



KAZAKHMYS PLC

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Company registered in England and Wales
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KAZAKHMYS PLC HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2013

OPERATIONAL HIGHLIGHTS

- **Output of all metals in line with full year targets**
 - Copper cathode output 7% higher at 144 kt for first half of the year
 - Raised full year silver production target to 12,000 koz

GROWTH PROJECTS

- **Continued progress on growth projects**
 - Major milling equipment delivered to Bozshakol during July
 - Earthworks and excavations commenced at Aktogay

FINANCIAL HIGHLIGHTS

- **Impact of lower metal prices and cost pressures**
 - Segmental EBITDA (excluding special items) of \$438 million
- **Gross unit cash cost below guidance – increased 5% on FY 2012**
 - Assisted by additional sales from inventory and improved resource management
 - Net cash costs of 232 US cents per pound impacted by lower by-product pricing and volumes

FOCUS ON CORE COPPER BUSINESS

- **Completed sale of MKM in May 2013 for €42 million**
- **Disposal of ENRC holding approved on 2 August**
 - Anticipate completion by year end
 - Kazakhmys will receive net cash proceeds of \$875 million and repurchase 77 million shares

OUTLOOK

- **Medium-term outlook for copper remains sound**
 - Continued customer demand and constrained global supply
- **Proceeds from disposal of ENRC holding to strengthen balance sheet**

- **Major review of asset efficiency and costs underway**
 - Focus on raising cash generation and profitability of core assets
 - First savings anticipated in H2 2013

\$ million (unless otherwise stated)	Six months ended 30 June 2013	Six months ended 30 June 2012
Revenues	1,571	1,516
Earnings:		
Group EBITDA (excluding special items) ¹	714	1,007
Segmental EBITDA (excluding special items) ¹	438	679
(Loss)/profit before taxation from continuing operations ²	(193)	81
Underlying Profit	115	307
EPS:		
Basic and diluted (\$)	(1.84)	0.23
Based on Underlying Profit ³ (\$)	0.21	0.58
Free Cash Flow ⁴	(135)	(94)
Cash cost of copper after by-product credits ⁵ (USc/lb)	232	149

¹ Reconciliation of Group and Segmental EBITDA (excluding special items) to (loss)/profit before finance items and taxation is found in note 4(a)(ii). The most significant special items for the period ended 30 June 2013 relate to impairment charges of \$146 million and \$823 million recognised within Kazakhmys Mining and ENRC respectively, and an additional charge of \$84 million in respect of previously insured disability payments.

² (Loss)/profit before taxation from continuing operations, excludes the results of ENRC, which has been classified as a discontinued operation for the periods ended 30 June 2013 and 30 June 2012.

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 major 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: “It has been a solid start to the year, with production on track and cost inflation lower than anticipated. Our drive to maintain copper output through improved resource management is having an impact and we should be at the upper end of our anticipated range for annual copper production. As we move through the year our focus will remain on improving cash flow from our existing assets and continuing to drive our growth projects forward. I look forward to providing updates on our 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

We delivered strong production volumes for all our key metals in the first six months of 2013, although the financial results were impacted by lower metal prices and higher costs. Rising industry costs over the past few years have created a significant challenge for Kazakhmys, reducing profitability and cash generation. We have seen some improvement in cost inflation to date in 2013, but further cost reduction is a key priority for management with the objective of generating sustainable positive cash flow from our core copper operations.

It is with deepest regret that I report 11 fatalities year to date. The Board and management continue to focus on improving our health and safety performance and there is clearly much to do in order to achieve our goal of zero fatalities.

Copper production and sales

In the first half of 2013, our output of copper benefited from higher ore volumes, stable copper in ore grade, efficient material flow across the operations and moderate winter weather.

Management focused on maintaining copper content in order to maximise returns, improve efficiency and mitigate costs. This is reflected in the higher than anticipated copper in ore grade of 0.96%. Cathode production from own concentrate increased by 7% to 144.3 kt in the first half of 2013, lifted by the higher copper metal mined and processed. At this level of output we should finish 2013 at the upper end of the 285 to 295 kt production target set at the start of the year, subject to any changes that may come from our optimisation programme.

