KAZAKHMYS PLC

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KAZAKHMYS PLC HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2014

RESTRUCTURING

- **Completed disposal of Ekibastuz GRES-1**
  - Focused on core copper business

- **Restructuring delivers transformational change in line with strategy**
  - Cash generative production from current assets
  - Exceptional growth profile from large scale, low cost, open pit mines

FINANCIAL HIGHLIGHTS

- **Successful focus on profit margins and cash management**
  - Net cash cost of copper reduced by 13% to 203 USc/lb
  - Net cash flow from operations of $200 million, $73 million above the first half of 2013
  - Improved margins despite lower metal prices

- **Net debt of $192 million, benefiting from the disposal of Ekibastuz GRES-1**

GROWTH PROJECTS

- **Continued progress on growth projects**
  - Bozshakol and Aktogay oxides remain on track for commissioning in the second half of 2015

PRODUCTION OUTLOOK

- **Focus on copper production in Continuing Group**
  - Full year cathode equivalent output of 80 to 85 kt
  - Partly offset by reduced by-product output

$ million (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Revenues	**1,287**	1,571
Earnings:		
Group EBITDA (excluding special items)[1]	**324**	714
Segmental EBITDA (excluding special items)[1]	**324**	438
Loss before taxation from continuing operations[2]	**(118)**	(244)
Underlying Profit	**29**	115
EPS:		
Basic and diluted ($)	**0.11**	(1.84)
Based on Underlying Profit[3] ($)	**0.06**	0.21
Free Cash Flow[4]	**66**	(135)
Cash cost of copper after by-product credits[5] (USc/lb)	**203**	232

1 Reconciliation of Group and Segmental EBITDA (excluding special items) to loss before finance items and taxation is found in note 4(a)(ii). In the period ended 30 June 2014, special items within EBITDA amounted to $30 million compared to $240 million in the first six months of 2013. The most significant special items for the period ended 30 June 2013 relate to impairment charges of $146 million recognised within Kazakhmys Mining and a charge of $84 million in respect of previously insured disability payments.

2 Loss before taxation from continuing operations excludes the results of ENRC, MKM and Ekibastuz GRES-1. ENRC and MKM were classified as a discontinued operation for the period ended 30 June 2013, with Ekibastuz GRES-1 being classified as a discontinued operation for the periods ended 30 June 2014 and 30 June 2013.

3 Reconciliation of EPS based on Underlying Profit is found in note 9(b).

4 Net cash flows from operating activities before other expenditure associated with the Major Growth Projects, less sustaining capital expenditure.

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

Oleg Novachuk, Chief Executive of Kazakhmys PLC, said: “We have delivered significant transformation in the past 18 months, with the disposal of our non-core assets and proposed Restructuring. We are focused on copper, a metal with an exceptional outlook, and following completion of the Restructuring we will be a low cost copper producer, providing industry leading growth and the potential for attractive future returns to shareholders. I look forward to reporting on our continued progress.”

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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

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FORWARD-LOOKING STATEMENTS

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 February 2014, we announced a proposal for a restructuring of the Group, which was approved by shareholders on 15 August 2014. The Restructuring will transform Kazakhmys, focusing the Group on five cash generative operating mines, with exceptional future growth from our three Major Growth Projects.

Completion is subject to regulatory approvals, which are anticipated by the year end. Upon completion, the Continuing Group will change its name to KAZ Minerals PLC.

Throughout the first six months of 2014, in addition to the considerable work required on the Restructuring, operational management remained focused on efficient production to protect profit margins. Ore extraction was reduced at higher cost, low grade mines and average grades have consequently increased. We remain on track to achieve our annual production target and the focus on operational efficiency has been successful in containing costs and assisting profitability.

I deeply regret to report 11 fatalities in the year to date. Progress on safety is slower than we had hoped. The Board and management are committed to and will continue to focus on achieving our goal of zero fatalities.

Business strategy and Restructuring

A year ago I wrote that our strategy was to develop our core copper business, optimise our existing assets and deliver our Major Growth Projects. We have made significant progress towards achieving these goals.

The Group has undergone considerable change with the sale of three non-core businesses and the implementation of our Restructuring in 2014.

In May 2013, we sold MKM, a downstream German copper business, for €42 million. In November 2013, we completed the disposal of our 26% holding in ENRC. This disposal realised net cash proceeds of $875 million, and the receipt and cancellation of 77 million Kazakhmys shares. As a consequence of this transaction, Kazakhmys now has a majority free float.

In April 2014, we completed our final non-core asset disposal with the sale of our 50% holding in Ekibastuz GRES-1 to Samruk-Energo for proceeds of $1.25 billion and a gain of $670 million on our initial investment. These disposals were part of the Group's strategic objective to focus on our core copper business, which has exceptional growth potential and the ability to generate attractive shareholder returns.

Over the past few years, a combination of declining grades, cost inflation and lower commodity prices has put significant pressure on the profitability and cash generation of our copper business. In response to these pressures, the Group commenced an optimisation programme and asset review during 2013. In the course of the review it became apparent that more significant and structural change was required, which led to the proposed Restructuring. The objective of the Restructuring was to achieve sustainable positive cash flow from our existing operations while supporting the development of the Major Growth Projects.

As mentioned above, the Restructuring was approved by shareholders on 15 August 2014. The Group will dispose of the relatively mature assets in the Zhezkazgan and Central Regions, including mines, concentrators, power plants and smelters. Our major shareholder and non-executive Director, Vladimir Kim, and executive Director, Eduard Ogay, agreed to take ownership of the Disposal Assets. These mature assets do not currently generate sufficient free cash flow, they have a large labour force, a significant social footprint and do not meet our strategic objective of large scale, low cost, open pit mines.

KAZ Minerals will retain the four mines and connected concentrators in the East Region, the Bozymchak mine and the concentrator in Kyrgyzstan, as well as our Major Growth Projects. KAZ Minerals' assets produced 41 kt of copper cathode equivalent in the first six months of 2014, along with significant by-products of zinc, gold and silver.

Despite producing less than a third of the Group's total copper output, the KAZ Minerals assets are cash generative and more suited to the requirements of a publicly listed company with the demands of external shareholders. The Major Growth Projects will significantly increase future output, with Bozshakol and Aktogay oxides commissioning in the second half of 2015. The Major Growth Projects will each produce 90 kt to 100 kt of copper in concentrate per annum at attractive production costs.

The Restructuring includes a payment to cover the working capital requirements of the Disposal Assets. There is a cash payment of US$150 million, along with adjusting items, so that the total Working Capital Payment is estimated to be US$240 million. Subject to completion of the Restructuring, the Disposal Assets will have been economically separate since 1 August 2014. The Working Capital Payment will be adjusted for the net cash flows generated by the Disposal Assets during this period.

After completion, the two entities will be run independently with no shared management. Certain services, however, will be provided between the two entities on set terms. Most significantly, the Disposal Assets will provide smelting and refining services for the output from the mines in the East Region and Bozymchak. There are relationship agreements between the Group and its major shareholders to ensure that all transactions between the two entities are undertaken on an arm's length basis and on normal commercial terms.

With completion of the Restructuring, we will have made significant progress towards achieving our goal of a copper business based in Central Asia and dominated by large scale, low cost, open pit mines, which will provide higher economic returns to the benefit of all our stakeholders.

Operations and financial performance

These operating and financial results cover the full Group, including the assets which will be disposed of later this year, following completion of the Restructuring.

In the first half of 2014, output was reduced at several higher cost, lower grade operations as part of our asset optimisation and cost efficiency programmes. Total ore extraction volumes reduced 7% to 18,175 kt, with the copper ore grade correspondingly higher at 1.02%, resulting in a 1% decline of copper in ore mined compared to the previous period. Copper cathode equivalent output was 139.2 kt, 4% below the level achieved in the first six months of 2013, due to a slight increase in stockpiled material.

Bozymchak, our copper and gold project in Kyrgyzstan, commenced commissioning in March 2014 and will produce commercially at modest levels in 2014, continuing to ramp up in 2015.

Sales volumes of 137.5 kt of copper cathode equivalent in the first half of 2014 were broadly in line with production volumes. Revenue of $1,287 million was 18% below the comparative period, impacted by a combination of less material available for sale, weaker metals prices and lower prices received for sales of copper in concentrate. The LME copper price averaged $6,916 per tonne over the first six months of 2014, compared to $7,543 per tonne in the first half of 2013. Following the suspension of the Zhezkazgan smelter in the second half of 2013, copper sales volumes in the first half of 2014 included 49.0 kt of copper in concentrate sold. Copper in concentrate receives a lower price than copper cathode thereby reducing revenues, although there is a corresponding reduction in operating and capital spend due to the suspension of the smelter.

Despite lower commodity prices and sales volumes, there was a slight increase in EBITDA margin, assisted by the various cost efficiencies and the tenge devaluation, mentioned below. EBITDA (excluding special items), was $324 million in the first half of 2014, compared to $354 million in the comparative period.

In February 2014, the tenge was devalued from approximately 155 KZT/USD to 185 KZT/USD. Although this created inflationary pressure, it provided an immediate benefit to tenge denominated expenditure, which makes up over half of the Group's operating costs.

A pre-tax loss of $118 million was impacted by a net foreign exchange loss of $188 million, principally arising from the impact of the tenge devaluation. There was a tax expense of $39 million, compared to a credit of $16 million in the comparative period as a result of tax exempt items. MET reduced, reflecting lower commodity prices and volumes, and the agreed reductions in MET rates at several assets in the Zhezkazgan and Central Regions.

Underlying Profit from continuing operations was $29 million in the first half of 2014, compared to a loss of $17 million in the prior period reflecting the impact of asset optimisation and cost efficiency programmes on core operations. Earnings per share on Underlying Profit also benefited from the reduced number of shares in issue, as a consequence of the share cancellation mentioned above.

Operating costs

The various improvements to costs led to gross unit cost of 309 USc/lb, an 8% decline compared to the first six months of 2013 and below the anticipated target for the year of 315 to 330 USc/lb, although it is likely that costs will rise in the second half of the year given inflationary pressure arising from the currency devaluation in February 2014.

Net unit cost for the Group in the first half of 2014, after by-product credits, was 203 USc/lb.

As previously announced, the assets in the East Region, remaining with KAZ Minerals, should achieve net cash costs in 2014 of between 120 USc/lb and 140 USc/lb benefiting from above average grades and significant by-product credits.

Growth projects and expenditure

The development of our Major Growth Projects will further transform Kazakhmys, dominating future output from mines that are large scale, low cost and open pit which are safer to operate.

In December 2013, we announced that we had appointed Non Ferrous China as a second contractor at Bozshakol. This year we aim to complete further infrastructure work, installation of the mills and the internal steel platforms in the grinding and flotation areas. The project remains on track for commissioning in the second half of 2015 with a total capital cost of $2.2 billion.

At Aktogay we have divided the contracts into a series of smaller packages. As previously announced, the total cost of around $2.0 billion is expected to increase and will be confirmed when the final contracts are agreed. Site preparation work continued in the first half of 2014, with bulk earthworks commencing and the continued development of infrastructure at the site and the assembly of mining equipment. The project remains on track for commissioning the oxide plant in 2015 and the main sulphide processing plant in 2017.

In June 2014, we acquired a third growth project, Koksay, a mine which is in keeping with our strategic aims. The purchase price was $260 million, of which $65 million is deferred. The project is at the scoping stage and has an estimated mine life of over 20 years with average annual production of around 85 kt of copper cathode equivalent, 55 koz of gold, 360 koz of silver and 1 kt of molybdenum in concentrate in the first 10 years of operation.

Koksay is in keeping with our strategic focus on large scale, low cost, open pit copper mines in Central Asia. Spending on the project will remain modest until Bozshakol is producing. Koksay could see capital expenditure of up to $5 million in 2014.

We have invested around $265 million on Bozshakol in the first six months of 2014 and around $200 million on Aktogay. Our anticipated total spend for 2014 is between $750 million and $950 million on Bozshakol and between $400 million and $600 million on Aktogay. There will, therefore, be an increase in the rate of expenditure in the second half of the year.

Around $20 million was spent at Bozymchak in the first half of 2014. The project could potentially incur further spending of up to $40 million in the second half of 2014.

Financial position and debt

The reduction in costs is reflected in improved cash flow from operations of $200 million, compared to $127 million in the prior period. Lower spending on sustaining capital expenditure and reduced tax and MET payments partially offset by a smaller contribution from working capital have led to Free Cash Flow of $66 million, compared to an outflow of $135 million in the comparative period.

Expansionary capital expenditure was $487 million compared to $418 million in the first half of 2013.

Net debt reduced to $192 million at 30 June 2014, compared to $771 million at 31 December 2013, as spending on the Major Growth Projects was offset by the proceeds from the disposal of our holding in Ekibastuz GRES-1.

Net debt at 31 July 2014 was $328 million, ahead of the date of economic separation under the Restructuring. Net debt will continue to increase as we develop the Major Growth Projects and is likely to peak in 2016, as Bozshakol moves into its ramp up phase. Given the low operating cost at Bozshakol, debt ratios will decline rapidly following commencement of commercial production. Managing the balance sheet will be a key focus for the executives and the Board in the next 12 months.

Capital expenditure for Bozshakol, Aktogay and Bozymchak is backed by $3.6 billion of funding, principally from the CDB. These long-term debt facilities, incorporating balance sheet covenants, are well matched for mine development and provide a sound base for the delivery of our projects.

Corporate Responsibility

Our Corporate Responsibility programme has continued throughout the ongoing Restructuring, and we intend to build on and improve the existing health and safety management systems. Our environmental impact will change following the Restructuring, as we will no longer be directly involved in power generation or smelting and refining. We are carrying out a full review of our Corporate Responsibility reporting to ensure that it remains relevant to the changing profile of the Group.

We will continue to implement measures to minimise the impact of our operations on the environment, to provide our workforce with safe and fair working conditions and to ensure that the communities around our operations benefit from our activity.

All of our employees have assisted in the delivery of our excellent cost performance and I should like to thank them for their assistance. There has also been considerable effort required for the Restructuring, and progress to date has been ahead of expectations. The Restructuring will inevitably require change and flexibility from some employees, but it should also provide a more stable base going forward for both entities.

Shareholder returns

Our 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 Restructuring and delivery of the Major Growth Projects are fundamental to restoring future dividend payments. Given the changes taking place and the immediate level of capital expenditure, the Board believes it would be inappropriate to pay an interim dividend.

Outlook

With the changes of the past eighteen months we have placed ourselves in an extremely competitive position. Our business is centred on the production of copper, a metal with the strongest commodity price outlook, driven by rising demand and constrained supply. We are located close to the world's largest copper markets, backed by long standing customer relationships. Finally, we will have amongst the highest growth in the sector and we are moving ourselves towards an increasingly competitive position on the cost curve.

There is further work required to complete the Restructuring and we must ensure that these changes take place without causing disruption to the ongoing business activities. I look forward to providing updates on our progress during the year.

OPERATIONAL REVIEW

REVIEW OF KAZAKHMYS MINING

The Mining Division incorporates the Group's mining, concentrating, smelting and auxiliary operations in the East, Central and Zhezkazgan Regions of Kazakhstan along with the Division's sales operation. The Mining Division also includes the Bozymchak mine in Kyrgyzstan, which is in the commissioning phase, and the Major Growth Projects.

The sale of copper products, including copper cathode, copper in concentrate and copper rod, generated 73% of the Mining Division's revenue in the first half of 2014. The key by-products from the copper production process include zinc, silver and gold.

Subject to completion of the Restructuring, the mining and concentrating operations in the East Region, the Bozymchak mine and the Major Growth Projects will be economically separated from the Disposal Assets with effect from 1 August 2014.

Kazakhmys Mining production summary

Copper

kt (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Ore extraction[1]	**18,175**	19,589
East Region ore extraction[1]	***2,137***	*2,170*
Average copper grade (%)	**1.02**	0.96
East Region average copper grade (%)	***2.55***	*2.35*
Own copper in concentrate[2]	**152.5**	157.8
East Region own copper in concentrate[2]	***44.4***	*40.8*
Own copper cathode equivalent production[3]	**139.2**	144.3
Cathode	**92.2**	144.3
Concentrate[4]	**47.0**	–
East Region own copper cathode equivalent production	***41.1***	*36.0*
Copper rod production	**5.8**	6.0

1 Excludes ore output from the Bozymchak mine, which has been stockpiled ahead of commissioning of the concentrator.
2 Includes own material processed by third parties.
3 Includes copper cathode converted into rod, excluding tolling.
4 Copper cathode equivalent of copper in concentrate sold. The copper cathode equivalent is only recognised as 'produced' when the concentrate is transferred to the customer. Copper cathode equivalent is recognised at a recovery rate of 96.5%.

Ore extraction was 7% below the first half of 2013 as mining activity was reduced at higher cost zones in the Zhezkazgan Region to protect profit margins and maintenance at the concentrators along with equipment downtime restricted ore output in the Central Region.

The four operating mines in the East Region produced 2,137 kt of ore in the first half of 2014, which was marginally below output in the prior period. The decline in output was due to lower ore extraction from the mature Yubileyno-Snegirikhinsky mine, which is expected to cease operation within the next two years. Ore output from the Orlovsky and Artemyevsky mines, which produced 77% of the copper in ore extracted from the East Region, was consistent with extraction in the prior period.

Ore extraction from the Zhezkazgan and Central Regions totalled 16,038 kt in the first half of 2014, an 8% decline from the prior period. In the Zhezkazgan Region, ore extraction reduced at the higher cost sections of the East, North and South mines, while operations at the North mine were also impacted by planned stripping works. Ore output from the Central Region was restricted by maintenance works at the Balkhash and Nurkazgan concentrators and equipment downtime at the Sayak mine.

The average copper grade of 1.02% was above the first half of 2013 as the mining of copper rich sections at the Orlovsky and Akbastau mines was only partially offset by lower grades in the Zhezkazgan Region. The average copper grade in the East Region in the first half of 2014 rose to 2.55%, as the grade at the Orlovsky mine increased from 3.21% to 3.84%. The grade at the Orlovsky mine is expected to reduce in the second half of 2014, but should remain above 3%.

The volume of copper in ore extracted by Kazakhmys Mining in the first half of 2014 was 2.6 kt below the prior period at 185.0 kt. In the Zhezkazgan and Central Regions, copper in ore output declined by 6.1 kt reflecting the lower ore volumes and grade in the Zhezkazgan Region, partially offset by higher copper in ore output from the Akbastau and Nurkazgan mines in the Central Region. The copper in ore extracted in the East Region rose by 3.5 kt due to the mining of copper rich sections at the Orlovsky mine.

The Mining Division's copper in concentrate production was 5.3 kt below the prior period at 152.5 kt. In the Zhezkazgan and Central Regions, copper in concentrate production declined by 8.9 kt with the lower volume of copper in ore extracted and an increase in ore stockpiles.

Copper in concentrate production from the East Region rose by 3.6 kt, mainly due to the higher volume of copper output from the Orlovsky mine. Copper in concentrate output was also assisted by an increase in recovery rates at the Nikolayevsky concentrator, reflecting the benefits of the modernisation work being conducted at the concentrator. The modernisation project has resulted in the build up of ore stockpiles in the first half of 2014 and could result in material extracted during the year being processed in 2015.

