 17 May 2011), whose principal activity is the sale of electricity to external customers and internally to Kazakhmys Mining

Kazakhstan

the Republic of Kazakhstan

kg

kilogramme

KGcal

thousand gigacalories, a unit of heat equal to one thousand billion calories

koz

thousand ounces

KPI

Key Performance Indicator

kt

thousand metric tonnes

kWh

kilowatt hour, one kilowatt hour represents one hour of electricity consumed at a constant rate of one kilowatt (thousand watts)

lb

pound, unit of weight

LBMA

London Bullion Market Association

LIBOR

London Inter Bank Offer Rate

Listing

the listing of the Company's ordinary shares on the London Stock Exchange on 12 October 2005

LME

London Metal Exchange

LSE

London Stock Exchange

LTIFR

lost time injury frequency rate

MET

mineral extraction tax

MKM

MKM Mansfelder Kupfer und Messing GmbH, the Group's operating subsidiary in the Federal Republic of Germany and an operating segment of the Group, which manufactures copper and copper alloy semi-finished products

MT

million metric tonnes

MW

megawatt, a unit of power equivalent to one million watts

NO_x

nitrogen oxides

ounce or oz

a troy ounce, which equates to 31.1035 grammes

\$/t or \$/tonne

US dollars per metric tonne

Samruk-Kazyna

Joint Stock Company "National Welfare Fund "Samruk-Kazyna", an entity owned and controlled by the Government of Kazakhstan

Segmental EBITDA

earnings before interest, taxation, depreciation, depletion, amortisation and mineral extraction tax from the Group's operating segments, including the share of EBITDA of the joint venture but excluding the share of EBITDA of the associate

SO₂

sulphur dioxide

Special items

those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. Special items are set out in note 7 to the condensed consolidated half-yearly financial statements

t

metric tonnes

tenge or KZT

the official currency of the Republic of Kazakhstan

UK

United Kingdom

Underlying Profit

Profit for the period after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and non-controlling interest effects. Underlying Profit is set out in note 10 to the condensed consolidated half-yearly financial statements

USc/lb

US cents per pound