For 2013, 80% of our production is covered by off-take agreements with the remainder available for spot sales. In the first half of 2013, around 65% of sales were made to customers in China, with the balance going principally to Europe. Sales of copper products were 156 kt, 12 kt higher than the level of production due to a reduction of finished goods. In the second half of the year we will suspend our smelter in Zhezkazgan, as part of our optimisation programme. This will lead to sales of copper in concentrate, a product for which there is good demand from processing facilities in China.

The copper price has weakened in line with lower global industrial activity, but copper remains a product in firm demand, fundamental to a wide range of applications and with restricted supply. We believe that the supply/demand balance will underpin the copper price in the medium term, which gives us confidence in the decision to focus on our core copper business.

Other metals production and sales

Zinc output declined in the first half of 2013, as anticipated, due to lower ore volumes and grade. Silver and gold saw a significant period on period increase in output, repair work at the precious metals refinery having reduced the output of precious metals in the comparative period. Silver output in particular benefited in the current period from the processing of higher volumes of ore, a reduction of work in progress and higher recovery rates.

Sales of gold and silver, at 42.2 koz and 6,049 koz respectively, were below the level of production due to the timing of shipments. Zinc sales of 66.2 kt were broadly in line with production.

Our gold and zinc output remains on track to meet the targets set at the start of the year. Silver output is likely to reduce in the second half, but given the exceptionally high output in the year to date, silver production should exceed its 11,000 kt target. Output in 2013 and beyond could be impacted by our optimisation programme and any consequent changes to mine plans. Gold output in 2014 should increase as Bozymchak is commissioned, and when fully ramped up, the mine should have annual production of around 35 koz of gold and 7 kt of copper.

Growth projects

The development of our major growth projects will transform Kazakhmys, as our output will be dominated by these two modern, large, low cost, open pit mines. As a precaution against delays, the significant long-lead equipment for Bozshakol was ordered two years ago, and the mills and drives are now being delivered on schedule to the Bozshakol site and installation has commenced.

At Aktogay, having mobilised most of the initial equipment, we are now preparing the site, constructing working facilities and offices and excavating the key operational areas. Some concrete has already been poured. A significant part of the infrastructure is already in place.

In line with our previous announcements, we anticipate producing first concentrate from Bozshakol in 2015 and Aktogay in 2016. Bozymchak, our gold and copper project in Kyrgyzstan should start extraction by the end of 2013, although the location continues to present challenges.

Capital expenditure for our major projects is backed by \$4.2 billion of funding, principally from the China Development Bank. These long-term debt facilities, specifically for mining projects, provide financial stability for the delivery of our projects.

Ekibastuz GRES-1

At Ekibastuz GRES-1, the ceiling tariff for 2013 set by the Ministry of Industry and New Technologies is 7.30 KZT/kWh. The weighted average realised tariff achieved by Ekibastuz GRES-1 in the first half of 2013 was 6.42 KZT/kWh, an increase of 10% compared to the prior period.

The average realised tariff is 12% lower than the ceiling tariff principally as sales to Russia, which represented 19% of total sales in the first half of 2013, take place below domestic rates. Sales to Russia increased over the period, reflecting the softer domestic demand.

Net power generated at Ekibastuz GRES-1 in the first half of 2013 was 7% below the comparative period, impacted by a warmer winter and lower domestic commercial demand.

In light of the lower power generation in the first half and more moderate industrial activity, it is likely that full year output will be around 13,000 GWh.

Business strategy

In May 2013 we sold MKM, a downstream German copper business which did not fit with our strategy. We received €30 million in consideration, with a further €12 million on a deferred basis. MKM was sold with debt of €137 million and in April 2013 we received a dividend of €10 million.

On 2 August 2013, our shareholders approved the disposal of our 26% holding in ENRC to a consortium consisting of the founder shareholders of ENRC and the Government of Kazakhstan. In exchange for our holding in ENRC we will receive approximately 77 million shares in Kazakhmys, which will be cancelled, and net cash proceeds of \$875 million. The funds received will principally be used to reduce net debt.

Our holding in ENRC did not create the opportunities that we had anticipated and through a combination of market conditions, corporate transactions and governance issues, lost significant value. The outlook for ENRC as a listed business became increasingly uncertain and the Board believed that the risk of further erosion in value was considerable.