Own copper cathode equivalent production of 139.2 kt was 5.1 kt below the first half of 2013, mainly due to the decline in copper in concentrate output from the Zhezkazgan and Central Regions. Copper rod production was consistent with the prior period with output being used to meet domestic demand. An assessment of the benefits of recommencing operations at the Zhezkazgan smelter in the fourth quarter of 2014 is currently being conducted by the Disposal Assets' management team. If operations at the smelter recommence, the build up of work in progress while the smelter is being recommissioned in late 2014 may result in copper and silver output from the Disposal Assets being delayed into 2015.

Own copper cathode equivalent production in the East Region increased by 5.1 kt when compared to the first half of 2013. The increase in production was due to the rise in copper in concentrate output and the build up of work in progress at the Balkhash smelter in the first half of 2013, where copper concentrate from the East Region is processed. The Mining Division remains on target to produce between 285 kt and 295 kt of copper cathode equivalent output in 2014. Copper cathode production from the East Region and the Bozymchak mine is anticipated to be between 80 kt and 85 kt in 2014. The guidance for copper cathode production has been increased following the revisions to mine plans in August 2014 and reflects the targeting of copper rich sections. The changes to the mine plans are expected to result in lower silver, gold and zinc output.

Zinc

kt (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Zinc bearing ore mined	**3,215**	3,172
Zinc grade (%)	**3.38**	2.99
Zinc in concentrate	**61.7**	63.1
East Region zinc in concentrate	***61.7***	*63.1*

The Mining Division extracted 108.6 kt of zinc in ore in the first half of 2014, which was 13.8 kt above the prior period. The increase in zinc in ore extracted was driven by the mining of zinc rich sections at the Orlovsky mine along with higher grade and ore output from the Akbastau mine. However, due to the technical limitations in processing zinc ore from the Akbastau mine, 16.9 kt of zinc in ore mined in the first half of 2014 was not processed into zinc in concentrate, compared to 9.2 kt in the prior period.

Zinc in concentrate production was 1.4 kt below the levels of the first half of 2013 due to the stockpiling of ore while modernisation works take place at the Nikolayevsky concentrator. The East Region produced all of the Mining Division's zinc in concentrate in both of the reported periods. Zinc in concentrate production is anticipated to be between 115 kt and 120 kt in 2014.

Silver

koz (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Silver bearing ore mined (kt)	**18,175**	19,589
Silver grade (g/t)	**15.29**	14.75
Silver[1]	**5,224**	7,145
Own production	**3,130**	7,145
Silver in copper concentrate sold[2]	**2,094**	–
East Region silver own production	***1,668***	*2,424*

1 Includes a small volume of production from former Kazakhmys Gold's mines and slimes from purchased concentrate.
2 Silver granule equivalent of silver in copper concentrate sold. Silver metal contained in the concentrate sold is only recognised as 'produced' when the concentrate is transferred to the customer. Silver granule equivalent is recognised at a recovery rate of 90.0%.

Silver in ore mined in the first half of 2014 was 359 koz below the prior period due to the decline in ore output and grade in the Zhezkazgan Region. In the East Region, the volume of silver in ore mined was consistent with the same period in 2013 as a decrease in silver grade at the Artemyevsky mine was offset by higher grade metal from the Orlovsky mine.

Silver bar and granule production of 5,224 koz in the first half of 2014 was below the prior period by 1,921 koz. The decline in production was due to the lower volume of silver in ore extracted and a significant release of work in progress at the Balkhash processing facilities in the first half of 2013.

The East Region produced 1,668 koz of silver bar and granules in the first half of 2014 which was 756 koz below the prior period. Production from the region fell due to the build up of ore stockpiles in the first half of 2014, whilst production in the first half of 2013 was assisted by the release of work in progress at processing facilities.

Silver bar and granule production from the Mining Division is anticipated to reach 11,000 koz in 2014. Silver bar and granule production from the East Region and the Bozymchak mine is expected to be between 3,300 koz and 3,700 koz in 2014.

Gold

koz (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Gold bearing ore mined (kt)	**5,657**	5,607
Gold grade (g/t)	**0.57**	0.52
Gold own production[1]	**51.0**	50.8
East Region gold own production	***17.7***	*21.9*

1 Includes a small volume of production from the former Kazakhmys Gold's mines and slimes from purchased concentrate.

The gold in ore extracted in the first half of 2014 of 103.8 koz was 10.3 koz above the prior period due to higher ore grades at the Orlovsky, Sayak and Akbastau mines. In the East Region the volume of gold in ore mined was 1.8 koz above the first half of 2013 as the higher grade at the Orlovsky mine was partially offset by a decrease in grade at the Artemyevsky mine.

Gold production in the period was consistent with the first half of 2013, as the release of work in progress at the Balkhash processing facilities in 2014 was offset by the processing of stockpiles and higher output from the former Kazakhmys Gold's mines in the first half of 2013.

The East Region's gold production in the first half of 2014 was 4.2 koz below the prior period due to the build up of ore stockpiles in 2014 and the processing of high gold content ore in the first half of 2013.

Gold production for the Mining Division is anticipated to reach 100 koz in 2014, which is below the previous guidance of 120 koz. The decrease in the expected gold output is partly due to the suspension of the Abyz mine due to the instability of the open pit. No further output is expected from the mine in 2014, with the option of developing an underground mine at the deposit being evaluated. A lower level of gold output is also expected from the Bozymchak mine in 2014 due to the slower than planned commissioning of the mine's concentrator.

Gold bar production from the East Region and the Bozymchak mine is anticipated to be between 37 koz and 42 koz in 2014.

Kazakhmys Mining financial summary

$ million (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Sales revenues	**1,269**	1,553
Copper cathodes	**594**	1,117
Copper rods	**44**	51
Copper concentrate	**286**	–
Zinc concentrate	**70**	70
Silver[1,2]	**128**	158
Gold[2]	**59**	65
Other	**88**	92
Average realised price of copper[3] ($/t)	**6,704**	7,508
EBITDA (excluding special items)	**302**	337
Gross cash costs excluding purchased concentrate (USc/lb)	**309**	336
Net cash costs excluding purchased concentrate (USc/lb)	**203**	232
Capital expenditure[4,5]	**632**	677
Sustaining	**145**	259
Expansionary	**487**	418

1 Includes revenue from silver in copper concentrate sales.
2 Includes sales revenue from the Central Mukur and Mizek mines.
3 For sales of copper cathode, rod and copper in concentrate.
4 Capital expenditure excludes major social projects.
5 Capital expenditure in the prior period has been restated to exclude non-cash items.

Revenues

Kazakhmys Mining's revenues in the first half of 2014 were $284 million or 18% below the prior period, as revenue from copper products fell by $244 million and silver product revenue was $30 million lower.

The lower revenue from copper products reflected the 12% decline in copper cathode equivalent sales volumes and the 11% fall in realised prices. Copper cathode equivalent sales volumes in the first half of 2014 were 137.5 kt, 18.1 kt below the prior period. The lower sales volumes were principally due to the 5.1 kt decline in production in the first half of 2014 and a 12.0 kt decrease of finished goods in the prior period.

The realised price for copper products declined to $6,704 per tonne in the first half of 2014, as the average LME copper cash price fell 8% to $6,916 per tonne and as the realised price in 2014 includes copper concentrate sales from the Zhezkazgan Region which is sold at a lower price than copper cathode. The realised price for copper cathode and rod sales was $7,030 per tonne in the first half of 2014, a 6% decline from the prior period.

The average realised price for the 47.0 kt of copper in concentrate sold in the first half of 2014 was $6,078 per tonne as copper concentrate revenues are recognised after deducting smelter and refinery charges. The commencement of copper concentrate sales with the suspension of the Zhezkazgan smelter in the second half of 2013, has led to a reduction in operating and capital expenditure for the Mining Division.

Revenue from zinc concentrate totalled $70 million in the first half of 2014, which was in line with the prior period. Zinc in concentrate sales volumes declined by 6 kt to 60 kt in the first half of 2014, mainly due to the movement in finished goods and lower production in the period. The lower sales volumes were offset by the 9% increase in the realised price for zinc in concentrate to $1,157 per tonne in the first half of 2014 on the back of a higher average LME zinc cash price for the period.

Revenue from silver products fell by $30 million to $128 million in the first half of 2014 as the average realised price for silver reduced by 23% to $20.2 per ounce. The lower realised price for silver products mirrored the reduction in the average silver price on the LBMA exchange in the first half of 2014. Silver product sales volumes of 6,342 koz were broadly consistent with the prior period as finished goods movements offset the lower production volumes in the first half of 2014. Sales volumes included 2,094 koz of silver in copper concentrate sold from the Zhezkazgan Region during the period following the suspension of the Zhezkazgan smelter.

Revenue from gold products in the first half of 2014 totalled $59 million and was marginally below the prior period as lower realised prices were mitigated by higher sales volumes. The realised price for gold products averaged $1,280 per ounce in the first half of 2014, which was 17% below the prior period due to lower gold prices on the

LBMA exchange. Gold sales in the first half of 2014 were 46 koz, which was 10% above the prior period with a greater build up of finished goods in the first half of 2013.

Other revenue includes by-products from Kazakhmys Mining's operations such as lead, sulphuric acid and coal sales. Sulphuric acid revenues rose significantly to $25 million in the first half of 2014 due to higher sale prices. In the first half of 2014, intercompany coal sales to the captive power stations totalled $24 million, which was $5 million below the prior period as the devaluation of the tenge against the US dollar in February 2014 reduced coal prices in US dollar terms.

EBITDA (excluding special items)

Kazakhmys Mining's EBITDA (excluding special items) fell by 10% to $302 million for the first half of 2014 as the 18% decline in revenue was partially offset by a 20% reduction in cash operating costs. The cash operating costs in the first half of 2014 declined by $249 million due to the measures introduced as part of the Group's optimisation programme and also the devaluation of the tenge.

The Mining Division's cash cost of goods sold reduced significantly reflecting the focus on cost control in the first half of 2014. The optimisation measures taken in the second half of 2013 and during 2014 have included the suspension of operations at the Zhezkazgan smelter along with the operations at the Satpayev and the Berezovsky concentrators to improve utilisation levels and reduce operating costs within the business.

The focus of management on profitable production resulted in reduced mining volumes at higher cost extraction zones in the Zhezkazgan Region in the first half of 2014. With the emphasis on efficient production, ore extraction and processing volumes for the Mining Division declined by 7% and 8% respectively in the first half of 2014, which enabled a reduction in the consumption of input materials such as fuel and lower charges for outsourced services.

The cost of external processing services reduced from the prior period as the volume of ore processed by a third party in the East Region fell by 60% in the first half of 2014, at the same time the capacity of the Nikolayevsky concentrator increased as a result of the modernisation project.

Operating costs also benefited from the devaluation of the tenge, which traded at an average rate of 176.43 KZT/$ in the first half of 2014, compared to 150.89 KZT/$ in the prior period. The 17% decline in the average value of the tenge against the US dollar reduced tenge denominated costs such as salaries, ore transportation, repair services, and utility charges when stated in US dollars. The devaluation has had an inflationary impact on operating costs with suppliers renegotiating tariffs for external services and supplies.

The cost of electricity supplied by the captive power stations to the Mining Division fell as the tenge devaluation offset the 8% rise in electricity tariffs, from 5.10 KZT/kWh in the prior period to 5.50 KZT/kWh in 2014. Electricity usage was also lower due to the suspension of operations at a number of processing facilities.

Salary costs, including administration workers within the Mining Division, declined by 19% in the first half of 2014 due to the tenge devaluation and the initiatives introduced to increase labour productivity within the business. The labour initiatives implemented in the second half of 2013 and during 2014 included the optimisation of the management structures at mines in the Zhezkazgan and East Regions, the suspension of operations at processing facilities and a broader review of work practices within the business. These measures have led to a significant reduction in employee numbers.

The reduction in salary costs achieved by the above measures was partially offset by the 10% increase in salaries for operational staff in Kazakhstan from April 2014 in order to protect workers from some of the impact of the devaluation and the introduction of a 5% compulsory pension contribution on salaries.

Charges related to movements in work in progress and finished goods included in the cost of goods sold were below the prior period which included a charge for $32 million mainly for the decrease in finished copper goods.

Administration costs excluding salary costs were marginally below the first half of 2013 as tight controls on spending and the tenge devaluation were partially offset by study works to develop commercial opportunities for the Zhezkazgan Region. Social responsibility costs were consistent with the prior period as the Group continued to support the local communities in which it operates.

The EBITDA (excluding special items) for the period of $302 million includes the cash payments made by the Mining Division for employee disability obligations of $27 million. The payments increased in the first half of 2014 by $4 million despite the tenge devaluation mainly due to an increase in claimant numbers in 2013. Further details on the charges associated with employee disability obligations are covered in the Financial Review.

On a proforma basis, management has estimated that the East Region's operations generated EBITDA (excluding special items) of around $190 million in the first half of 2014. The EBITDA includes the allocation of corporate costs and reflects the terms agreed with Cuprum Netherlands Holding B.V. for the processing of copper concentrate at the Balkhash smelter in 2014. Due to the profitable nature of the operations in the East Region, the EBITDA margin generated was above 40%, compared to the 24% EBITDA margin generated by the Mining Division over the same period.

Cash costs

The gross and net cash cost per unit of copper cathode equivalent sold metrics are used as a measure of the cost efficiency of Kazakhmys Mining's operations. The gross and net cash costs calculations include electricity purchased from the captive power stations at the cash cost of supply and the cash payments for employee disability obligations.

The gross cash cost of copper sold in the first half of 2014 fell by 8% or 27 USc/lb to 309 USc/lb. As previously outlined, the Mining Division's operating cash costs were significantly lower due to the cost savings from the implementation of the Group's optimisation programme and the devaluation of the tenge. The reduction in cash operating costs was partially offset by the inclusion of charges for smelting and refining which are deducted from the price of copper concentrate sold from the Zhezkazgan Region. The smelting and refining charges contributed 14 USc/lb to the gross cash cost. The 12% decline in copper cathode equivalent sales volumes also negatively impacted cash costs on a per unit basis.

The net cash cost of copper sold in the first half of 2014 declined by 13%, or 29 USc/lb to 203 USc/lb. The decline in net cash costs was mainly due to lower gross cash costs, as described previously. Total by-product revenue in the period was lower from the decrease in silver product revenues. However, as a result of the decline in copper cathode equivalent sales volumes, by-product credits were higher on a per unit basis.

In the second half of 2014, gross cash costs are expected to increase due to the inflationary pressures arising from the devaluation of the tenge. The gross cash cost of copper sold for 2014 is expected to be between 315 USc/lb and 330 USc/lb. The net cash cost of copper sold from the East Region operations and the Bozymchak mine is anticipated to be between 120 USc/lb and 140 USc/lb in 2014.

Capital expenditure

Sustaining

Sustaining capital expenditure totalled $145 million in the first half of 2014, $114 million below the prior period with management focusing on improving the cash generation levels of the Group. The measures taken by management included the suspension of the Zhezkazgan smelter and revision of the capital expenditure plans for the Division. Capital expenditure in the first half of 2014 included around $20 million on mine and concentrator upgrade projects compared to $46 million in the prior period.

Capital expenditure in the period covered the replacement of mining equipment and works to maintain output at concentrators, smelters, auxiliary workshops and the transport network. Funding was allocated for shafting and development works at a number of mines to provide access to new sections and improve ventilation systems.

Work was conducted on the milling and crushing equipment at the Balkhash concentrator to increase its capacity to process the additional ore volumes from the Konyrat mine. The upgrade of the tailings dam at the Nurkazgan concentrator also progressed during the period.

The modernisation work to increase the capacity and recovery rates achieved at the Nikolayevsky concentrator advanced during the period. The majority of the modernisation project was completed during the period with improvements to the flotation sections delivered. The reconstruction of the drying and filtration workshop, which is the final stage of the project, has commenced and the project is planned to complete in early 2015.

In 2014, the Mining Division's sustaining capital expenditure is expected to be between $350 million and $450 million, including mine development projects and concentrator upgrades which will require up to $100 million.

In the East Region, sustaining capital spend was around $30 million in the first half of 2014, which included spend of approximately $10 million on the modernisation of the Nikolayevsky concentrator. Sustaining capital expenditure, including the modernisation project on the Nikolayevsky concentrator, is expected to be between $80 million and $100 million in 2014. The Nikolayevsky concentrator modernisation project is expected to require up to $35 million in 2014.

Expansionary

Following the suspension of mid-sized projects in 2013, expansionary capital expenditure within the Mining Division was limited in the first half of 2014. Technical studies are continuing on the project to extend the operational life of the Artemyevsky mine by up to 10 years. In 2014, the Kazakhmys Mining Division's expansionary capital expenditure, excluding Bozymchak and the Major Growth Projects, is not expected to exceed $15 million.

Bozymchak

The Bozymchak gold-copper deposit, which is located in Kyrgyzstan, is at the commissioning phase. The mine's initial operation will be as an open pit with 1 MT of ore extraction per year. Bozymchak is expected to have an average annual output of 7 kt of copper in concentrate and 35 koz of gold in concentrate over the life of the mine.

The commissioning of the crushing equipment and concentrator commenced in March 2014. However, the commissioning of the processing equipment and the completion of the tailings dam for the project has been slower than anticipated. As a result, commercial output is expected to begin in the fourth quarter of 2014 and continue to ramp up in 2015.

By the end of the first half of 2014, 586 kt of ore had been stockpiled, containing approximately 6.0 kt of copper and 39.0 koz of gold. These stockpiles will be more than sufficient for the remainder of the year.

Capital expenditure on the project in the first half of 2014 was around $20 million. The project is forecast to require capital expenditure of around $60 million in 2014, including contingency, to complete the commissioning works.

Bozshakol

The Bozshakol sulphide ore deposit is located in the north of Kazakhstan and is a Major Growth Project for Kazakhmys Mining. The deposit has a JORC resource of 1,173 MT of ore with 4.1 MT of contained copper at a grade of 0.35% and a production life of over 40 years, including the processing of stockpiled ore for four years. The deposit also contains 57 kt of molybdenum in ore and 5,255 koz of gold in ore.

The development of the mine, concentrator and infrastructure is expected to cost around $2.2 billion with commissioning in the second half of 2015 and copper in concentrate production ramping up during 2016. The project is being funded from the $2.7 billion facility obtained in 2010 from the CDB and Samruk-Kazyna.

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 for the first 15 years, with gold, silver and molybdenum by-products. A 5 MT per annum clay plant will also operate in addition to the concentrator, contributing a further 16 kt of copper in concentrate per annum in the initial years of its operation. The mine is expected to have an average copper cathode equivalent output of 100 kt and a net cash cost for copper cathode equivalent sales of 80 to 100 USc/lb (in 2014 terms) for the first 10 years after the concentrator has been commissioned.

As announced in December 2013, Non Ferrous China has been engaged as a second contractor for the project. The permanent camp and the non process buildings are due to be ready by the fourth quarter of 2014. By January 2015, further infrastructure (power, potable water, sewage, fire protection systems) is due to complete. Work continues on the installation of the mills and the internal steel platforms in the grinding and flotation areas. Bulk material orders have been placed for pipes and cables as well as fabrication orders for mechanical plate work and structural steel for the clay plant. The main heating units will be placed in the larger buildings so that work can continue this winter.

Capital expenditure on the project in the first half of 2014 was around $265 million. As at 30 June 2014, approximately $1.1 billion of capital expenditure had been spent over the life of the project. The project is forecast to require capital expenditure of between $750 million and $950 million in 2014.

Aktogay

The Aktogay project is the Group's second Major Growth Project which commenced development after Bozshakol. The deposit is located in the East of Kazakhstan and comprises an oxide ore resource of 121 MT with a copper grade of 0.37%, and a sulphide ore resource of 1,597 MT at a copper grade of 0.33%. The deposit also contains some molybdenum as a by-product. The project will include an open pit mine and an on-site concentrator and will have a production life of over 50 years.

First production from the oxide deposit is expected in 2015, while first output from the sulphide processing plant is planned for 2017. Copper cathode equivalent output from the oxide deposit, which is expected to operate for 11 years will average around 15 kt per annum. Copper cathode equivalent production from sulphide ore will average 90 kt at a net cash cost of 110 USc/lb to 130 USc/lb (in 2014 terms) in the first 10 years after the commencement of the sulphide concentrator's operation.

As previously announced, the original single principal contractor for the project is to be replaced with several new contractors focusing on separate aspects of the project. The tender process for the new contractors is in progress, and the overall capital cost of the project was estimated to be $2.0 billion, but this is expected to rise following the completion of the tender process.

Site preparation works continued during the first half of 2014, with bulk earth works commencing and the continued development of infrastructure at the site, including electricity and water supply. The assembly of mining equipment commenced to enable mining works to begin to build up ore stockpiles in early 2015 for placement on the leaching pads. Capital expenditure on the project in the first half of 2014 was around $200 million.

As at 30 June 2014, approximately $680 million of capital expenditure had been spent over the life of the project. The development is being primarily funded by a $1.5 billion project specific financing facility signed with the CDB in December 2011. The project is forecast to require capital expenditure of between $400 million and $600 million in 2014.

Koksay

In June 2014, Kazakhmys acquired a third major growth project, Koksay, for a purchase price of $260 million, of which $65 million is deferred. The project is at the scoping stage and in the fourth quarter of 2014 exploratory drilling will commence to verify the previous drilling results and to provide initial geological, geotechnical and hydrogeological data on the deposit. The project is forecast to require capital expenditure of up to $5 million in 2014.

REVIEW OF KAZAKHMYS POWER

Kazakhmys Power includes the results of the Group's three captive heat and power stations that are located in Karaganda, Balkhash and Zhezkazgan. The heat and power stations had an average net dependable capacity of 836 MW in the first half of 2014 and predominantly supply electricity to support Kazakhmys Mining's operations.

On 1 April 2014, Kazakhmys disposed of its 50% interest in Ekibastuz GRES-1 to Samruk-Energo and received net funds of $1.25 billion. The equity accounting of Ekibastuz GRES-1's earnings in the Group's consolidated financial statements ceased from 5 December 2013 following the agreement to sell the Group's 50% interest in the power station to Samruk-Energo. Therefore, the financial results of Ekibastuz GRES-1 have not been reported for the first half of 2014.

In the prior period, Ekibastuz GRES-1's net power generation volumes totalled 6,589 GWh and the power station contributed EBITDA (excluding special items) of $86 million from revenues of $140 million. In the period until its disposal in April 2014, Ekibastuz GRES-1 reported net power generation volumes of 3,072 GWh.

Kazakhmys Power production summary

CAPTIVE POWER STATIONS

GWh (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Net power generated	**2,562**	2,893
Internal sales	**1,536**	1,768
External sales	**1,026**	1,125
Net dependable capacity[1] (MW)	**836**	846

[1] Net dependable capacity in the prior period has been restated to reflect the average net dependable capacity over the period.

The net power generation from the Group's three captive heat and power stations in the first half of 2014 was 11% below the prior period. Internal sales of power were lower than in the first half of 2013 due to the suspension of the Zhezkazgan smelter and two concentrators in the second half of 2013 as part of the Group's optimisation programme and asset review. Sales to third parties were also lower as customers took advantage of the increased availability of lower cost hydro-electricity during the second quarter of 2014.

The average net dependable capacity of the captive power stations was 836 MW in the first half of 2014. The capacity of the power stations was below the prior period as a turbine at the Balkhash heat and power station reached the end of its operational life in April 2013. In June 2014, a turbine was dismantled at the Zhezkazgan heat and power station to enable its transfer for use at the Balkhash heat and power station, temporarily reducing the average net dependable capacity of the captive power stations.

Kazakhmys Power financial summary

CAPTIVE POWER STATIONS

$ million (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Sales revenues	**101**	116
Electricity generation	**81**	98
Heat and other	**20**	18
Average realised electricity tariff price (KZT/kWh)	**5.50**	5.10
Average cash cost (KZT/kWh)	**3.83**	3.14
EBITDA (excluding special items)	**38**	33
Capital expenditure (sustaining)	**12**	27

Revenues

The captive power stations' revenues declined by 13%, or $15 million, in the first half of 2014 with a reduction in both electricity sales volumes and electricity tariffs in US dollar terms due to the tenge devaluation.

Total electricity sales volumes were 11% below the first half of 2013 primarily due to the decrease in internal and external demand. The weighted average realised tariff in tenge terms rose by 8% in the first half of 2014, as the ceiling tariff applicable for electricity sales increased to 5.50 KZT/kWh in 2014 from 5.10 KZT/kWh in the prior period. However, in US dollar terms the average realised prices declined by 8% due to the tenge devaluation.

Sales of electricity and heat to Kazakhmys Mining totalled $59 million in the first half of 2014, down from $69 million in the prior period. The percentage of electricity sales volumes made to third parties was broadly consistent with the prior period at 40%.

Revenues from heat sales increased marginally from the prior period as higher demand and increased tariffs offset the impact of the tenge devaluation.

EBITDA (excluding special items)

The captive power stations' EBITDA increased by $5 million to $38 million with lower revenues offset by a $20 million reduction in cash operating costs.

Cash operating costs were lower due to the tenge devaluation and the decrease in the usage of input materials and services with the decline in generation volumes. The purchase of coal which is sourced predominantly from the Mining Division at cost, represents around 55% of the captive power stations' cash operating costs. The price of coal increased 14% during the period in tenge terms, however in US dollar terms coal prices were lower with the tenge devaluation.

Salary costs were lower in the first half of 2014 due to the tenge devaluation, which was partially offset by the 10% increase in wages for operational staff from April 2014. The captive power stations' operating costs also benefited from the reversal of a bad debt provision in the first half of 2014.

Average cash cost

The average cash cost per kWh of electricity sold rose by 22% in the first half of 2014 to 3.83 KZT/kWh. The rise in the average cash cost was due to the higher cost base in tenge terms with the pay awards made in April 2014 to operational employees, increase in repair costs and domestic inflation. The decline in electricity sales volumes also led to an increase in the average cash cost.

Capital expenditure

Capital expenditure in the first half of 2014 was focused on improving the operational efficiency of the captive power stations and replacing obsolete equipment. As mentioned previously, a turbine at the Zhezkazgan heat and power station was dismantled for installation at the Balkhash heat and power station. In 2014 total capital expenditure is expected to be around $60 million with higher spend expected in the second half of the year due to the turbine replacement works.

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 2013, except for the first-time adoption of IFRS 10 *'Consolidated Financial Statements',* IFRS 11 *'Joint Arrangements',* and IFRS 12 *'Disclosure of Interests in Other Entities'* with effect from 1 January 2014. These standards have not had a material impact on the financial position or performance of the Group. Consequently, no adjustment has been made to the comparative financial information as at 30 June 2013 and 31 December 2013.

As explained in note 18 of the condensed consolidated financial statements and in the 'Discontinued operations' section of this Financial Review, the Group's investment in the Ekibastuz GRES-1 joint venture, which represents a separate business line of the Group, has been treated as discontinued operations for the half year ended 30 June 2014. The consolidated income statement and the related notes for the comparative period have been restated to conform with this presentation.

As previously announced, under the Restructuring plan, the Group will separate a number of its mature mining and power operations, primarily located in the Zhezkazgan and Central Regions, into a new corporate entity which will be sold (the 'Disposal Assets'). The Board approved the Restructuring on 3 July 2014, with the independent shareholders' approval being granted on 15 August 2014. The Restructuring is expected to complete by the end of 2014.

At 30 June 2014, as the Restructuring had not been approved by the Board and the independent shareholders, the Disposal Assets did not meet the criteria to be classified as assets held for sale and a discontinued operation.

As a result of the independent shareholders' approval on 15 August 2014, the Board has concluded that the Disposal Assets meet the IFRS 5 *'Non-current assets held for sale and discontinued operations'* criteria of being 'available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups and its sale must be highly probable' at that date. Accordingly, the Disposal Assets will be classified as assets held for sale and shown within discontinued operations with effect from 15 August 2014. As a result of this classification, the Group will recognise a charge of approximately $1.6 billion from the remeasurement of these assets to fair value less costs to sell. Upon completion of the Restructuring, a further loss arising from the recycling to the income statement of the cumulative foreign exchange losses previously recognised in equity will be recognised. This amount will depend on the KZT/USD exchange rate at the date of completion and will have no impact on the Group's net assets.

Following the completion of the Restructuring, KAZ Minerals will consist of the existing assets and operations in the East Region, Bozymchak and the Major Growth Projects, all currently included within the Kazakhmys Mining operating segment.

Income statement

A summary of the consolidated income statement is shown below:

$ million (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Continuing operations		
Revenues	**1,287**	1,571
Operating costs (excluding non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, MET and special items)	**(963)**	(1,217)
EBITDA (excluding special items) from continuing operations	**324**	354
Special items:		
Less: write-offs and impairment charges	**(32)**	(146)
Add: provisions released against historic tax claims (non-income tax related)	**15**	–
Less: restructuring and transaction costs	**(12)**	–
Less: additional disability benefits obligation related to previously insured employees	**–**	(84)
Less: loss on disposal of assets	**(1)**	(10)
Less: depreciation, depletion and amortisation	**(101)**	(135)
Less: non-cash component of the disability benefits obligation	**(22)**	(55)
Less: MET	**(75)**	(121)
Profit/(loss) before finance items and taxation	**96**	(197)
Net finance costs (excluding special items)	**(59)**	(47)
Net foreign exchange loss arising on the devaluation of the tenge	**(155)**	–
Loss before taxation	**(118)**	(244)
Income tax (expense)/credit	**(39)**	16
Loss for the period from continuing operations	**(157)**	(228)
Profit/(loss) for the period from discontinued operations	**207**	(734)
Profit/(loss) for the period	**50**	(962)
Non-controlling interests	**(1)**	–
Profit/(loss) attributable to equity holders of the Company	**49**	(962)
EPS – basic and diluted ($)		
From continuing operations	**(0.35)**	(0.44)
From discontinued operations	**0.46**	(1.40)
	0.11	(1.84)
EPS based on Underlying Profit ($)		
From continuing operations	**0.06**	(0.04)
From discontinued operations	**–**	0.25
	0.06	0.21

Revenues

Group revenues in the first half of 2014 of $1,287 million were $284 million, 18%, below the first half of 2013, as Kazakhmys Mining's copper revenues were impacted by lower sales volumes and a fall in realised prices. The realised price for copper concentrate sales, which commenced in the second half of 2013, reflects the deduction of treatment and refining charges from the LME prices, such that the realised price is lower than that of copper cathode. Kazakhmys Mining's by-product revenues declined compared to the first half of 2013 due to lower realised prices and zinc sales volumes, partly offset by higher gold and silver volumes sold.

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 the non-cash component of the disability benefits obligation, 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.

As EBITDA is considered to be a proxy for cash earnings from the Group's trading performance the actuarial income statement charge in respect of the Group's disability benefits obligation has been excluded from EBITDA and instead, the actual disability benefits payments disbursed during the year have been deducted in arriving at EBITDA.

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

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Continuing operations		
Kazakhmys Mining	**302**	337
Kazakhmys Power[1]	**38**	33
Corporate Services	**(16)**	(16)
Total continuing operations	**324**	354
Discontinued operations		
Ekibastuz GRES-1	**–**	86
MKM	**–**	(2)
Total discontinued operations	**–**	84
Segmental EBITDA (excluding special items)	**324**	438
Share of EBITDA of ENRC[2]	**–**	276
Group EBITDA (excluding special items)	**324**	714

[1] Kazakhmys Power EBITDA (excluding special items) comprises the Group's captive power stations only as the Group's investment in Ekibastuz GRES-1 has been classified as a discontinued operation in both periods.

[2] The share of EBITDA (excluding special items) of ENRC excludes MET. At 24 June 2013, ENRC was classified as an asset held for sale and a discontinued operation; as a result, the Group's share of earnings from ENRC is classified within discontinued operations for the period ended 30 June 2013.

Segmental EBITDA (excluding special items) for the first half of 2014 declined by $114 million following the disposal of Ekibastuz GRES-1 in April 2014, a lower contribution from Kazakhmys Mining and an increased contribution from Kazakhmys Power.

As the Group ceased equity accounting for Ekibastuz GRES-1 in December 2013, when it was classified as an asset held for sale, Segmental EBITDA (excluding special items) in 2014 does not include the Group's share of Ekibastuz GRES-1's results for the period until the investment was sold on 1 April 2014. Kazakhmys Mining's contribution to EBITDA fell from $337 million to $302 million as the reduction in revenues was partially offset by lower costs resulting from the Group's cost optimisation programme and the favourable impact of the devaluation of the tenge.

The devaluation of the tenge had a beneficial impact on the profitability of Kazakhmys Mining as the majority of its sales are priced in US dollars whilst a significant portion of its operating costs are denominated in tenge. However, the devaluation adversely impacted Kazakhmys Power as electricity and heat revenues are denominated in tenge. The devaluation is resulting in further increased domestic inflationary pressures, including the 10% rise in staff salaries awarded in April 2014.

At Kazakhmys Power, EBITDA (excluding special items) increased by 15% compared to the first half of 2013 with lower revenues offset by a reduction in cash operating costs due to the tenge devaluation, the decrease in the usage of input materials and services, and the reversal of a past bad debt provision.

Group EBITDA (excluding special items) in the first half of 2014 was $324 million, compared to $714 million in the first half of 2013 due to the inclusion of the Group's share of EBITDA (excluding special items) of ENRC of $276 million, which were sold in November 2013 and April 2014 respectively.

Special items

Special items within profit/(loss) before finance items and taxation:

Half-year ended 30 June 2014

Write-offs and impairment charges

The Bozymchak development project, included in the Kazakhmys Mining segment, was previously impaired at 30 June 2012 to its recoverable amount, such that any subsequent adverse changes to the project could result in further impairment charges being recognised.

Since 2012, the Group has continued to capitalise borrowing costs on the CDB/Samruk-Kazyna financing facilities in accordance with IAS 23 '*Borrowing costs'.* The cumulative borrowing costs capitalised to the project now exceed the level anticipated at 30 June 2012. As a result, at 30 June 2014 $23 million of the total capitalised borrowing costs have been written-off, with an associated deferred tax credit of $2 million ($21 million post-tax).

In addition to the above, further impairment charges were recognised within Kazakhmys Mining and Kazakhmys Power against property, plant and equipment of $3 million and mining assets of $6 million within Kazakhmys Mining.

Other special items

Following a favourable court ruling in Kazakhstan and the likelihood of further action by the tax authorities being assessed as low, the Group released a historic provision for corporate income tax of $7 million and other taxes, fines and penalties of $15 million. The historic provision was in respect of a claim raised in 2010 and 2011 for the years 2006 to 2008.

As described in the shareholder circular published on 23 July 2014, the Group will be separating a number of its mature assets and operations, primarily located in the Zhezkazgan and Central Regions, for disposal in the second half of 2014. Transaction costs of $12 million relating to this Restructuring were incurred by the Group in the first half of 2014.

Half-year ended 30 June 2013

Write-offs and impairment charges

Following the decline in the price of commodities produced by the Group during the first half of 2013 and the rising cost base, the Group undertook actions to improve operational efficiency and review discretionary capital expenditure to improve the operating cash flow of the business. The Satpayev concentrator was suspended in June 2013 and the Zhezkazgan smelter was suspended in the second half of 2013 resulting in a move from copper cathode to copper concentrate sales from the Zhezkazgan Region. This review led to the following impairment charges being recognised in the first half of 2013:

- $119 million against assets in the Zhezkazgan Region, principally related to the suspension of the Zhezkazgan smelter and the Satpayev concentrator, comprising $98 million against property, plant and equipment and $21 million against other assets including specialised consumables; and

- $27 million in respect of certain mid-sized projects which were suspended.

Loss on disposal of assets

During the first half of 2013, the Group received proceeds from the disposal of assets of $26 million, including a number of social assets, on which a loss of $10 million was realised.

Disability benefits obligation

In accordance with the laws of Kazakhstan, the Group obtained insurance cover in 2005 for the disability payments to employees for illness and disability sustained at the Group's operations. During 2013, as a result of financial difficulties, the insurance companies ceased making their obligated payments to the employees covered by insurance contracts. The Group agreed to meet these future disability payments. Consequently at 30 June 2013, the liability for future disability benefit payments to employees previously covered by the insurance contracts was included in the disability benefits obligation. Of the total income statement charge of $176 million during the first half of 2013, $84 million related to the assumption of this obligation by the Group and was treated as a one-off special item. Also included in the $176 million charge were actuarial losses recognised in the period of $78 million arising from an increase in the number of new claimants and changes in the actuarial assumptions.

Other items excluded from EBITDA

Depreciation, depletion and amortisation

The Group's depreciation, depletion and amortisation charge for the first half of 2014 of $101 million is $34 million below the charge in the first half of 2013 due to the impact of the tenge devaluation and the reduction of property, plant and equipment, and mining assets following the impairment of the Zhezkazgan Region at 31 December 2013.

Non-cash component of the disability benefits obligation

The non-cash component of the disability benefits obligation decreased from $55 million in the first half of 2013 to $22 million in the first half of 2014 as there were a larger number of new claimants and changes in the actuarial assumptions in 2013. With the new claimants in 2013 receiving payments for the full six month period in 2014 and the 10% increase in salaries being partially offset by the tenge devaluation, the actual payments (included within EBITDA) made in the first half of 2014 of $27 million were higher than the $23 million in the prior period.

MET

On 17 June 2014, the Government of Kazakhstan agreed to reduce the MET rates at some of the Group's mature assets, incorporating certain deposits in the Zhezkazgan Region and the Konyrat mine. The lower MET rates, which are effective retrospectively from 1 January 2014, coupled with lower commodity prices and ore extraction led to the $46 million reduction in the MET charge from the $121 million charge in the first half of 2013.

Net finance costs

Net finance costs, which include finance costs incurred on borrowings, net foreign exchange losses and interest on the employee benefits obligation, have increased significantly from $47 million in the first half of 2013 to $214 million in the first half of 2014, principally due to the impact of the tenge devaluation.

On 11 February 2014, the National Bank of Kazakhstan announced it would seek to support the tenge at around 185 KZT to the US dollar, with the tenge swiftly devaluing to trade at this level. The KZT/$ exchange rate at 30 June 2014 was KZT 183.51 compared to KZT 153.61 at 31 December 2013, a devaluation of 19%. The average KZT/$ exchange rate for the first half of 2014 was KZT 176.44 compared to KZT 150.89 for the comparative period in 2013, a change of 17%.