As previously announced, we have held discussions with the Government of Kazakhstan regarding the disposal of our 50% holding in Ekibastuz GRES-1. Following the approval of the ENRC transaction by our independent shareholders, we are now in a position to continue our discussions on Ekibastuz GRES-1, although they are at an early stage and may not lead to a conclusion. Ekibastuz GRES-1 is an excellent asset, but retaining a major power utility (providing around 15% of Kazakhstan's electricity) within a copper mining business is unlikely to fully recognise the value of the asset for our shareholders.

In response to structural changes in our cost base, we are carrying out an optimisation programme in order to improve cash generation and emphasise profitable production rather than volume targets. In June 2013 we suspended operations at the Satpayev concentrator and our smelter in Zhezkazgan will be suspended later in the year. Our mid-sized projects are attractive on a medium-term basis, but we have substantially reduced further investment in the current climate.

Our integrated structure does offer advantages, but we believe there are opportunities to raise the efficiency and utilisation rates of our various processing plants which may reduce the extent of our integration, reflected in the sale of copper in concentrate. The optimisation programme and its resulting actions will be long-term in nature and should assist in restoring profitability and protecting margins. We will update our stakeholders as the programme develops.

Our strategy is to develop our core copper business, optimise our existing assets and deliver our growth projects. There are further resource opportunities beyond our existing asset base, but we are likely to remain within Central Asia where we believe we have the experience to manage risk, and to remain focused on copper, which we believe has an attractive medium and long-term demand and supply outlook.

Financial performance

In the first half of 2013, the 38 kt increase in copper product sales volumes more than offset the decline in metal prices and lower sales of gold, leading to a 4% increase in revenue to \$1,571 million. The average realised sales price of copper was \$7,508 per tonne for the first six months of the year, compared to \$8,253 per tonne in the prior period. As mentioned above, sales volumes of copper were lifted by higher production and a reduction in the level of finished goods, although the first half of 2012 had benefited from additional sales of gold held over from 2011.

Segmental EBITDA (excluding special items) was \$438 million, compared to \$679 million in the first six months of 2012, as higher revenues were offset by increased costs. The contribution to Segmental EBITDA from Kazakhmys Power increased to \$119 million from \$96 million, partly due to higher tariffs offsetting lower sales volumes.

Group EBITDA (excluding special items) was \$714 million for the period, which includes \$276 million arising from our 26% share in ENRC. The contribution from ENRC was impacted by lower metal prices and cost pressures. As a consequence of the decision to dispose of our holding in ENRC it has been reclassified as a discontinued operation.

There are several special items in this period, detailed in the Financial Review. The decision to dispose of ENRC has led to an impairment of \$823 million. Our operational review has led to the recognition of impairments on several operational assets, totalling \$146 million. These impairments are principally in relation to the Zhezkazgan smelter and Satpayev concentrator. In addition, an \$84 million charge has been recognised for future liabilities on disability benefits payments, which were previously insured.

A tax credit has arisen for the period but this has been reduced by items, including some impairment charges, which are not allowable for tax. Mineral extraction tax is a revenue-based tax and relatively insensitive to profits. The mineral extraction tax charge leads to an unusually high all-in effective rate of tax in this period.

Earnings per share based on Underlying Profit from continuing operations, was 6 US cents per share compared to 33 US cents per share for the first six months of 2012, reflecting the lower profitability of the core copper business and an increase in the actuarial liability for future disability payments.

Operating costs

The rate of cost inflation has slowed during 2013, but there has been some follow through of inflation from 2012, most obviously from salary rises which were only awarded in April and May 2012 and higher ore volumes. As a result, and also taking into account the impact of finished goods brought forward from 2012, mining cash costs increased to \$1,216 million.

Gross unit cash costs increased 5% from 321¹ US cents per pound, for the full year 2012, to 336 US cents per pound. At the start of 2013, we anticipated an increase in gross unit cash costs for the full year of around 10%. Unit costs in the first half of 2013 were assisted by higher sales volumes of copper, from both production and the sale of finished goods brought forward from 2012.

The absence of brought forward copper sales volumes in the second half of the year will raise gross unit cash costs, but slowing inflation and management actions to improve efficiency should provide some offset.