The net exchange losses of $188 million were higher than the $22 million in the first half of 2013 largely as a result of the tenge devaluation. The exchange losses of $346 million arose largely from the translation of tenge-denominated intercompany monetary assets and liabilities. The exchange gains of $158 million arose from US dollar denominated monetary assets and liabilities in Kazakhstan, principally accounts receivable and cash balances. Of the net exchange loss of $188 million, $155 million arising from the devaluation at 11 February 2014 is treated as a special item and is excluded from Underlying Profit. The remaining net exchange losses arose largely from the depreciation of the Kyrgyz som on the translation of intercompany monetary liabilities relating to the financing of the Bozymchak project. These losses are largely offset by corresponding translation gains on consolidation, which are recognised directly in equity.

The finance costs incurred on borrowings decreased to $10 million from $14 million in the first half of 2013, as $60 million of the total $70 million interest charged on the Group's borrowings was capitalised to the development projects: Bozshakol, Aktogay and Bozymchak. The fall in finance costs incurred on borrowings arose principally from a lower weighted average interest cost on reduced borrowings during the first six months of 2014, following the early repayment of $400 million on the CDB/Samruk-Kazyna financing facilities.

Taxation

The table below shows the Group's effective tax rate and 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.

$ million (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Loss before taxation from continuing operations	**(118)**	(244)
Add: MET	**75**	121
Add: special items	**30**	240
Add: net foreign exchange loss arising on the devaluation of the tenge	**155**	–
Adjusted profit before taxation from continuing operations	**142**	117
Income tax expense/(credit)	**39**	(16)
Add: MET	**75**	121
Add: taxation effect of special items	**(2)**	29
Adjusted tax expense from continuing operations	**112**	134
Effective tax rate (%)	**(33.1)**	6.6
All-in effective tax rate[1] (%)	**78.9**	114.5

[1] All-in effective tax rate is calculated as the income tax expense plus MET and adjusted to exclude the taxation 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.

Effective tax rate

An income tax charge of $39 million has arisen on the loss before taxation of $118 million in the first half of 2014, principally due to the $51 million tax impact of non-deductible foreign exchange losses in the UK, which arose as a result of the tenge devaluation on intercompany balances and the $30 million tax impact of other ongoing non-deductible business expenses. The non-deductible items were partly offset by the recognition of past tax losses that are now expected to be recovered in the future of $12 million and the release of historic income tax provisions of $7 million resulting in an effective tax rate of (33.1)%.

In the first half of 2013, the effective tax rate of 6.6% on a loss of $244 million was primarily due to a high level of non-deductible expenses, principally related to the impairment charges for which deferred tax assets were not recognised. The restatement of the Group's income statement following the reclassification of Ekibastuz GRES-1 as a discontinued operation has led to a restatement of the effective tax rate for the first half of 2013. Prior to this reclassification, the effective tax rate was 77.8%.

All-in effective tax rate

The all-in effective tax rate was 78.9% compared to 114.5% in the prior period, as MET, which is revenue-based and independent of the profitability of the operations, represented a significantly lower proportion of the adjusted profit before taxation at 53% compared to 103% in the prior period. The MET charge for the period reduced following the retrospective MET exemption, the decline in commodity prices and reduced ore extraction.

Taxation effect of special items within operating (loss)/profit:

In the first half of 2014, the tax related special items were attributed to the release of a provision for a historic tax claim of $7 million, the deferred tax asset that arose on the write-off of capitalised borrowing costs at Bozymchak of $2 million, deferred tax assets arising on the impairment of other assets of $2 million and the current tax charge on the exchange gains on US dollar denominated monetary assets in Kazakhstan arising from the tenge devaluation of $13 million.

The special items within operating profit in 2013 were in respect of the asset impairment charges and the additional disability benefits obligation charges which resulted in the recognition of deferred tax assets of $29 million.

Discontinued operations

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Ekibastuz GRES-1		
Share of profits from joint venture	**–**	51
Gain on disposal	**207**	–
Profit for the period	**207**	51
ENRC		
Share of profits from associate	**–**	65
Impairment charge recognised on remeasurement to fair value	**–**	(823)
Loss for the period	**–**	(758)
MKM		
Loss before tax excluding impairment losses	**–**	(2)
Impairment losses	**–**	(23)
Taxation charge	**–**	(1)
Loss on disposal	**–**	(1)
Loss for the period	**–**	(27)
Profit/(loss) for the period from discontinued operations	**207**	(734)

Discontinued operations for the period to 30 June 2014 is the profit on disposal of the Group's investment in Ekibastuz GRES-1, which was sold on 1 April 2014.

The discontinued operations of the Group in the first half of 2013 comprise the post-tax results of MKM for the period up to 28 May 2013, the date on which it was sold, the share of post-tax results from the Group's investment in ENRC up to 24 June 2013, which was sold on 8 November 2013 and the share of post-tax results of the Group's investment in Ekibastuz GRES-1.

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 2014**	Six months ended 30 June 2013
Net loss attributable to equity holders of the Company from continuing operations	**(158)**	(228)
Special items:		
Write-offs and impairment charges	**32**	146
Provisions released against historic tax claims	**(15)**	–
Restructuring and transaction costs	**12**	–
Additional disability benefits obligation related to previously insured employees	**–**	84
Loss on disposal of assets	**1**	10
Net foreign exchange loss arising on the devaluation of the tenge	**155**	–
Taxation effect of special items:		
Deferred tax asset on additional disability benefits obligation related to previously insured employees	**–**	(17)
Net foreign exchange loss arising on the devaluation of the tenge	**13**	–
Provisions released against historic tax claims	**(7)**	–
Deferred tax assets recognised on other special items	**(4)**	(12)
Underlying Profit/(loss) from continuing operations	**29**	(17)
Net profit/(loss) attributable to equity holders of the Company from discontinued operations	**207**	(734)
Special items:		
Subsidiary businesses		
Impairment charge recognised on remeasurement to fair value less costs to sell – MKM	**–**	22
Gain on disposal of joint venture	**(207)**	–
Loss on disposal of subsidiary	**–**	1
Impairment charge recognised on remeasurement to fair value less costs to sell – ENRC	**–**	823
Associate	**–**	16
Release of deferred tax assets resulting from impairment charges – MKM	**–**	4
Underlying Profit from discontinued operations	**–**	132
Total Underlying Profit	**29**	115

The Group's net loss attributable to equity holders of the Company from continuing operations was $158 million for the first half of 2014, down from $228 million in the first half of 2013. This was principally due to reduced costs arising from the optimisation programme and the favourable impact of the tenge devaluation, a reduction in the actuarial loss recognised on the Group's disability benefits obligation and lower impairments on assets which were partly offset by the net foreign exchange losses resulting from the devaluation of the tenge.

Underlying Profit from continuing operations for the period was $29 million compared to a loss of $17 million in the prior period attributed mainly to reduced costs arising from the optimisation programme and the favourable impact of the tenge devaluation on tenge denominated costs, partly offset by lower revenues.

Underlying Profit from discontinued operations was $nil compared to $132 million in the prior period, which included profits from the non-core assets which have been divested by the Group.

Earnings per share

$ million (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Net loss attributable to equity holders of the Company from continuing operations	**(158)**	(228)
Net profit/(loss) attributable to equity holders of the Company from discontinued operations	**207**	(734)
	49	(962)
Underlying Profit/(loss) from continuing operations	**29**	(17)
Underlying Profit from discontinued operations	**–**	132
	29	115
Weighted average number of shares in issue (million)	**447**	524
Earnings per share attributable to equity holders of the Company – basic and diluted		
From continuing operations ($)	**(0.35)**	(0.44)
From discontinued operations ($)	**0.46**	(1.40)
	0.11	(1.84)
EPS based on Underlying Profit – basic and diluted		
From continuing operations ($)	**0.06**	(0.04)
From discontinued operations ($)	**–**	0.25
	0.06	0.21

Basic earnings per share from continuing operations of $(0.35) per share improved from the $(0.44) per share in the first half of 2014, reflecting the lower net loss for the year partially offset by a reduced weighted average number of shares in issue during the period.

Basic earnings per share from discontinued operations went from a loss of $1.40 per share to a profit of $0.46 per share in the first half of 2014 as the results from discontinued operations in the prior period were impacted by significant impairment charges against the Group's investment in ENRC, whilst the current period includes the gain from the disposal of Ekibastuz GRES-1. Overall, total basic earnings per share improved from a loss of $1.84 per share to a profit of $0.11 per share in the first half of 2014.

Earnings per share based on Underlying Profit decreased to $0.06 for the first half of 2014 from $0.21 in the prior period, principally as no contributions were recognised from ENRC or Ekibastuz GRES-1 within discontinued operations in the current period.

The decrease in the weighted average number of shares in issue for the period compared to the first half of 2013 arises from the cancellation of 77 million shares following the ENRC disposal in November 2013.

Dividends

The Company paid the 2012 final dividend of 8.0 US cents per share ($42 million) in the first half of 2013. Taking into consideration the Group's anticipated increase in net debt during the construction phase of two of the Major Growth Projects and the uncertain economic outlook, the Directors have not declared an interim dividend for 2014. The Board will continue to assess the Group's financial position, its cash flows and growth requirements in determining when to resume dividend payments in the future.

CASH FLOWS

A summary of cash flows is shown below:

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Segmental EBITDA before joint venture and associate[1]	**501**	89
Write-offs and impairment losses	**34**	177
Non-cash component of the disability benefits obligation	**(22)**	(55)
(Gain)/loss on disposal of assets	**(206)**	11
Working capital movements[2]	**93**	172
Interest paid	**(82)**	(70)
MET paid	**(55)**	(86)
Income tax paid	**(25)**	(70)
Foreign exchange and other movements	**(15)**	(8)
Net cash flows from operating activities before other expenditure associated with the Major Growth Projects	**223**	160
Sustaining capital expenditure	**(157)**	(295)
Free Cash Flow	**66**	(135)
Expansionary and new project capital expenditure	**(487)**	(418)
Acquisition of Koksay licence	**(195)**	–
Non-current VAT receivable associated with the Major Growth Projects	**(23)**	(33)
Major social projects	**–**	(31)
Interest received	**5**	6
Proceeds from disposal of property, plant and equipment	**3**	26
Proceeds from disposal of investments in joint venture	**1,249**	–
Proceeds from disposal of subsidiaries, net of cash disposed	**–**	27
Dividends paid	**–**	(42)
Other movements	**(3)**	(4)
Cash flow movement in net debt	**615**	(604)

1 Segmental EBITDA is defined as profit before interest, taxation, depreciation, depletion, amortisation, the non-cash component of the disability benefits obligation and MET from continuing and discontinued operations. Please refer to note 4(a)(ii) of the consolidated financial statements.
2 Working capital movements exclude any accruals relating to MET and the movement on non-current VAT receivable incurred on capital expenditure relating to the Major Growth Projects.

Summary

Net cash flows from operating activities before other expenditure associated with the Major Growth Projects in the first half of 2014 were $63 million above the prior period as reduced MET and income tax payments were partially offset by a lower contribution from working capital and higher interest payments.

Working capital

Working capital levels fell during the first half of 2014 due to the following factors:

- Inventory increased by $2 million, as higher fuel and consumables at Kazakhmys Power were partially offset by lower inventory levels at Kazakhmys Mining. At Kazakhmys Mining, a reduction in work-in-progress and raw materials, including consumables, was partially offset by an increase in finished goods.
- Trade and other receivables have reduced by $95 million in the period reflecting lower sales volumes in June 2014 compared to December 2013 of copper and zinc, and amended contract terms for a proportion of copper cathode sales to China, such that payments are now received in the month of delivery.
- Prepayments increased by $25 million due to the timing of payments made in advance for goods and services.
- Trade and other payables were $12 million higher than at 31 December 2013, reflecting timing of payments and the accrual for restructuring and transaction costs.
- Employee benefits, comprising mainly the disability benefits obligation, rose by $29 million principally due to the salary increase provided in April 2014.

Interest cash flows

Interest paid during the first half of 2014 was $82 million, $12 million higher than the $70 million paid in the first half of 2013, mainly due to the increased level of debt outstanding during the second half of 2013, the period on which the interest payments were based.

Income tax and mineral extraction tax

Income tax payments for the first half of 2014 were $25 million compared to $70 million in the prior period as 2014 payments on account are based on 2013 profits. Payments on account in the first half of 2014 were lower than the income statement charge for current tax of $58 million, thereby reducing the net tax receivable position from $50 million at 31 December 2013 to $11 million at 30 June 2014.

MET payments of $55 million were below the current period charge, resulting in a higher MET payable of $63 million at 30 June 2014, compared to $54 million at 31 December 2013.

Capital expenditure

Capital expenditure on sustaining the current business operations of $157 million was below the $295 million in the first half of 2013, whilst expansionary and new project expenditure of $487 million increased over the $418 million invested in the prior period, as development of the Major Growth Projects continued. Total capital expenditure incurred in the first half of 2014 was $644 million, $69 million lower than the $713 million spent in the first half of 2013. Please refer to the Operational Review for an analysis of the Group’s capital expenditure by operating segment.

Free Cash Flow

The Group’s Free Cash Flow, which includes $72 million (2013: $62 million) of interest payments on borrowings specifically for the funding of capital expenditure at the Major Growth Projects, was an inflow of $66 million compared to an outflow of $135 million in the first half of 2013, due to lower sustaining capital expenditure and MET and income tax payments partly offset by higher interest payments and a reduced contribution from working capital.

Major social projects

In the first half of 2013, the Group spent $31 million as part of the Group’s social development programme on major projects in Kazakhstan which was accrued for in 2010.

Investing cash flows

The most significant investing cash flows, excluding capital related expenditure in the first half of 2014, related to the receipt of the proceeds from the sale of Ekibastuz GRES-1 of $1,249 million and the initial payment for the Koksay acquisition of $195 million.

BALANCE SHEET

The Group's attributable profit for the period of $49 million and the non-cash effects of foreign currency translation loss on tenge denominated net assets of $442 million recognised within equity, have led to a $394 million decrease in equity attributable to owners of the Company to $3,824 million at 30 June 2014. The significant non-cash foreign currency loss arises from the weakening of the tenge against the US dollar on the Kazakhstan entities' tenge denominated net assets. The tenge devaluation also significantly reduced the carrying values of the tenge denominated assets and liabilities, including property, plant and equipment, mining assets and the disability benefits obligations, in the Group's Kazakhstan entities.

The Group's capital employed position as at 30 June 2014 is shown below:

$ million	At 30 June 2014	At 31 December 2013
Equity attributable to owners of the Company	**3,824**	4,217
Non-controlling interests	**5**	4
Borrowings	**2,726**	3,111
Capital employed	**6,555**	7,332

Ekibastuz GRES-1 joint venture

The investment in the Ekibastuz GRES-1 joint venture, which had a carrying value of $1,018 million at 31 December 2013, was sold on 1 April 2014 for net proceeds of $1,249 million. The Group realised a profit of $207 million after recycling of the foreign currency translation difference within equity of $24 million.

Net debt

Net debt consists of cash and cash equivalents, current investments and borrowings. A summary of the net debt position of continuing operations is shown below:

$ million	At 30 June 2014	At 31 December 2013
Cash and cash equivalents	**1,569**	1,715
Current investments	**965**	625
Borrowings	**(2,726)**	(3,111)
Net debt	**(192)**	(771)

Cash and cash equivalents and current investments as at 30 June 2014 of $2,534 million were higher than the $2,340 million as at 31 December 2013, as the cash flows from operating activities for the period, the proceeds from the disposal of Ekibastuz GRES-1 and drawdowns of the Group's debt facilities were partially offset by the acquisition of Koksay, bi-annual debt repayments and increased capital expenditure. Of the cash balances, $375 million has been drawn under the CDB/Samruk-Kazyna financing facilities and $14 million under the CDB Aktogay finance facility. These facilities are 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 2014, $2,350 million of cash and short-term deposits were held in the UK, with $180 million being held in Kazakhstan and $4 million in Kyrgyzstan.

As at 30 June 2014, gross debt was $2,726 million, a decrease of $385 million from the position as at 31 December 2013 following a $14 million scheduled repayment and a $400 million early repayment of the CDB/Samruk-Kazyna financing facilities. The $400 million early repayment in January 2014 related to debt drawn for two mid-sized development projects which are not expected to progress in the near term. During the period the Group drew down $24 million under the CDB Aktogay finance facility. On 9 July 2014, the Group made a scheduled principal repayment of $94 million under the CDB/Samruk-Kazyna financing facilities together with the semi-annual interest due. The Group was in a net debt position of $192 million at 30 June 2014 compared to $771 million at 31 December 2013.

The CDB/Samruk-Kazyna financing facilities carry interest at US$ LIBOR plus 4.80% and the pre-export finance facility carries interest at US$ LIBOR plus 2.80%. The CDB Aktogay finance facility consists of two separate agreements: the US dollar agreement for up to $1.3 billion and the RMB1.0 billion agreement ($161 million equivalent at the RMB/$ exchange rate as at 30 June 2014). The US dollar agreement attracts interest at US$

LIBOR plus 4.20% and the RMB agreement attracts interest at the applicable benchmark lending rate published by the People's Bank of China.

Borrowings under the CDB/Samruk-Kazyna financing facilities were $2,158 million compared to $2,568 million at 31 December 2013. Funds drawn under these facilities can only be used for development costs of the projects to which they relate.

As at 30 June 2014, the Group had a $100 million revolving credit facility available for standby liquidity and general corporate purposes. This facility has remained undrawn since inception. In addition, at 30 June 2014, the Group had $1,421 million under the CDB Aktogay financing facility remaining available to be drawn down.

Disability benefits obligation

The Group's disability benefits obligation, which is the largest portion of the overall employee benefits obligation, has grown substantially following changes in the legislation of Kazakhstan which significantly increased the level of disability payments to be made by companies to disabled employees. During 2013, the Group also agreed to meet the future disability payments that were previously insured as the insurance companies ceased making their obligated payments to the employees covered by insurance contracts. Following this decision by the Group, the existing insurance policy to cover the future disability payments was also included in the disability benefits obligation, net of a corresponding insurance asset for the insurance premiums.

The net employee benefits obligation at 30 June 2014 was $473 million compared to $530 million at 31 December 2013, a net decrease of $57 million. The decrease in the obligation is principally due to the tenge devaluation, as the net obligation in tenge terms increased by $29 million mainly as a result of a change in actuarial assumptions, such as the 10% salary increase given in April 2014 and an increase in the discount rate applied in the valuation. The cash payments made under the obligation were $27 million for the period ended 30 June 2014 compared to $23 million in the comparative period ended 30 June 2013.

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 18 to 19 and pages 48 to 52 of the 2013 Annual Report and Accounts, which is available at www.kazakhmys.com.

In the view of the Board, the principal risks set out in the 2013 Annual Report and Accounts reflect the significant risks and uncertainties for the Group for the remaining six months of the year, with a summary and any key changes described below.

The Restructuring is currently undergoing regulatory approval and the completion or failure to complete the Restructuring will impact the Group's principal risks. In particular, if the Restructuring completes the Group will have an increased reliance on third parties for the provision of services. The risks associated with the Restructuring are covered in detail in the shareholder circular published on 23 July 2014.

There may be other risks unknown, or currently believed immaterial by Kazakhmys, which might become material for the Group.

Operational risks

Health and safety

Mining is a hazardous industry with inherent risks 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.

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.

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 development work.

Change management

The Group's optimisation programme and asset review commenced in 2013 to improve the profitability and operating cash flows of the business. The optimisation programme and asset review included a re-assessment of the Group's integrated model which has led to the Restructuring of the Group. The risks associated with the Restructuring are detailed in the shareholder circular published on 23 July 2014 and include potential challenges associated with the change management required to separate the operations of the Disposal Assets from KAZ Minerals' operations.

Labour, mining equipment and supplies

Commodity price fluctuations can have an impact on industry demand for labour, mining equipment and supplies. In periods of elevated commodity prices competition for skilled personnel intensifies, both internationally and within Kazakhstan. The availability of mining equipment and supplies can also 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.

On completion of the Restructuring, KAZ Minerals will no longer be a fully integrated copper producer. Cuprum Netherlands Holding B.V. will provide a number of services to KAZ Minerals operations including smelting, power supply and power transmission. The Restructuring will also result in the loss of a number of key employees and some of the skilled and unskilled workforce. KAZ Minerals is making good progress in filling the key vacancies prior to completion of the Restructuring.

Labour and community relations

Many of the Group's employees are represented by labour unions under various collective labour agreements. Negotiations of wages may become more difficult in times of higher commodity prices and consequently higher profits in the mining industry, as labour unions may seek wage increases and other forms of additional compensation. In addition, the Group's employees may seek wage increases outside the collective labour agreements and labour agreements may not prevent a strike or work stoppage.

The Group operates in locations where it is the major employer and may also provide a range of services to the local community such as heat and power. Community expectations are typically complex with the potential for multiple inconsistent stakeholder views that may be difficult to resolve.

Reserves and resources

Kazakhmys' ore reserves and mineral resources for operating mines and development projects are largely based on the estimation method for ore reserves and mineral resources established by the former Soviet Union. There are numerous uncertainties inherent in estimating ore reserves and mineral resources, and geological, technical and economic assumptions that were valid at the time of estimation may change significantly when new information becomes available. A re-assessment of the Zhezkazgan mines resulted in the ore reserves associated with these mines being excluded from the statement of ore reserves and mineral resources as at 31 December 2013.

Compliance risks

Subsoil use rights

In Kazakhstan and certain other countries in which the Group operates, all subsoil ore reserves and mineral resources 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. In recent years, 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. The authorities have also increased their monitoring of compliance with legislation and subsoil use contract requirements.

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

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. The Group's financial results are strongly influenced by commodity prices, in particular copper and the major by-products, gold, silver and zinc. The prices for these metals are dependent on a number of factors, including world supply and demand and investor sentiment. In particular, Kazakhmys is exposed to demand from China, as described below, 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 a limited number of customers in China. In 2013, sales to China accounted for 57% of Kazakhmys Mining's revenues. The proportion of sales into China has increased to 67% in the first half of 2014 following the suspension of the Zhezkazgan smelter in 2013 which has led to the sale of copper concentrate. Sales to China are likely to increase further when production commences from the Group's Major Growth Projects. The Group uses contractors and materials from China. China is also an important source of financing to the Group with long-term debt facilities secured which provide access to funding of $3.6 billion, primarily for the development of Bozshakol and Aktogay.

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. The Restructuring of the Group was approved by Kazakhmys' independent shareholders on 15 August 2014, but remains subject to certain outstanding conditions, including licensing and regulatory approvals. The Restructuring will be effected under the laws and regulations of Kazakhstan which are subject to change and open to interpretation, including the legal and tax aspects of the Restructuring which could give rise to liabilities for KAZ Minerals. If the Restructuring does not complete, the Group may not be able to realise the benefits of the Restructuring.

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 loss of value. The impact of the Restructuring on the Group's liquidity is covered in detail in the shareholder circular published on 23 July 2014.

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 established 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 taxation authorities who may impose severe fines, penalties and interest charges.

CORPORATE RESPONSIBILITY

Following the disposal of Ekibastuz GRES-1 in April 2014, its results have been excluded from the Group environmental, health and safety and social performance data. Data for the first half of 2013 has been restated on a similar basis.

Health and safety

We are disappointed with our safety performance in the first half of 2014. 11 employees and contractors died at our operations to date, the same as during the comparative period. We believe that each one of these incidents could have been avoided and we will continue to develop and improve the safety management programme at our sites.

The fatalities were caused by rock fall, electrocution, falling objects, transport safety, contact with machine parts and hazardous substances, which remain our most challenging areas of safety management. We continue to focus our effort on improving risk awareness amongst our employees and increasing the responsibility and accountability of site managers and supervisors. We are working more closely with our contractors, particularly at our Major Growth Projects, to improve control of safe working practices.

Over the past few years much effort has gone into developing a framework of standards for safe operations at our sites. In 2014, we performed an audit of the power isolation standard, one of the core health and safety focus areas, to assess the effectiveness of its implementation. The Group's Internal Audit Department, with support from our external consultants DuPont, concluded that employees were often not following the full standard, and in some cases demonstrated poor understanding of electrical safety requirements. These findings resonate with the ongoing work to simplify the existing standards making them more understandable and accessible to employees, and bringing them closer to international best practice. Following the audit, site management is implementing a number of corrective actions and we will update the health and safety training programme to reinforce the Group health and safety standards.

We will ensure that the ongoing Restructuring does not impact the existing health and safety management systems. The Disposal Assets will retain the majority of the existing health and safety management team together with the external consultant DuPont to ensure continuation of their ongoing programme. KAZ Minerals has recently appointed a new Group Head of Health and Safety who will work closely with the site managers to enhance the existing policies and systems for the business after the Restructuring. Both the Disposal Assets and KAZ Minerals are committed to maintaining their effort in improving safety performance with an ultimate goal of zero fatalities. We will provide the details of any changes to the Group's approach to managing health and safety in our 2014 Annual Report.

Environment

Following the launch of the new cap and trade system in Kazakhstan in 2014, Kazakhmys was among the first active carbon trading participants. The market currently lists approximately 20 corporate participants, who have traded 644,195 tonnes of CO_2 since the auctions started in the first quarter of 2014. The system issues carbon quotas to entities whose annual CO_2 emissions exceed 20,000 tonnes. In 2015, the quotas will be reduced by 1.5% with further reductions to be confirmed as the programme develops. The ongoing Group energy efficiency programme will ensure Kazakhmys' effort in reducing CO_2e emissions is aligned with this requirement. We will report the impact of the Group Restructuring on our carbon trading arrangements, along with the total levels of CO_2e emissions[1] in the 2014 Annual Report and Accounts.

In the first six months of 2014, total Group energy consumption amounted to 2,434 GWh, compared to 2,600 GWh in the first half 2013. The 6% reduction was driven by the suspension of the smelter and a concentrator in the Zhezkazgan Region in 2013, and a concentrator in the East Region, as well as a reduction in output from the captive power plants.

Group SO_2 emissions in the first six months of 2014 amounted to 60,590 tonnes, 18% less than during the comparative period. The SO_2 emissions in the Mining Division reduced by 20% to 37,603 tonnes due to the closure of the Zhezkazgan smelter in September 2013.

Both ash and NO_x emissions for the Group reduced compared to the first half of 2013 by 21% and 11% to 22,119 tonnes and 6,672 tonnes, respectively. The Power Division accounts for approximately 90% of our ash and NO_x emissions with the reductions largely attributable to the lower power output at the captive power plants, the installation of three electrostatic precipitators in the second half of 2013 as well as overhaul work at the Karaganda and Balkhash captive power stations.

Copper mining and processing is associated with large volumes of waste, including waste rock, soil and tailings, slag and slime. The captive power plants also produce solid waste such as fly ash and slag, and our wastewater treatment facilities create sludge. The Group operations generated approximately 46 million tonnes of waste in the first half of 2014, 29% lower than during the comparative period. The Mining Division generated over 95% of total Group waste, and the reduction was largely attributed to a reduction in ore output, the closure of two concentrators in Zhezkazgan and the East Region as well as the smelter in Zhezkazgan. The waste recycling rate stood at 46% during the reporting period; the majority of recycled waste is represented by overburden which is used for backfilling and landscaping.

Group water consumption in the first half of 2014 amounted to 364,791 megalitres, 13% less than during the comparative period, impacted by the closure of a number of assets as well as lower output at our captive power plants. 338,897 megalitres were drawn from surface water sources, while 25,894 megalitres came from potable water sources, such as springs, groundwater and the municipal water systems shared with local communities. Water used for cooling the equipment is reused repeatedly and our sites control the quality of discharged water to avoid polluting local water sources. Our emissions to water are generally well below permitted levels. During the reporting period Group operations discharged 306,414 megalitres of water.

The disposal of Ekibastuz GRES-1 completed on 1 April 2014. Its environmental data during the first quarter of 2014 is included on a standalone basis. A demand-driven reduction in power generation resulted in a reduction in all key environmental indicators in the first quarter of 2014. Energy consumption fell by 15% to 176 GWh, SO_2 emissions fell by 14% to 21,863 tonnes, NO_x emissions to 9,424 tonnes and ash emissions to 6,030 tonnes. The station produced 852,645 tonnes of waste, with the majority represented by ash. Water consumption amounted to 338,116 megalitres, of which 329,018 megalitres was recycled process water.

[1] Group CO_2e emissions are consolidated and reported in the Company's Annual Report and Accounts.

Employees and social

With approximately 53,000 employees, Kazakhmys is currently one of the largest employers in Kazakhstan. Social responsibility to our employees and stakeholders in the remote regions of Kazakhstan, where a large part of the population depends on our operations, was one of the core considerations in the development of the Restructuring. The Restructuring ensures a viable future for both the Disposal Assets and KAZ Minerals, and will protect employment in the regions where we operate. Human resources and internal communications are working together to manage and explain the change to our employees.

Kazakhmys offers competitive remuneration within the mining industry in Kazakhstan. Following the devaluation of the tenge in February 2014, the Group was among a number of significant employers to agree a 10% pay rise to its operational staff to help mitigate the impact of a weaker local currency on our employees and their families.

In the first half of 2014 we spent approximately $465 million on locally sourced goods and services, which represents approximately 75% of total operational procurement spend. The Group is a recognised leader in developing local small and medium-sized enterprises, having helped to initiate the national "Made in KZ" programme. Kazakhmys continues to support two regional business associations aiming to diversify the economies in the remote regions of Balkhash and Zhezkazgan.

We also support local communities through voluntary sponsorship as well as the social provisions included in our subsoil use licences. We prioritise our support to local communities through a series of initiatives to develop education, sport, healthcare and infrastructure in the regions where we operate. In the first six months of 2014, social investment amounted to $33 million. The number of Group operations will reduce significantly following the Restructuring. We will continue to provide support to the communities around our operations. The social investment commitment for KAZ Minerals will reflect the reduced number of assets going forward.

Reporting

We continue to develop our Corporate Responsibility ('CR') framework and reporting systems having commenced a review of the approach ahead of the planned Group Restructuring. The new Group structure will affect the scope and prioritisation of some of the current CR KPIs, in particular those relating to our environmental impact. As part of this general review of our CR reporting, we have commissioned an external consultant to perform a materiality assessment of the most significant CR issues, and to undertake peer benchmarking and gap analysis against current mandatory reporting requirements.

Earlier this year, the Group received enquiries from the Conduct Committee of the Financial Reporting Council ("the FRC") about environmental matters. Following discussions with the FRC, we will enhance our CR reporting to: describe more explicitly the potential impact on the Group of reputational damage that might result from the failure to manage the significant risks that we disclose; clarify how much of our reporting follows GRI guidelines; and provide more detail about how we manage tailings.

The FRC also asked an extensive series of questions about the nature of our involvement, during the period 2010-2012, with an 80-year old lead plant in Shymkent (Kazakhstan) about which a number of environmental concerns had been raised. In particular, the FRC wished to establish whether we controlled the plant or any of the other parties involved with it.

By way of background, at the request of the Government of Kazakhstan, which was concerned principally with maintaining employment in the Shymkent region, Kazakhmys had facilitated discussions amongst a group of interested parties with a view to restarting operations at the plant in 2010. Those discussions resulted, *inter alia*, in Kazakhmys agreeing to be a supplier to, and tolling customer of, the company that agreed to restart and operate the Shymkent plant.

The Group provided the FRC with detailed information including all the key contracts relating to Shymkent and explanations about those arrangements, in particular that Kazakhmys could not and did not control, operate or manage the plant and that the contract between the plant owner and its operator required the latter to operate it at all times in compliance with the laws and regulations of Kazakhstan including those relating to the environment.

The transactions between Kazakhmys and the company managing the Shymkent operations were insignificant in the context of the Group.

Following correspondence and a meeting with the FRC, the FRC has informed us that it has completed its enquiries with regard to all of these matters and does not expect to require any further action by the Company. The findings arising from the review of our CR framework and reporting systems, together with the FRC recommendations, will shape the future framework of the Group CR reporting process, which will be reviewed by the Board and outlined in our 2014 Annual Report and Accounts.

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 2013 Annual Report and Accounts.

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

OLEG NOVACHUK
CHIEF EXECUTIVE
20 August 2014

INDEPENDENT REVIEW REPORT TO KAZAKHMYS PLC

Introduction

We have been engaged by Kazakhmys PLC (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 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 Conduct Authority (the 'UK FCA'). 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 of the UK FCA.

As disclosed in note 3, 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 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 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Jimmy Daboo

For and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London E14 5GL

20 August 2014

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Six months ended 30 June 2014

$ million (unless otherwise stated)	Notes	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Continuing operations			
Revenues	4(b)	**1,287**	1,571
Cost of sales		**(754)**	(1,068)
Gross profit		**533**	503
Selling and distribution expenses		**(48)**	(37)
Administrative expenses		**(356)**	(506)
Net operating income/(expenses)		**1**	(3)
Impairment losses	6	**(34)**	(154)
Profit/(loss) before finance items and taxation		**96**	(197)
Analysed as:			
Profit before finance items and taxation (excluding special items)		**126**	43
Special items	5	**(30)**	(240)
Finance income	7	**164**	25
Finance costs	7	**(378)**	(72)
Loss before taxation		**(118)**	(244)
Analysed as:			
Profit/(loss) before taxation (excluding special items)		**67**	(4)
Special items	5	**(185)**	(240)
Income tax (expense)/credit	8	**(39)**	16
Loss for the period from continuing operations		**(157)**	(228)
Discontinued operations			
Profit/(loss) for the period from discontinued operations	17(d)	**207**	(734)
Profit/(loss) for the period		**50**	(962)
Attributable to:			
Equity holders of the Company		**49**	(962)
Non-controlling interests		**1**	–
		50	(962)
Earnings per share attributable to equity holders of the Company – basic and diluted			
From continuing operations ($)	9(a)	**(0.35)**	(0.44)
From discontinued operations ($)	9(a)	**0.46**	(1.40)
		0.11	(1.84)
EPS based on Underlying Profit – basic and diluted			
From continuing operations ($)	9(b)	**0.06**	(0.04)
From discontinued operations ($)	9(b)	**–**	0.25
		0.06	0.21

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

Six months ended 30 June 2014

$ million	Notes	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Profit/(loss) for the period		**50**	(962)
Other comprehensive expense for the period after tax:			
Items that will never be reclassified to the income statement:			
Actuarial losses on employee benefits, net of tax		**(1)**	(20)
		(1)	(20)
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on retranslation of foreign operations		**(466)**	(13)
Recycling of exchange differences on disposal of joint venture	10(a)	**24**	–
Recycling of exchange differences on disposal of subsidiary		**–**	2
Share of other comprehensive losses of joint venture		**–**	(4)
Share of other comprehensive losses of associate		**–**	(75)
		(442)	(90)
Other comprehensive expense for the period		**(443)**	(110)
Total comprehensive expense for the period		**(393)**	(1,072)
Attributable to:			
Equity holders of the Company		**(394)**	(1,072)
Non-controlling interests		**1**	–
		(393)	(1,072)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2014

$ million	Notes	At 30 June 2014	At 31 December 2013	At 30 June 2013
Assets				
Non-current assets				
Intangible assets		**271**	52	68
Property, plant and equipment		**2,628**	2,754	2,722
Mining assets		**526**	558	667
Investment in joint venture		**–**	–	974
Other non-current assets		**733**	647	731
Deferred tax asset		**49**	21	140
		4,207	4,032	5,302
Current assets				
Inventories		**510**	610	682
Prepayments and other current assets		**295**	325	313
Income taxes receivable		**12**	59	77
Trade and other receivables		**167**	235	139
Investments		**965**	625	299
Cash and cash equivalents	15(b)	**1,569**	1,715	1,386
		3,518	3,569	2,896
Assets classified as held for sale	17	**–**	1,018	1,194
		3,518	4,587	4,090
Total assets		**7,725**	8,619	9,392
Equity and liabilities				
Equity				
Share capital	12(a)	**171**	171	200
Share premium		**2,650**	2,650	2,650
Capital reserves		**(983)**	(541)	(1,022)
Retained earnings		**1,986**	1,937	3,320
Attributable to equity holders of the Company		**3,824**	4,217	5,148
Non-controlling interests		**5**	4	6
Total equity		**3,829**	4,221	5,154
Non-current liabilities				
Borrowings	13	**2,460**	2,608	2,843
Deferred tax liability		**24**	14	11
Employee benefits	14	**427**	477	499
Provisions		**94**	98	102
		3,005	3,197	3,455
Current liabilities				
Trade and other payables		**573**	631	625
Borrowings	13	**266**	503	102
Income taxes payable		**1**	9	1
Employee benefits	14	**46**	53	50
Provisions		**5**	5	5
		891	1,201	783
Total liabilities		**3,896**	4,398	4,238
Total equity and liabilities		**7,725**	8,619	9,392

These condensed consolidated financial statements were approved by the Board of Directors on 20 August 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 June 2014

$ million	Notes	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Cash flows from operating activities			
Cash flows from operations before interest and income taxes	15(a)	**307**	267
Interest paid		**(82)**	(70)
Income taxes paid		**(25)**	(70)
Net cash flows from operating activities		**200**	127
Cash flows from investing activities			
Interest received		**5**	6
Proceeds from disposal of property, plant and equipment		**3**	26
Purchase of licenses	18	**(195)**	–
Purchase of other intangible assets		**(6)**	(10)
Purchase of property, plant and equipment		**(558)**	(656)
Investments in mining assets		**(80)**	(78)
Licence payments for subsoil contracts		**(2)**	(4)
Proceeds from disposal of share in joint venture	10(a)	**1,249**	–
Acquisition of non-current investments		**(1)**	–
Movement in short-term bank deposits	15(c)	**(340)**	215
Disposal of subsidiary, net of cash disposed		**–**	27
Net cash flows from/(used in) investing activities		**75**	(474)
Cash flows from financing activities			
Proceeds from borrowings – net of arrangement fees paid of $nil (30 June 2013: $22 million)		**24**	540
Repayment of borrowings		**(414)**	(14)
Dividends paid by the Company	11	**–**	(42)
Net cash flows (used in)/from financing activities		**(390)**	484
Net (decrease)/increase in cash and cash equivalents	15(c)	**(115)**	137
Cash and cash equivalents at the beginning of the period		**1,715**	1,250
Effect of exchange rate changes on cash and cash equivalents	15(c)	**(31)**	(1)
Cash and cash equivalents at the end of the period	15(b)	**1,569**	1,386

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 2014

$ million	Notes	Attributable to equity holders of the Company: Share capital	Share premium	Capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2014		**171**	**2,650**	**(541)**	**1,937**	**4,217**	**4**	**4,221**
Profit for the period		**–**	**–**	**–**	**49**	**49**	**1**	**50**
Actuarial losses on employee benefits, net of tax		**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Exchange differences on retranslation of foreign operations		**–**	**–**	**(466)**	**–**	**(466)**	**–**	**(466)**
Recycling of exchange differences on disposal of joint venture	10(a)	**–**	**–**	**24**	**–**	**24**	**–**	**24**
Total comprehensive (expense)/income for the period		**–**	**–**	**(442)**	**48**	**(394)**	**1**	**(393)**
Share-based payment		**–**	**–**	**–**	**1**	**1**	**–**	**1**
At 30 June 2014		**171**	**2,650**	**(983)**	**1,986**	**3,824**	**5**	**3,829**
At 1 January 2013		200	2,650	(932)	4,341	6,259	6	6,265
Loss for the period		–	–	–	(962)	(962)	–	(962)
Actuarial losses on employee benefits, net of tax		–	–	–	(20)	(20)	–	(20)
Exchange differences on retranslation of foreign operations		–	–	(13)	–	(13)	–	(13)
Recycling of exchange differences on disposal of subsidiary		–	–	2	–	2	–	2
Share of losses of joint venture recognised in other comprehensive income		–	–	(4)	–	(4)	–	(4)
Share of losses of associate recognised in other comprehensive income		–	–	(75)	–	(75)	–	(75)
Total comprehensive expense for the period		–	–	(90)	(982)	(1,072)	–	(1,072)
Share-based payment		–	–	–	3	3	–	3
Dividends paid by the Company	11	–	–	–	(42)	(42)	–	(42)
At 30 June 2013		200	2,650	(1,022)	3,320	5,148	6	5,154

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Six months ended 30 June 2014

1. Corporate information

Kazakhmys PLC (the "Company") is a public limited company incorporated in England and Wales. The Company's registered office 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 concentrate, 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 through two divisions, the principal activities of which during the first half of 2014 were:

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

As previously announced, the Group will separate a number of its relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the 'Disposal Assets'), into a new corporate entity which will be sold (the 'Restructuring'). The Board approved the transaction on 3 July 2014, with the independent shareholders' approval being received on 15 August 2014. The transaction is expected to complete by the end of 2014.