Net unit cash costs have risen from 181¹ US cents per pound, for the full year of 2012, to 232 US cents per pound, impacted by lower by-product prices.

Cost inflation is moderating, but the combination of higher costs and lower metal prices has reduced cash generation from our mining business. As a consequence, we are undertaking a comprehensive operational review, discussed below.

¹ The gross and net cash costs for 2012 exclude the impact of 69 koz of additional gold sales, which were built up as inventory in the second half of 2011, pending negotiations on the terms of sale with the National Bank of Kazakhstan.

Financial position and capital expenditure

Higher sales volumes, reduced working capital requirements and lower tax payments helped offset lower metal prices, leading to cash flows from operations of \$160 million, compared to \$203 million in the comparative period. Free Cash Flow was negative \$135 million, compared to negative \$94 million in the first half of 2012, reflecting the absence of a dividend payment from ENRC and overall lower profitability.

Expansionary capital expenditure increased to \$418 million, against \$157 million in the first half of 2012, as spending has accelerated on our major projects.

Net debt increased to \$1,260 million at the period end, compared to \$707 million at 31 December 2012, largely due to spending on major projects. In the second half of 2013 net debt, excluding the ENRC disposal proceeds, will increase as we continue this investment.

Capital expenditure will reduce as a result of the suspension of our mid-sized projects but the benefit of this will be more apparent in 2014. We also anticipate making reductions to our annual sustaining capital expenditure budget.

We expect to receive \$875 million of net cash proceeds from the sale of our ENRC holding by the end of the year, which will significantly reduce our net debt, but we will continue to take action to improve cash flow and strengthen our balance sheet through our optimisation programme.

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. Given the low level of Free Cash Flow currently generated by the core business, the capital expenditure on the major growth projects and the uncertain economic outlook, the Board believes it would be inappropriate to pay an interim dividend. The work currently being undertaken by management to improve cash flows is fundamental to raising shareholder returns.

Our repurchase of approximately 77 million shares, to be received as part of the disposal of our holding in ENRC, should be completed in the second half of the year and will reduce our voting share capital to approximately 447 million shares. The reduction in the total number of shares should increase future returns to shareholders. The repurchase will also raise our free float to over 50%, making Kazakhmys the first of the 'newly listed' mining companies in London to achieve a majority free float, and is in keeping with our desire to continue to improve our corporate governance.

Outlook

The key task for our operational management is to complete the review of our assets and activities and to use the review to help us improve cash generation and profitability. The review may require some difficult decisions, but it should create a base which is more profitable for our shareholders and creates a sound platform for employees, local communities and customers. Our project teams will be focused on delivering the major growth projects and in particular that we are correctly prepared ahead of the winter season. I look forward to providing updates on our progress as we move through the year.

DIVISIONAL REVIEW

REVIEW OF KAZAKHMYNS MINING

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

Kazakhmys Mining production summary

Copper

kt (unless otherwise stated)	Six months ended 30 June 2013	Six months ended 30 June 2012
Ore output ¹	19,589	17,487
Copper grade (%)	0.96	0.99
Copper in concentrate from own production	157.8	147.0
Copper cathode from own concentrate ²	144.3	134.7
Copper cathode from purchased concentrate	0.4	1.4
Copper rod production	6.0	9.1

¹ Excludes output from the Central Mukur gold mine in 2012.

² Includes copper cathode converted into rod, excluding tolling.

Kazakhmys Mining's ore production was 12% above the first half of 2012 with efficient material flows across the operations and moderate winter weather in the first half of 2013.

Ore output from the Central Region was 60% higher as the Konyrat mine, which re-opened in June 2012, operated throughout the first half of 2013. Output from the West Nurkazgan mine was slightly lower than in the prior period as the main conveyor underwent reconstruction work in May and June 2013 to increase the mine's capacity. Operations at the Abyz open pit mine were suspended during the period to enable stripping works to be conducted to extend the mine's operational life. Ore extraction recommenced at the Abyz mine in August 2013.

Ore production from the Zhezkazgan Region was stable with higher output from the North mine which underwent stripping works in the first half of 2012. The increase in ore extraction at the North mine offset a reduction in output from the Annensky mine, as operations at some sections of the mine were suspended in July 2012 due to depletion. As part of the Group's review of its asset base, output from the South and West mines, which have below average grades, will be reduced in the second half of 2013 to optimise operations in the Region.