At 30 June 2014, as the Restructuring had not been approved by the Board and the independent shareholders, the Disposal Assets did not meet the criteria to be classified as assets held for sale and a discontinued operation (see note 20).

Following the Restructuring, KAZ Minerals PLC will consist of the existing assets and operations in the East Region, Bozymchak and the Major Growth Projects (note 20).

These condensed consolidated financial statements for the six months ended 30 June 2014 were authorised for issue in accordance with a resolution of the Board on 20 August 2014. The information for the year ended 31 December 2013 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 2013, has been delivered to the Registrar 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 consolidated financial statements for the six month period ended 30 June 2014 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 Conduct Authority (FCA) 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 FCA. 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 2013.

(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.

Following the Group's acceptance of an offer for the sale of the Group's 50% joint venture in Ekibastuz GRES-1 and the Group's investment in Kazhydrotechenergo LLP ('Kaz Hydro') on 5 December 2013, these investments have been reclassified as assets held for sale with Ekibastuz GRES-1 presented as a discontinued operation at that date. The consolidated income statement for the six months ended 30 June 2013 has been restated to conform to this presentation.

(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, 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 used were the same, in all material respects, as those applied to the Group's consolidated financial statements for the year ended 31 December 2013, apart from the Restructuring. At 30 June 2014, the Directors concluded that the Disposal Assets, as described in note 1, did not meet the criteria for classification as assets held for sale and a discontinued operation under IFRS 5 *'Non-Current Assets held for sale and discontinued operations'*, as the transaction had not been approved by the independent shareholders.

(d) Going concern

The Directors have considered the Group's cash flow forecasts for the period to 30 September 2015. The Board is satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, and assuming the Restructuring discussed in note 1 completes, 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 fund the development of two of the 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

The condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The condensed consolidated financial statements are presented in US dollars ($) and all financial information has been rounded to the nearest million dollars ($ million) except where otherwise indicated.

The Group has adopted the following standards with effect from 1 January 2014:

- IFRS 10 '*Consolidated Financial Statements'*;
- IFRS 11 '*Joint Arrangements'*; and
- IFRS 12 '*Disclosure of Interests in Other Entities'*.

These standards have had no impact on the financial position or performance of the Group. Consequently, no adjustment has been made to the comparative financial information as at 31 December 2013 or 30 June 2013.

All other 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 2013.

The Group has not early adopted any 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 2014, as adopted by the European Union up to 30 June 2014.

(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 2014		31 December 2013		30 June 2013	
	Spot	**Average**	Spot	Average	Spot	Average
Kazakhstan tenge	**183.51**	**176.44**	153.61	152.13	151.65	150.89
Kyrgyz som	**52.04**	**52.48**	49.25	48.44	48.63	48.01
Euro	**0.73**	**0.73**	0.75	0.73	0.77	0.76
UK pounds sterling	**0.59**	**0.60**	0.61	0.64	0.66	0.65

(c) Devaluation of the tenge

On 11 February 2014, the National Bank of Kazakhstan announced it would seek to support the tenge at around 185 KZT to the US dollar, resulting in a devaluation of the tenge of approximately 19%. The impact of the devaluation in the condensed consolidated financial statements is as follows:

- net finance costs of $214 million includes net foreign exchange losses of $155 million which primarily arose from the retranslation of tenge denominated monetary assets and liabilities, particularly on intercompany loans, within the Group's UK subsidiaries which have a US dollar functional currency. The foreign exchange losses are non-operational and have been treated as a special item; and
- a non-cash foreign exchange loss of $466 million recognised within equity, primarily due to the retranslation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge.

4. Segment information

Information provided to the Board 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 three separate businesses, 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 LLC, whose principal activity is the mining and processing of copper and other metals which are produced as by-products;
- the Group's smelting operations, Kazakhmys Smelting LLC, whose principal activity is the refining of copper and other metals which are produced as by-products by Kazakhmys LLC;
- the Group's UK trading function, Kazakhmys Sales Limited, which is responsible for the purchase of exported products from Kazakhmys LLC and subsequently applies an appropriate mark-up prior to onward sale to third parties. The UK entity performs 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 Growth 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 for the purpose of resource allocation to all these separate functions and entities is included within the Mining segment.

Kazakhmys Power

Kazakhmys Power operates in Kazakhstan which consists of the Group's three captive power stations and the Ekibastuz GRES-1 coal-fired power station joint venture until its disposal on 1 April 2014. 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. On 5 December 2013, the Ekibastuz GRES-1 joint venture was reclassified as an asset held for sale and a discontinued operation following the Board's acceptance of an offer from Samruk-Energo for the investment.

The captive power stations and the Group's 50% interest in the Ekibastuz GRES-1 coal-fired power station (until its disposal) are managed by the same management team and produce discrete financial and operating information that is used by the Board for operational and resource allocation decisions.

MKM

MKM operated in Germany, where it manufactures copper and copper alloy semi-finished products. The business was sold on 28 May 2013. For the six months ended 30 June 2013, MKM was classified as a discontinued operation until its disposal.

Managing and measuring operating segments

The key performance measure of the operating segments is EBITDA (excluding special items), which is defined as profit before interest, taxation, depreciation, depletion, amortisation, the non-cash component of the disability benefits obligation 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 (see note 5).

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 product and by destination in note 4(b).

(a) Operating segments

(i) Income statement information

$ million	Kazakhmys Mining	Kazakhmys Power	Corporate Services	Total	Six months ended 30 June 2014 Income statement Continuing operations	Discontinued operations[1]
Revenues						
Segment sales	**1,269**	**101**	**–**	**1,370**		
Inter-segment sales	**(24)**	**(59)**	**–**	**(83)**		
Sales to external customers	**1,245**	**42**	**–**	**1,287**	**1,287**	**–**
Gross profit	**503**	**30**	**–**	**533**	**533**	**–**
Operating costs	**(367)**	**(7)**	**(29)**	**(403)**	**(403)**	**–**
Impairment (losses)/reversals	**(39)**	**5**	**–**	**(34)**	**(34)**	**–**
Gain on disposal of joint venture[2]	**–**	**207**	**–**	**207**	**–**	**207**
Segmental operating profit/(loss)	**97**	**235**	**(29)**	**303**	**96**	**207**
Net finance costs				**(214)**	**(214)**	**–**
Income tax expense				**(39)**	**(39)**	**–**
Profit/(loss) for the period				**50**	**(157)**	**207**

$ million	Kazakhmys Mining	Kazakhmys Power[2]	MKM[3]	Corporate Services	Total	Six months ended 30 June 2013 Income statement	Discontinued operations[1] Joint venture[2]	Other
Revenues								
Segment sales	1,553	256	595	–	2,404			
Inter-segment sales	(29)	(69)	–	–	(98)			
Sales to external customers	1,524	187	595	–	2,306	1,571	140	595
Gross profit	466	113	28	–	607	503	76	28
Operating costs	(521)	(17)	(29)	(16)	(583)	(546)	(8)	(29)
Impairment losses	(146)	(10)	(23)	–	(179)	(154)	(2)	(23)
Loss on disposal of subsidiary[3]	–	–	(1)	–	(1)	–	–	(1)
Segmental operating (loss)/profit	(201)	86	(25)	(16)	(156)	(197)	66	(25)
Share of losses from associate[4]					(758)	–	–	(758)
Share of profits from joint venture[4]					–	–	(51)	51
Net finance costs					(50)	(47)	(2)	(1)
Income tax credit/(expense)					2	16	(13)	(1)
Loss for the period					(962)	(228)	–	(734)

1 For the period ended 30 June 2014, discontinued operations comprise the gain on disposal of the Group's investment in Ekibastuz GRES-1. For the period ended 30 June 2013, discontinued operations comprised the results of MKM for the period up to 28 May 2013, the date on which it was sold, the share of post-tax results from the Group's investment in Ekibastuz GRES-1 and the share of post-tax results from the Group's investment in ENRC up to 24 June 2013.

2 For segment reporting, the Group included its 50% share of the income statement line items that relate to Ekibastuz GRES-1 on a line-by-line basis, whereas in the Group's income statement, the financial results of Ekibastuz GRES-1 are included within 'share of profits from joint venture' within discontinued operations. On 5 December 2013, Ekibastuz GRES-1 was reclassified as a discontinued operation following the Board's acceptance of an offer from Samruk-Energo for the investment. The business was sold on 1 April 2014 for proceeds of $1,249 million, after transaction costs of $2 million which resulted in a gain of $207 million on disposal (see note 10(a)).

3 On 28 May 2013, the Group sold its German subsidiary, MKM (see note 10(b)).

4 Share of profits/(losses) is net of tax. For the period ended 30 June 2013, following the reclassification of ENRC as a discontinued operation the results for the period from the associate include an impairment charge of $823 million recognised to write the investment down to fair value less costs to sell.

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

	Six months ended 30 June 2014					
					Income statement	
$ million	Kazakhmys Mining	Kazakhmys Power	Corporate Services	Total	Continuing operations	Discontinued operations[1]
Profit/(loss) before finance items and taxation	**97**	**235**	**(29)**	**303**	**96**	**207**
Add: depreciation, depletion and amortisation	**91**	**9**	**1**	**101**	**101**	**–**
Add: non-cash component of the disability benefits obligation[2]	**22**	**–**	**–**	**22**	**22**	**–**
Add: mineral extraction tax[3]	**75**	**–**	**–**	**75**	**75**	**–**
Segmental EBITDA	**285**	**244**	**(28)**	**501**	**294**	**207**
Special items – note 5:						
Less: provisions released against historic tax claims	**(15)**	**–**	**–**	**(15)**	**(15)**	**–**
Add: restructuring and transaction costs	**–**	**–**	**12**	**12**	**12**	**–**
Add: impairment charges	**31**	**1**	**–**	**32**	**32**	**–**
Add: loss/(gain) on disposal of assets	**1**	**(207)**	**–**	**(206)**	**1**	**(207)**
Group EBITDA (excluding special items)	**302**	**38**	**(16)**	**324**	**324**	**–**

	Six months ended 30 June 2013							
							Discontinued operations[1]	
$ million	Kazakhmys Mining	Kazakhmys Power	MKM	Corporate Services	Total	Income statement	Joint venture	Other
(Loss)/profit before finance items and taxation[4]	(201)	71	(25)	(16)	(171)	(197)	51	(25)
Interest and taxation of joint venture	–	15	–	–	15	–	15	–
Segmental operating (loss)/profit[4]	(201)	86	(25)	(16)	(156)	(197)	66	(25)
Add: depreciation, depletion and amortisation	122	33	–	–	155	135	20	–
Add: non-cash component of the disability benefits obligation[2]	55	–	–	–	55	55	–	–
Add: mineral extraction tax[3]	121	–	–	–	121	121	–	–
Segmental EBITDA	97	119	(25)	(16)	175	114	86	(25)
Special items – note 5:								
Add: additional disability benefits obligation charge	84	–	–	–	84	84	–	–
Add: impairment charges	146	–	22	–	168	146	–	22
Add: loss on disposal of assets	10	–	1	–	11	10	–	1
Segmental EBITDA (excluding special items)	337	119	(2)	(16)	438	354	86	(2)
Share of EBITDA of associate[5]	–	–	–	276	276	–	–	276
Group EBITDA (excluding special items)	337	119	(2)	260	714	354	86	274

1 For the period ended 30 June 2014, discontinued operations comprises the gain on disposal of the Group's investment in Ekibastuz GRES-1. For the period ended 30 June 2013, discontinued operations comprised the results of MKM for the period up to 28 May 2013, the date on which it was sold, the share of post-tax results from the Group's investment in Ekibastuz GRES-1 and the share of post-tax results from the Group's investment in ENRC up to 24 June 2013.

2 The non-cash component of the Group's disability benefits obligation has been excluded from EBITDA as EBITDA, a key financial indicator, is a proxy for cash earnings from the Group's trading performance. The non-cash component of the disability benefits obligation is determined as the actuarial income statement charge less the actual cash payments disbursed during the period in respect of the disability benefits obligation.

3 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.

4 As the profit/(loss) before finance items and taxation from discontinued operations 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 (loss)/ profit before finance items and taxation from discontinued operations of the Group on a consistent pre-interest and tax basis.

5 The share of EBITDA of the associate excludes MET and special items of the associate.

(iii) Balance sheet information

$ million	Kazakhmys Mining	Kazakhmys Power	Corporate Services	Total	Balance sheet
					At 30 June 2014
Assets					
Property, plant and equipment, mining assets and intangible assets[1]	**3,241**	**112**	**72**	**3,425**	**3,425**
Intragroup investments	**–**	**–**	**2,638**	**2,638**	**2,638**
Non-current investments and other assets [2]	**721**	**12**	**–**	**733**	**733**
Operating assets[3]	**847**	**55**	**331**	**1,233**	**1,233**
Current investments	**40**	**–**	**925**	**965**	**965**
Cash and cash equivalents	**548**	**29**	**992**	**1,569**	**1,569**
Segment assets	**5,397**	**208**	**4,958**	**10,563**	**10,563**
Deferred tax asset				**49**	**49**
Income taxes receivable				**12**	**12**
Elimination				**(2,899)**	**(2,899)**
Total assets				**7,725**	**7,725**
Liabilities					
Employee benefits and provisions	**561**	**11**	**–**	**572**	**572**
Operating liabilities[4]	**724**	**14**	**96**	**834**	**834**
Segment liabilities	**1,285**	**25**	**96**	**1,406**	**1,406**
Borrowings				**2,726**	**2,726**
Deferred tax liability				**24**	**24**
Income taxes payable				**1**	**1**
Elimination				**(261)**	**(261)**
Total liabilities				**3,896**	**3,896**

$ million	Kazakhmys Mining	Kazakhmys Power	Corporate Services	Total	Balance sheet	Assets held for sale[5]
						At 31 December 2013
Assets						
Property, plant and equipment, mining assets and intangible assets[1]	3,259	102	3	3,364	3,364	–
Intragroup investments	–	–	2,500	2,500	2,500	–
Non-current investments and other assets[2]	587	1,060	18	1,665	647	1,018
Operating assets[3]	1,092	49	257	1,398	1,398	–
Current investments	50	–	575	625	625	–
Cash and cash equivalents	154	7	1,554	1,715	1,715	–
Segment assets	5,142	1,218	4,907	11,267	10,249	1,018
Deferred tax asset				21	21	–
Income taxes receivable				59	59	–
Assets classified as held for sale				–	1,018	(1,018)
Elimination				(2,728)	(2,728)	–
Total assets				8,619	8,619	–
Liabilities						
Employee benefits and provisions	622	11	–	633	633	–
Operating liabilities[4]	748	32	79	859	859	–
Segment liabilities	1,370	43	79	1,492	1,492	–
Borrowings				3,111	3,111	–
Deferred tax liability				14	14	–
Income taxes payable				9	9	–
Elimination				(228)	(228)	–
Total liabilities				4,398	4,398	–

$ million	Kazakhmys Mining	Kazakhmys Power	Corporate Services	Total	Balance sheet	Assets held for sale[5]
						At 30 June 2013
Assets						
Property, plant and equipment, mining assets and intangible assets[1]	3,290	153	14	3,457	3,457	–
Intragroup investments	–	–	4,458	4,458	4,458	–
Non-current investments and other assets[2]	682	1,007	1,210	2,899	1,705	1,194
Operating assets[3]	1,142	57	209	1,408	1,408	–
Current investments	49	–	250	299	299	–
Cash and cash equivalents	170	32	1,184	1,386	1,386	–
Segment assets	5,333	1,249	7,325	13,907	12,713	1,194
Deferred tax asset				140	140	–
Income taxes receivable				77	77	–
Assets classified as held for sale				–	1,194	(1,194)
Elimination				(4,732)	(4,732)	–
Total assets				9,392	9,392	–
Liabilities						
Employee benefits and provisions	644	12	–	656	656	–
Operating liabilities[4]	697	123	79	899	899	–
Segment liabilities	1,341	135	79	1,555	1,555	–
Borrowings				2,945	2,945	–
Deferred tax liability				11	11	–
Income taxes payable				1	1	–
Elimination				(274)	(274)	–
Total liabilities				4,238	4,238	–

1 Property, plant and equipment, mining assets and intangible assets are located in the principal country of operations of each operating segment. Kazakhmys Mining principally operates in Kazakhstan with an operation in Kyrgyzstan with assets of $143 million (31 December 2013: $146 million; 30 June 2013: $76 million). Kazakhmys Power operates in Kazakhstan.

2 Non-current investments and other assets include other non-current investments, non-current VAT receivable and non-current advances paid, the Group's investment in Ekibastuz GRES-1 LLP and a Hydro power development project company in Kazakhstan within the Kazakhmys Power segment at 31 December 2013 and 30 June 2013 and the Group's investment in ENRC within Corporate Services at 30 June 2013.