Ore output from the East Region was 13% lower in the first half of 2013 due to operations at the Nikolayevsky mine being suspended in the third quarter of 2012, as challenging operating conditions rendered the mine uneconomic. In addition, ore output from the Artemyevsky mine was restricted by equipment maintenance during the period.

The average copper grade of 0.96% was below the first half of 2012, as higher grades in the Zhezkazgan Region partially mitigated the increased output from the low grade Konyrat mine. Copper grades are expected to average between 0.90% and 0.95% in the second half of 2013, this is higher than the copper grade previously guided for 2013 due to the optimisation of mine plans. Overall, copper metal in ore extracted in the first half of 2013 was 14.8 kt above the first half of 2012 due to higher ore output.

The increase in the copper metal in ore extracted and processed in the first half of 2013 resulted in the volume of copper in concentrate from own material rising by 10.8 kt to 157.8 kt.

Copper cathode production from own concentrate was 9.6 kt above the first half of 2012 with the 10.8 kt increase in copper in concentrate output partially offset by a small build up of work in progress at the smelters in 2013. Copper rod production declined, as more favourable terms were obtained for copper cathode sales in 2013.

The Group's optimisation programme has resulted in the suspension of the Satpayev concentrator in June 2013 along with adjustments to mine plans and work practices to reduce operational costs. Operations at the Zhezkazgan smelter will be suspended in the second half of 2013 and there is the possibility that additional production units may also be suspended. The review of the asset base is expected to reduce ongoing per unit operating costs. Following the suspension of the Zhezkazgan smelter, copper concentrate output from the region will be sold into China. Kazakhmys Mining's own copper cathode equivalent production is expected to be at the upper end of the 285 to 295 kt guidance provided for 2013.

Zinc

	Six months ended 30 June 2013	Six months ended 30 June 2012
Zinc grade (%)	2.99	3.23
Zinc in concentrate (kt)	63.1	71.6

The extraction of zinc metal in ore decreased by 21.7 kt compared to the first half of 2012 due to lower grades and ore output from the Artemyevsky mine, the suspension of the high grade Nikolayevsky mine in 2012 and the suspension of the Abyz mine for stripping works in early 2013. During the first half of 2013, 3.8 kt of zinc in ore was stockpiled at Akbastau whilst technical studies continue to determine whether it is economic to process the ore.

Zinc in concentrate production was 8.5 kt below the first half of 2012, with the lower volume of zinc in ore extracted only partially mitigated by the stockpiling of ore from the Abyz mine in the first half of 2012. Kazakhmys Mining's zinc in concentrate production volumes are on target to reach 125 kt in 2013.

Precious metals

	Six months ended 30 June 2013	Six months ended 30 June 2012
Silver grade (g/t)	14.75	17.47
Silver own production ^{1,2} (koz)	7,145	5,639
Gold grade (by-product) (g/t)	0.52	0.67
Gold own production (by-product) ¹ (koz)	48.9	45.5
Gold grade (primary) (g/t)	–	1.31
Gold doré production (primary) (koz)	1.9	7.1

¹ Includes slimes from purchased concentrate.

² Includes a small volume of by-product production from the Central Mukur and Mizek gold mines.

Silver metal in ore mined in the first half of 2013 was 532 koz below the first half of 2012 as lower silver grades offset higher ore extraction volumes. However, silver bar and granule production increased by 1,506 koz with a large reduction in work in progress in the first half of 2013 and as output from the precious metals refinery was impacted by repair works in the first half of 2012. Silver bar and granule production volumes are expected to reach 12,000 koz in 2013, above the previous guidance of 11,000 koz.

Gold metal in ore extracted in the first half of 2013 was 41.3 koz below the first half of 2012 with the temporary suspension of the high gold grade Abyz mine for stripping works. Lower grades and ore extraction at the Artemyevsky mine also impacted gold metal in ore output. Gold bar production rose by 3.4 koz as ore from the Abyz and Akbastau mines was stockpiled in the first half of 2012 and gold bar production in the first half of 2013 benefited from a release of work in progress. In the prior period, gold bar output was also impacted by the previously mentioned repair works at the precious metals refinery.