3 Operating assets comprise inventories, prepayments and other current assets and trade and other receivables, including intragroup receivables.

4 Operating liabilities comprise trade and other payables, including intragroup payables.

5 As at 24 June 2013, the Group's investment in ENRC was classified as an asset held for sale and as a discontinued operation. The disposal completed on 8 November 2013. As at 5 December 2013, Ekibastuz GRES-1 was reclassified as an asset held for sale and a discontinued operation, until its disposal on 1 April 2014 (see note 17).

(iv) Capital expenditure

$ million	Kazakhmys Mining[1]	Kazakhmys Power[2]	Corporate Services	Total	Continuing operations	Discontinued operations[3]
						Six months ended 30 June 2014
Property, plant and equipment	**616**	**13**	**–**	**629**	**629**	**–**
Mining assets	**85**	**–**	**–**	**85**	**85**	**–**
Intangible assets	**231**	**–**	**–**	**231**	**231**	**–**
Capital expenditure	**932**	**13**	**–**	**945**	**945**	**–**

$ million	Kazakhmys Mining[1]	Kazakhmys Power[2]	MKM	Corporate Services	Total	Continuing operations	Discontinued operations[3]
							Six months ended 30 June 2013
Property, plant and equipment	692	29	9	–	730	721	9
Mining assets	87	–	–	–	87	87	–
Intangible assets	10	–	–	–	10	10	–
Capital expenditure	789	29	9	–	827	818	9

1 Capital expenditure within the Kazakhmys Mining segment includes capitalised depreciation of $5 million (30 June 2013: $4 million) and $5 million (30 June 2013: $2 million) for property, plant and equipment and mining assets respectively. In addition during the period, Kazakhmys Mining capitalised borrowing costs of $60 million (30 June 2013: $66 million) and $nil (30 June 2013: $7 million) to property, plant and equipment and mining assets, respectively. Also during the period, the site restoration and clean up provisions within Kazakhmys Mining were reassessed and as a result, an additional $5 million (30 June 2013: $2 million) has been recognised with a corresponding adjustment to property, plant and equipment. These amounts are non-cash items and are recorded within site restoration and clean up provisions. Within intangible assets, the purchase of the Koksay licence also includes a deferred payment, within trade and other payables, of $30 million which is due to be paid in January 2015 (see note 18). Capital expenditure also includes non-current advances paid for items of property, plant and equipment.

2 Kazakhmys Power represents the Group's captive power stations. During the period, the site restoration and clean up provisions within Kazakhmys Power were reassessed and as a result, an additional $1 million (30 June 2013: $2 million) has been recognised with a corresponding adjustment to property, plant and equipment.

3 For the period up to MKM's disposal on 28 May 2013, MKM was included within discontinued operations.

(b) Segmental information in respect of revenues

Revenues by product are as follows:

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Continuing operations		
Kazakhmys Mining		
Copper cathodes	**594**	1,117
Copper in concentrate	**286**	–
Copper rods	**44**	51
Total copper products	**924**	1,168
Silver	**128**	158
Zinc metal in concentrate	**70**	70
Gold bullion	**59**	65
Other by-products	**35**	23
Other revenue	**29**	40
	1,245	1,524
Kazakhmys Power		
Electricity generation	**33**	38
Heating and other	**9**	9
	42	47
Total continuing operations	**1,287**	1,571
Discontinued operations		
MKM		
Sheets and strips	**–**	263
Wire	**–**	186
Tubes and bars	**–**	128
Metal trade	**–**	18
	–	595
Share of revenues from joint venture – Kazakhmys Power	**–**	140
Total discontinued operations	**–**	735
Total revenues	**1,287**	2,306

Revenues by destination to third parties are as follows:

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Continuing operations		
Europe	**6**	349
China	**835**	798
Kazakhstan	**266**	285
Other	**180**	139
Total continuing operations	**1,287**	1,571
Discontinued operations		
MKM		
Europe	**–**	446
China	**–**	10
Other	**–**	139
	–	595
Share of joint venture's revenues		
Kazakhstan	**–**	122
Other	**–**	18
	–	140
Total discontinued operations	**–**	735
Total revenues	**1,287**	2,306

Six months ended 30 June 2014

Four customers within the Kazakhmys Mining segment, three of which are collectively under common control, represent 32% of total Group revenue from continuing operations for the six months. The total revenue from these customers is $406 million. The revenue from the three customers under common control of $163 million represents 13% of the total Group revenue from continuing operations. Revenues from the fourth major customer of $243 million represent 19% of total Group revenue from continuing operations.

Six months ended 30 June 2013

Four customers within the Kazakhmys Mining segment, three of which are collectively under common control, represent 27% of total Group revenue from continuing operations for the six months. The total revenue from these customers is $426 million. The revenue from the three customers under common control of $273 million represents 17% of the total Group revenue from continuing operations. Revenues from the fourth major customer of $153 million represent 10% of total Group revenue from continuing operations.

5. 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 2014**	Six months ended 30 June 2013
Continuing operations		
Special items within profit/(loss) before finance items and taxation:		
Additional disability benefits obligation related to previously insured employees	**–**	84
Provisions released against historic tax claims	**(15)**	–
Restructuring and transaction costs	**12**	–
Impairment charges – note 6	**32**	146
Impairment charges against property, plant and equipment	**26**	111
Impairment charges against mining assets	**6**	4
Provisions raised against inventories	**–**	11
Provisions raised against other assets	**–**	20
Loss on disposal of property, plant and equipment	**1**	10
	30	240
Special items within loss for the period:		
Net foreign exchange loss arising on the devaluation of the tenge	**155**	–
Taxation effect of special items	**2**	(29)
Recognition of a deferred tax asset on additional disability benefits obligation related to previously insured employees	**–**	(17)
Net foreign exchange loss arising on the devaluation of the tenge	**13**	–
Provisions released against historic tax claims	**(7)**	–
Deferred tax assets on other special items[1]	**(4)**	(12)
	157	(29)
	187	211
Discontinued operations		
Special items within profit/(loss) before finance items and taxation:		
Impairment charge recognised on remeasurement to fair value less costs to sell – MKM	**–**	22
(Gain)/loss on disposal of assets – note 10	**(207)**	1
Gain on disposal of joint venture[2]	**(207)**	–
Loss on disposal of subsidiary	**–**	1
	(207)	23
Special items within profit/(loss) before taxation:		
Impairment charges recognised on remeasurement to fair value less costs to sell – ENRC	**–**	823
Associate[2]	**–**	30
	(207)	876
Special items within profit/(loss) for the period:		
Release of deferred tax assets resulting from the remeasurement of MKM	**–**	4
Recognition of deferred tax assets on impairment charges recognised by ENRC	**–**	(14)
	(207)	866

1 Includes $2 million relating to the deferred tax assets recognised on the write-off of capitalised borrowing costs at Bozymchak.
2 The Group's investments in Ekibastuz GRES-1 and ENRC were reclassified as assets held for sale and discontinued operations on 5 December 2013 and 24 June 2013, respectively (see note 17).

6. Impairment losses

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Impairment charges against property, plant and equipment	**26**	111
Impairment charges against mining assets	**6**	4
Provisions raised against inventories	**8**	12
Provisions raised against other assets	**–**	28
Provisions released against trade and other receivables	**(6)**	(1)
Continuing operations	**34**	154
Discontinued operations	**–**	846
	34	1,000

Six months ended 30 June 2014

The Bozymchak development project, included in the Kazakhmys Mining segment, was previously impaired at 30 June 2012 to its recoverable amount, such that any subsequent adverse changes to the project could result in further impairment charges being recognised.

Since 2012, the Group continued to capitalise borrowing costs on the CDB/Samruk-Kazyna financing facilities in accordance with IAS 23 '*Borrowing costs'.* The cumulative borrowing costs capitalised on the project now exceed the level anticipated at 30 June 2012. As a result, at 30 June 2014 $23 million of the cumulative capitalised borrowing costs have been written-off, with an associated deferred tax credit of $2 million. The impairment charge reduces the carrying value of the Bozymchak project to its recoverable amount of $184 million which was determined on a discounted cash flow basis using a pre-tax discount rate of 14.0%.

In addition to the above, further impairment charges were recognised within Kazakhmys Mining and Kazakhmys Power against property, plant and equipment of $3 million and mining assets of $6 million within Kazakhmys Mining.

Six months ended 30 June 2013

In light of the decline in the price of commodities produced by the Group during the first half of 2013 and the rising cost base, the Group took action to improve operational efficiency and review discretionary capital expenditure to improve the operating cash flow of the business. The Satpayev concentrator was suspended in June 2013 and the Zhezkazgan smelter was suspended in the second half of 2013 resulting in a move from copper cathode to copper concentrate sales from the Zhezkazgan region. This review resulted in impairment charges being recognised in the first half of 2013. The most significant impairment charges recognised in the first half of 2013 were:

- $119 million against assets in the Zhezkazgan Region, principally related to the suspension of the Zhezkazgan smelter and the Satpayev concentrator, comprising $98 million against property, plant and equipment and $21 million against other assets including specialised consumables; and
- $27 million in respect of certain mid-sized projects which were suspended.

Within discontinued operations, impairment charges were recognised to write down the carrying values of MKM and ENRC, assets that were classified as held for sale, to their fair value less costs to sell. For the period ended 30 June 2013, MKM was impaired by $23 million and ENRC by $823 million. Of the total impairment charges recognised at MKM in the period ended 30 June 2013 (for the period until 28 May 2013 when it was disposed of), $1 million relates to the impairment of receivables which are not treated as special items.

7. Finance income and finance costs

$ million	Six months ended 30 June 2014	Six months ended 30 June 2013
Finance income		
Interest income	**6**	5
Foreign exchange gains[1]	**158**	20
Finance income attributable to continuing operations	**164**	25
Foreign exchange gains	**–**	5
Finance income attributable to discontinued operations	**–**	5
	164	30
Finance costs		
Interest expense	**(10)**	(14)
Total interest expense	**(70)**	(87)
Less: amounts capitalised to the cost of qualifying assets[2]	**60**	73
Interest on employee obligations	**(18)**	(13)
Unwinding of discount on provisions	**(4)**	(3)
Finance costs before foreign exchange losses	**(32)**	(30)
Foreign exchange losses[1]	**(346)**	(42)
Finance costs attributable to continuing operations	**(378)**	(72)
Interest expense	**–**	(2)
Foreign exchange losses	**–**	(4)
Finance costs attributable to discontinued operations	**–**	(6)
	(378)	(78)

1 Of the net foreign exchange losses within continuing operations, $155 million arises as a result of the devaluation of the tenge in February 2014 (see note 3(c)).

2 During the first half of 2014, the Group capitalised to the cost of qualifying assets $56 million (30 June 2013: $63 million) of borrowing costs incurred on the outstanding debt during the period on the CDB/Samruk-Kazyna financing facilities at an average rate of net interest of 5.04% (30 June 2013: 5.30%). In addition, $4 million (30 June 2013: $10 million) was capitalised in respect of the CDB Aktogay financing facility at an average rate of net interest of 6.55% (30 June 2013: 6.55%).

8. Income taxes

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

$ million	Six months ended 30 June 2014	Six months ended 30 June 2013
Current income tax		
Corporate income tax – current period (overseas)	**63**	36
Corporate income tax – prior periods	**(5)**	(14)
	58	22
Deferred income tax		
Corporate income tax – current period temporary differences	**(10)**	(45)
Corporate income tax – prior period temporary differences	**(9)**	7
	(19)	(38)
Income tax expense/(credit) attributable to continuing operations	**39**	(16)
Current income tax attributable to discontinued operations	**–**	1
Income tax expense attributable to discontinued operations	**–**	1
Total income tax expense/(credit)	**39**	(15)

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 2014**	Six months ended 30 June 2013
Loss before tax from continuing operations	**(118)**	(244)
At UK statutory income tax rate of 21.5% (30 June 2013: 23.25%)[1]	**(25)**	(57)
Current income tax – prior periods	**(5)**	(14)
Deferred income tax – prior periods	**(9)**	7
(Recognised)/unrecognised tax losses	**(12)**	4
Effect of domestic tax rates applicable to individual Group entities	**3**	9
Non-deductible items:		
Transfer pricing	**6**	2
Net foreign exchange loss arising on the devaluation of the tenge	**51**	–
Other non-deductible expenses	**30**	33
Income tax expense/(credit) attributable to continuing operations	**39**	(16)
Income tax expense attributable to discontinued operations	**–**	1
Total income tax expense/(credit)	**39**	(15)

1 For the period ended 30 June 2014, the UK statutory rate for January to March 2014 was 23.0% and for April to December 2014 is 21.0%, giving a weighted average full year rate of 21.5%. For the period ended 30 June 2013, the UK statutory rate for January to March 2013 was 24.0% and for April to December 2013 was 23.0%, giving a weighted average full year rate of 23.25%.

Corporate income tax is calculated at 21.5% (30 June 2013: 23.25%) of the assessable profit for the period for the Company and its UK subsidiaries, 20.0% for the operating subsidiaries in Kazakhstan (30 June 2013: 20.0%) and 10.0% for the Group's Kyrgyzstan based subsidiary (30 June 2013: 10.0%). For the period ending 30 June 2013 MKM, which is included as part of discontinued operations, had a tax rate of 28.5% which relates to German corporate income tax and trade tax.

The effective tax rate for continuing operations for the six months ended 30 June 2014 is (33.1)% (30 June 2013: 6.6%).

9. Earnings per share

(a) Basic and diluted EPS

Basic EPS is calculated by dividing profit for the period attributable to equity holders 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 any share buy-back programmes are both held in treasury and treated as own shares.

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

$ million (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Net loss attributable to equity holders of the Company from continuing operations	**(158)**	(228)
Net profit/(loss) attributable to equity holders of the Company from discontinued operations	**207**	(734)
	49	(962)
Weighted average number of ordinary shares of 20 pence each for EPS calculation	**446,804,257**	523,712,360
EPS – basic and diluted ($)		
From continuing operations	**(0.35)**	(0.44)
From discontinued operations	**0.46**	(1.40)
	0.11	(1.84)

(b) EPS based on Underlying Profit

The Group's Underlying Profit is the net profit for the six months excluding special items 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 attributable to equity holders of the Company 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 table shows the reconciliation from the reported profit to Underlying Profit and the share data used to determine the EPS based on Underlying Profit:

$ million (unless otherwise stated)	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Net loss attributable to equity holders of the Company from continuing operations	**(158)**	(228)
Special items within operating profit/(loss) – note 5	**30**	240
Special items within loss for the period – note 5	**157**	(29)
Underlying Profit from continuing operations	**29**	(17)
Net profit/(loss) attributable to equity holders of the Company from discontinued operations	**207**	(734)
Special items within operating profit/(loss) – note 5		
Subsidiary businesses	**(207)**	23
Special items within profit/(loss) before taxation – note 5		
Impairment charge recognised on remeasurement to fair value less costs to sell – ENRC	**–**	823
Associate	**–**	30
Special items within profit/(loss) for the period – note 5		
Subsidiary businesses	**–**	4
Associate	**–**	(14)
Underlying Profit from discontinued operations	**–**	132
Total Underlying Profit	**29**	115
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	**446,804,257**	523,712,360
EPS based on Underlying Profit – basic and diluted ($)		
From continuing operations	**0.06**	(0.04)
From discontinued operations	**–**	0.25
	0.06	0.21

10. Disposal of investments and subsidiaries

(a) Disposal of investments in the Ekibastuz GRES-1 joint venture and Kaz Hydro

On 1 April 2014, the Group completed the disposal of its investments in the Ekibastuz GRES-1 joint venture and Kaz Hydro for a net consideration of $1,249 million after transaction costs of $2 million. At the date of disposal, the combined carrying value of these investments was $1,018 million ($1,004 million and $14 million respectively) while the accumulated currency translation reserve of Ekibastuz GRES-1 amounted to $24 million. Following the completion of the sale, the Group recognised a profit on disposal of $207 million.

The Ekibastuz GRES-1 joint venture was classified as a discontinued operation for the comparative period of 30 June 2013 (see note 17).

(b) Disposal of MKM

On 28 May 2013, the Group completed the disposal of MKM for a total consideration of €42 million ($55 million) net of expected selling costs of €2 million ($2 million). At the date of disposal, MKM had net assets of €41 million ($54 million). The total consideration of €42 million consisted of €30 million ($39 million), which was received in May 2013 and €12 million ($16 million) was deferred. The total consideration was concluded after the receipt of a dividend from MKM of €10 million ($13 million) in April 2013. The deferred component of the consideration is in the form of a secured vendor loan note that bears interest at 9% per annum over four years, expiring in 2017, with early repayment permitted. The loss on disposal of $1 million was mainly attributable to the recycling of the foreign currency translation reserve.

MKM was classified as an asset held for sale and a discontinued operation for the comparative period of 30 June 2013 (see note 17).

11. Dividends paid

(i) Six months ended 30 June 2014

No dividends were paid in respect of the year ended 31 December 2013.

(ii) Six months ended 30 June 2013

On 21 May 2013, the Company paid the final dividend of $42 million in respect of the year ended 31 December 2012 to shareholders on the register as at 26 April 2013.

12. 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 2013 and 30 June 2013	535,420,180	107	200
Purchase of Company's issued share capital	(77,041,147)	(15)	(29)
At 31 December 2013 and 30 June 2014	**458,379,033**	**92**	**171**

In November 2013, the Group completed the disposal of its investment in ENRC receiving 77,041,147 Kazakhmys PLC shares as part of the total consideration. These shares were subsequently cancelled.

(b) 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 ('EBT'). The cost of shares purchased by the EBT is charged against retained earnings. The EBT has waived the right to receive dividends on these shares. In the six months ended 30 June 2014, 88,517 shares (30 June 2013: 30,451) were transferred out of the EBT in settlement of share awards granted to employees that were exercised during the period.

At 30 June 2014, the Group, through the EBT, owned 559,698 Kazakhmys PLC shares (30 June 2013: 733,343, 31 December 2013: 648,215) with a market value of $3 million (30 June 2013: $3 million, 31 December 2013: $2 million) and a cost of $11 million (30 June 2013: $14 million, 31 December 2013: $12 million).

13. Borrowings

	Maturity	Average interest rate during the period	Currency of denomination	Current $ million	Non-current $ million	Total $ million
30 June 2014						
CDB/Samruk-Kazyna facility – US$ LIBOR + 4.80%	2025	5.14%	US dollar	**183**	**1,975**	**2,158**
CDB - Aktogay facility – PBoC rate	2028	6.55%	RMB	**–**	**80**	**80**
Pre-export finance facility – US$ LIBOR + 2.80%	2017	2.96%	US dollar	**83**	**405**	**488**
				266	**2,460**	**2,726**
31 December 2013						
CDB/Samruk-Kazyna facility – US$ LIBOR + 4.80%	2025	5.26%	US dollar	503	2,065	2,568
CDB - Aktogay facility – PBoC rate	2028	6.55%	RMB	–	57	57
Pre-export finance facility – US$ LIBOR + 2.80%	2017	2.98%	US dollar	–	486	486
				503	2,608	3,111
30 June 2013						
CDB/Samruk-Kazyna facility – US$ LIBOR + 4.80%	2025	5.30%	US dollar	102	2,553	2,655
CDB - Aktogay facility – PBoC rate	2028	6.55%	RMB	–	56	56
Pre-export finance facility – US$ LIBOR + 2.80%	2017	3.00%	US dollar	–	234	234
				102	2,843	2,945

Pre-export finance facility

On 20 December 2012, Kazakhmys Finance PLC ("Kazakhmys Finance"), a wholly owned subsidiary of the Company, signed a five year pre-export finance facility for $1.0 billion with a syndicate of banks to be used for general corporate purposes. The funds were available for drawing at any time within a year from the date of the agreement and once drawn, attract interest at US$ LIBOR plus 2.80%. The facility has a final maturity date of December 2017 and monthly loan repayments of principal will commence in January 2015. Kazakhmys PLC, Kazakhmys LLC and Kazakhmys Sales Limited act as guarantors of the loan. On 27 December 2013, the facility was reduced to $500 million, being the amount drawn at the end of the availability period.

At 30 June 2014, the Group had drawn down $500 million (30 June 2013: $250 million, 31 December 2013: $500 million) under this facility. Arrangement fees with an amortised cost of $12 million (30 June 2013: $16 million, 31 December 2013: $14 million), gross cost before amortisation of $18 million (30 June 2013: $18 million, 31 December 2013: $18 million), have been netted off against these borrowings in accordance with IAS 39.

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, which was subsequently repaid by Samruk-Kazyna in January 2013. 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 $2.7 billion financing line.

The funds, which were fully drawn in January 2013, attract interest semi-annually at an annualised rate of US$ LIBOR plus 4.80%. The loans have a final maturity falling between January 2022 and August 2025 and first repayment commenced in January 2013.

As at 30 June 2014, $2.2 billion (30 June 2013: $2.7 billion, 31 December 2013: $2.6 billion) was drawn under the facility agreements signed to date. Arrangement fees with an amortised cost of $22 million (30 June 2013: $32 million, 31 December 2013: $25 million), gross cost before amortisation of $35 million (30 June 2013: $35 million, 31 December 2013: $32 million), have been netted off against these borrowings in accordance with IAS 39. In January 2014, the Group repaid early $400 million under this facility related to the Akbastau-Kosmurun and Zhomart projects as development of these projects is not expected to commence in the near future.

CDB Aktogay finance facility

On 16 December 2011, the Group signed a $1.5 billion loan facility with the CDB, to be used for the development of the major copper project at Aktogay. The loan facility consists of two separate agreements with similar terms and conditions. The first agreement is for up to $1.3 billion and the second agreement for up to RMB1.0 billion ($161 million equivalent at the RMB/$ exchange rate on 30 June 2014). The US dollar agreement attracts interest at US$ LIBOR plus 4.20% and the RMB agreement attracts interest at the applicable benchmark lending rate published by the People's Bank of China (PBoC). The funds are available to draw down over a three year period commencing from 31 December 2012 and matures 15 years from the date of first draw down. Kazakhmys PLC acts as guarantor of the loan.

At 30 June 2014, the Group had drawn down the first $81 million (30 June 2013: $56 million, 31 December 2013: $57 million) under the RMB facility. Arrangement fees with an amortised cost of $1 million (30 June 2013: $1 million, 31 December 2013: $1 million), gross cost before amortisation of $1 million (30 June 2013: $1 million, 31 December 2013: $1 million), have been netted off against these borrowings in accordance with IAS 39.

14. Employee benefits

Kazakhmys LLC provides post-retirement benefits and other long-term benefits in Kazakhstan which are unfunded. The largest portion of the employee benefits provision is for other long-term benefits, of which the most significant is for the long-term disability allowances. The other benefits provided include one-time retirement grants, financial aid, dental care, medical benefits, sanatorium visits, annual financial support to pensioners and funeral aid.

The amounts recognised in the income statements are as follows:

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Employer's share of current service cost	**1**	1
Employer's share of past service cost	**(9)**	84
Actuarial losses recognised in the period	**57**	78
Interest cost on benefits obligation	**18**	13
	67	176

In accordance with the laws of Kazakhstan, the Group obtained insurance cover for the disability payments to employees from February 2005. These disability payments that were covered by insurance contracts were accounted for under IAS 19 *'Employee benefits'* as an insured benefit, with no asset or liability being recognised on the Group's balance sheet. During 2013, as a result of financial difficulties, the insurance companies ceased making their obligatory payments to the employees covered by insurance contracts. The Group agreed to meet these future disability payments and at 30 June 2013, the liability for the future disability benefit payments to the employees previously covered by the insurance contracts was included in the disability benefits obligation. Of the total income statement charge of $176 million during the first half of 2013, $84 million related to the assumption of this obligation by the Group and was treated as a one-off special item. Also included in the income statement charge were actuarial losses recognised in the period of $78 million arising from an increase in the number of new claimants and changes in the actuarial assumptions.

During the first half of 2014 the most significant impact on the disability benefit obligation was the devaluation of the tenge. The past service cost credit in the period represents the impact of a change in the Group's collective bargaining agreement, a post-employment benefit.

The movement in the defined benefits obligation is as follows:

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
At 1 January	**543**	373
Employer's share of current service cost	**1**	1
Employer's share of past service cost	**(9)**	84
Net actuarial losses arising in the income statement	**57**	78
Net actuarial losses recognised in other comprehensive income	**1**	25
Interest cost on benefits obligation	**18**	13
Benefits provided to employees	**(27)**	(23)
Net exchange adjustment	**(86)**	(2)
At 30 June	**498**	549

The movement in the plan asset is as follows:

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
At 1 January	**13**	–
Interest income	**–**	–
Contributions by employer	**39**	–
Benefits paid	**(27)**	–
Fair value of plan assets at 31 December	**25**	–

The employee benefits obligation of $473 million consists of $50 million related to post-employment benefits and $423 million related to other long-term benefits.

The net liability and expected settlement of the defined benefit obligation is as follows:

$ million	**At 30 June 2014**	At 31 December 2013	At 30 June 2013
Defined benefit obligation	**498**	543	549
Less fair value of plan assets	**25**	13	–
Net liability recognised at the end of the period	**473**	530	549
Current	**46**	53	50
Non-current	**427**	477	499
	473	530	549

15. Consolidated cash flow analysis

(a) Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Loss before taxation from continuing operations	**(118)**	(244)
Profit/(loss) before taxation from discontinued operations	**207**	(733)
Interest income	**(6)**	(5)
Interest expense	**10**	16
Share-based payments	**1**	3
Depreciation and depletion	**98**	133
Amortisation	**3**	2
Share of profits from joint venture	**–**	(51)
Share of profits from associate	**–**	(65)
Impairment losses	**34**	1,000
Unrealised foreign exchange loss	**194**	26
Gain on disposal of joint venture	**(207)**	–
Loss on disposal of subsidiary	**–**	1
Loss on disposal of property, plant and equipment	**1**	10
Operating cash flows before changes in working capital and provisions	**217**	93
Increase in non-current VAT receivable	**(23)**	(33)
(Increase)/decrease in inventories	**(2)**	78
(Increase)/decrease in prepayments and other current assets	**(25)**	45
Decrease/(increase) in trade and other receivables	**95**	(87)
Increase in employee benefits	**29**	153
Increase in provisions	**4**	1
Increase in trade and other payables	**12**	17
Cash flows from operations before interest and income taxes	**307**	267

(b) Reconciliation of cash and cash equivalents to the balance sheet

$ million	**At 30 June 2014**	At 31 December 2013	At 30 June 2013
Cash deposits with initial maturities of less than three months	**650**	1,125	850
Cash at bank	**919**	590	536
Cash and cash equivalents	**1,569**	1,715	1,386

(c) Movement in net debt

$ million	At 1 January 2014	**Cash flow**	**Attributable to discontinued operations**	**Other movements[1]**	**At 30 June 2014**
Cash and cash equivalents[2]	1,715	**(115)**	**–**	**(31)**	**1,569**
Current investments[2]	625	**340**	**–**	**–**	**965**
Borrowings	(3,111)	**390**	**–**	**(5)**	**(2,726)**
Net debt	(771)	**615**	**–**	**(36)**	**(192)**

$ million	At 1 January 2013	Cash flow	Attributable to discontinued operations	Other movements[1]	At 30 June 2013
Cash and cash equivalents[2]	1,246	137	4	(1)	1,386
Current investments[2]	515	(215)	–	(1)	299
Borrowings	(2,468)	(526)	56	(7)	(2,945)
Net debt	(707)	(604)	60	(9)	(1,260)

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 2014, the $5 million (2013:$7 million) other movement on borrowings consists of $6 million (2013:$6 million) amortisation of fees on the Group's financing facilities and foreign currency gain of $1 million (2013: loss $1 million) on the CDB Aktogay RMB facility. The $31 million non-cash movement on cash and cash equivalents represents the foreign currency losses on KZT cash balances held by Kazakhstan entities.

2 Current investments and cash and cash equivalents include approximately $375 million (at 31 December 2013: approximately $1,120 million and at 30 June 2013: approximately $1,150 million) of cash drawn down under the CDB/Samruk-Kazyna financing facilities which is reserved for specific development projects in accordance with the relevant facility agreements and approximately $14 million of cash drawn down under the CDB Aktogay financing facility (at 31 December 2013: approximately $8 million and at 30 June 2013: $nil).

16. 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 management[1]				
30 June 2014	**7**	**10**	**21**	**1**
30 June 2013	4	2	49	–
Other[1]				
30 June 2014	**1**	**7**	**6**	**1**
30 June 2013	4	9	10	–

[1] A provision of $23 million (30 June 2013: $47 million) has been set against the amounts owed by related parties within companies under trust management and other companies. The bad debt credit in relation to other related parties was $nil for the period (30 June 2013: $9 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 the 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 was 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 increased to 26.57% as at 30 June 2013.

For the period up to 19 June 2013 when the Government transferred its entire shareholding to Eurasian Resources, the Government held a 26.57% (150,864,673 shares) interest in the Group and was considered a related party.

Eurasian Resources held 139,162,843 ordinary shares in Kazakhmys PLC following a transfer from the Government of Kazakhstan on 19 June 2013. As part of the settlement of the consideration under the ENRC Takeover Offer on 8 November 2013, Kazakhmys PLC received 77,041,147 of its ordinary shares from Eurasian Resources, which were subsequently cancelled.

Following the ENRC Takeover, Eurasian Resources transferred Kazakhmys PLC shares to the shareholders of ENRC, such that Eurasian Resources' holding in Kazakhmys PLC at 30 June 2014 is minimal (less than 1%).

CDB and Samruk-Kazyna financing line

As explained in note 13, 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

In 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 (30 June 2013: $nil).

Dividend payment

No dividends were paid in 2014, the Government's share of the final 2012 dividend paid by the Company on 21 May 2013 was $11 million.

(ii) 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 and road maintenance. The purpose of these agreements is to provide public and social services without any material financial benefit for the Group.

(iii) 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.

17. Discontinued operations and assets held for sale

For the period ended 30 June 2014, discontinued operations comprise the gain on disposal of the Group's investments in Ekibastuz GRES-1 and Kaz Hydro. For the period ended 30 June 2013, discontinued operations comprised the results of MKM for the period up to 28 May 2013, the date on which it was sold, the share of post-tax results from the Group's investment in Ekibastuz GRES-1 and the share of post-tax results from the Group's investment in ENRC up to 24 June 2013.

As at 31 December 2013, assets held for sale comprised the Group's investments in Ekibastuz GRES-1 and Kaz Hydro and at 30 June 2013, assets held for sale comprised the Group's investment in ENRC.

(a) Ekibastuz GRES-1 joint venture and Kaz Hydro

On 5 December 2013, the Kazakhmys Board accepted an offer from Samruk-Energo, an investment vehicle of the Government of Kazakhstan, for the sale of the Group's 50% joint venture in Ekibastuz GRES-1 and the Group's investment in Kaz Hydro for $1,249 million, after transaction costs of $2 million and an additional $49 million being the cost of acquiring the remaining shares held in Kaz Hydro. The offer was approved by Kazakhmys shareholders on 7 January 2014 with completion dependent on certain conditions precedent. As a result, the Group's investments in Ekibastuz GRES-1 and Kaz Hydro were classified as assets held for sale at 31 December 2013 with a combined carrying value of $1,018 million, with Ekibastuz GRES-1 being classified as a discontinued operation in the consolidated income statement. The sale completed on 1 April 2014, with the Group recognising a profit on disposal of $207 million (see note 10(a)).

(b) ENRC

The Group disposed of its investment in ENRC on 8 November 2013. It was classified as an asset held for sale at 24 June 2013 at the net estimated proceeds of $1,194 million, and as a discontinued operation for the period ended 30 June 2013.

(c) MKM

As stated in note 10(b), the Group disposed of MKM on 28 May 2013. It was classified as a discontinued operation for the period ended 30 June 2013 (until the date of its disposal).

(d) Financial results from discontinued operations

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

$ million	**Six months ended 30 June 2014**	Six months ended 30 June 2013
Results from discontinued operations:		
Ekibastuz GRES-1	**207**	51
ENRC	**–**	(758)
MKM	**–**	(27)
Profit/(loss) for the period from discontinued operations	**207**	(734)

18. Koksay acquisition

On 16 June 2014, the Group completed the acquisition of Koksay, the Group's third major project, with an initial payment of $195 million of a total acquisition cost of $260 million, net of withholding taxes. The remaining $65 million is deferred, with $30 million payable on 1 January 2015 and $35 million payable on 31 July 2015, subject to confirmation of mineral resources as set out in the purchase agreement.

The acquisition cost recognised within intangible assets at 30 June 2014 represents the initial payment of $195 million and the unconditional $30 million due on 1 January 2015. The $35 million which is dependent on the confirmation of the mineral resources has been disclosed as a contingent liability (see note 19).

19. Commitments and contingencies

Deferred consideration on the acquisition of Koksay licence

As part of the acquisition of the Koksay licence, the $35 million payable in July 2015 is dependent upon confirmation of the mineral resources, as set out in the purchase agreement. Confirmation of the mineral resources is currently underway and given that there are numerous uncertainties inherent in estimating ore resources, it is not possible to estimate the amount of any potential payment with sufficient certainty at 30 June 2014 to recognise a provision for this deferred payment.

Other commitments

The Group has capital expenditure commitments for the purchase of property, plant and equipment as well as commitments under its mining subsoil agreements. Committed expenditure under the subsoil agreements typically relates to investments in community-related projects, and includes investments in social sphere assets, infrastructure and public utilities. The total commitments for property plant and equipment as at 30 June 2014 amounted to $818 million (at 31 December 2013: $861 million and at 30 June 2013: $1,191 million).

20. Events after the balance sheet date

Kazakhmys Group Restructuring

On 3 July 2014, the Board approved the transfer of the Disposal Assets, which include a number of the Group's relatively mature assets, liabilities and operations, primarily located in the Zhezkazgan and Central Regions within the Kazakhmys Mining and Power operating segments, to Cuprum Netherlands Holding B.V. (a company owned by Mr Kim, a director and shareholder of the Group) under the Restructuring. The Group's independent shareholders approved the Restructuring on 15 August 2014, with completion expected by the year end.

As a result of the independent shareholders' approval on 15 August 2014, the Board has concluded that the Disposal Assets meet the IFRS 5 *'Non-current assets held for sale and discontinued operations'* criteria of being 'available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups and its sale must be highly probable' at that date. Accordingly, the Disposal Assets will be classified as assets held for sale and shown within discontinued operations with effect from 15 August 2014. As a result of the classification, the Group will recognise a charge of approximately $1.6 billion from the remeasurement of these assets to fair value less costs to sell. Upon completion of the Restructuring, a further loss arising from the recycling to the income statement of the cumulative foreign exchange losses previously recognised in equity will be recognised. This amount will depend on the KZT/USD exchange rate at the date of completion and will have no impact on the Group's net assets. The Restructuring will also impact the standalone financial statements of Kazakhmys PLC, resulting in a significant impairment of its investment in the company that ultimately owns the Disposal Assets.

Following the completion of the Restructuring, KAZ Minerals PLC will consist of the existing assets and operations in the East Region, along with Bozymchak and the Major Growth Projects, all currently included within the Kazakhmys Mining operating segment.

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

cash operating costs
all costs included within profit/(loss) before finance items and taxation, net of other operating income, excluding mineral extraction tax, depreciation, depletion, amortisation, the non-cash component of the disability benefits obligation and special items

CDB
the China Development Bank Corporation

CO_2
carbon dioxide

Company or Kazakhmys
Kazakhmys PLC

copper in concentrate sold
the copper cathode equivalent of copper in concentrate sold

Directors
the Directors of the Company

Disposal Assets
the Disposal Assets comprise the mining, processing, auxiliary, transportation, and heat and power assets of the Group in the Zhezkazgan and Central Regions. The Disposal Assets include 12 copper mines, mine development opportunities, four concentrators, two smelters, two coal mines, and three captive heat and power stations and will be disposed of as a result of the Restructuring

dollar or $ or USD
United States dollars, the currency of the United States of America

EBITDA
earnings before interest, taxation, the non-cash component of the disability benefits obligation, 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

Eurasian Resources
Eurasian Resources Group B.V.

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 before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure

GHG
greenhouse gas

g/t
grammes per metric tonne

Government or State
the Government of the Republic of Kazakhstan

the Group
Kazakhmys PLC and its subsidiary companies

Group EBITDA
earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation and mineral extraction tax adjusted for special items and including the share of EBITDA of the joint venture and associate

GWh
gigawatt-hour, one gigawatt-hour represents one hour of electricity consumed at a constant rate of one gigawatt

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IFRIC
International Financial Reporting Interpretations Committee

IFRS or IFRSs
International Financial Reporting Standards

JORC
Joint Ore Reserves Committee

KAZ Minerals or the Continuing Group
the Group following completion of the Restructuring, to be renamed KAZ Minerals PLC

Kazakhmys Corporation LLC or Kazakhmys 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. The operating segment excludes the Group's captive power stations, which are included within the Kazakhmys Power operating segment

Kazakhmys Power
an operating segment of the Group, which includes the Group's captive power stations and the Ekibastuz GRES-1 coal-fired power plant joint venture, whose principal activity is the sale of electricity to external customers and internally to Kazakhmys Mining

Kazakhstan
the Republic of Kazakhstan

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

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

LTIFR
lost time injury frequency rate

Major Growth Projects
Bozshakol, Aktogay and Koksay

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 (until its disposal on 28 May 2013), which manufactures copper and copper alloy semi-finished products

MT
million metric tonnes

MW
megawatt, a unit of power equivalent to one million watts

Net dependable capacity
maximum capacity sustained by a unit in a specified period modified for seasonal limitations and reduced by the capacity required for the plant

NO_x
nitrogen oxide

ounce or oz
a troy ounce, which equates to 31.1035 grammes

$/t or $/tonne
US dollars per metric tonne

Restructuring
the transfer, subject to certain consents and approvals, of the Disposal Assets to Cuprum Netherlands Holding B.V. which was approved by shareholders at the General Meeting held on 15 August 2014

RMB
Renminbi, the official currency of the People's Republic of China

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, the non-cash component of the disability benefits obligation, 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

silver in copper concentrate sold
the silver granule equivalent of silver in copper concentrate sold

SO_2
sulphur dioxide

som or KGS
the official currency of Kyrgyzstan

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 5 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 9 to the condensed consolidated half-yearly financial statements

US
United States of America

USc/lb
US cents per pound