Gold doré production in the first half of 2013 was 1.9 koz from the residual heap leaching of ore at the Central Mukur and Mizek gold mines which have ceased operating.

Kazakhmys Mining's total gold production is on target to reach 100 koz in 2013.

Kazakhmys Mining financial summary

\$ million (unless otherwise stated)	Six months ended 30 June 2013	Six months ended 30 June 2012
Sales revenues:	1,553	1,508
Copper cathodes	1,117	895
Copper rods	51	81
Zinc concentrate	70	70
Silver ¹	158	191
Gold (by-product)	65	183
Gold (primary)	–	12
Other	92	76
Average realised price of copper (\$/t)	7,508	8,253
EBITDA (excluding special items) ²	337	574
Net cash costs excluding purchased concentrate ³ (US\$/lb)	232	149
Gross cash costs excluding purchased concentrate ³ (US\$/lb)	336	339
Capital expenditure ⁴	758	460
Sustaining	275	285
Expansionary ⁵	483	175

¹ Includes a small amount of sales revenue from the Central Mukur and Mizek gold mines.

² EBITDA (excluding special items) for the six months ended 30 June 2012 has been restated to exclude the non-cash component of the disability benefits obligation. This has resulted in a \$58 million increase in EBITDA for the six months ended 30 June 2012.

³ Net and gross cash costs excluding purchased concentrate for the six months ended 30 June 2012 have been adjusted to exclude the non-cash component of the disability benefits obligation, reducing both figures by 22 US\$/lb.

⁴ Capital expenditure in 2013 excludes major social projects.

⁵ Expansionary capital expenditure includes \$73 million of capitalised interest related to the Bozshakol, Bozymchak and Aktogay projects for the period ended 30 June 2013, and \$16 million for the period ended 30 June 2012.

Revenues

Kazakhmys Mining's revenues in the first half of 2013 were \$45 million above the first half of 2012. The growth in revenues is due to a 32% rise in copper product sales volumes which mitigated the lower pricing for the Mining Division's key commodities and the sale of 69 koz of gold inventory in the first half of 2012.

Revenues from copper products increased by \$192 million to \$1,168 million in the first half of 2013 as sales volumes rose by 38 kt to 156 kt. The higher sales volumes were due to a 9 kt increase in production volumes and a 12 kt release of finished goods in the first half of 2013, compared to a 17 kt increase in finished goods in the prior period when copper cathode shipments to China experienced delays. Copper revenues were negatively impacted by a 9% decline in the realised price to \$7,508 per tonne for the first half of 2013 due to a similar decline in the average LME copper price.

Revenues from zinc concentrate sales were consistent with the first half of 2012 as sales volumes declined by 3 kt to 66 kt while the realised price for zinc concentrate rose by 5%.

Revenues from silver bar and granule sales fell by \$33 million to \$158 million as pricing on the LBMA exchange for silver declined in the first half of 2013. The average realised price for silver in the first half of 2013 decreased by 17% to \$26.1 per ounce. Silver bar and granule sales volumes of 6,049 koz were consistent with the first half of 2012.

Revenues from gold product sales were significantly below the prior period mainly due to a 76 koz decrease in sales volumes to 42 koz in the first half of 2013. The decline in sales volumes reflects the sale of 69 koz of gold bar inventory in March 2012, which had been built up from the second half of 2011, following the agreement of sales terms with the National Bank of Kazakhstan. In the first half of 2013, there was a 9 koz build-up of finished gold products due to the timing of sales. Gold product revenues were also impacted by lower pricing for gold on the LBMA exchange with the realised price for gold products averaging \$1,543 per ounce in the first half of 2013.

Other revenue includes by-products from Kazakhmys Mining's operations such as lead dust, sulphuric acid and coal sales. In the first half of 2013, \$29 million of coal sales were made to the captive power stations.

EBITDA (excluding special items)

Kazakhmys Mining's EBITDA fell by 41% to \$337 million for the first half of 2013 as cash operating costs rose by 30%.

The cash cost of goods sold was significantly higher in the first half of 2013, reflecting the reduction in copper finished goods inventory compared to the build-up in the prior period, the 12% growth in ore output and higher ore processing volumes at the concentrators. The increase in ore extraction and processing volumes led to a higher usage of input materials such as explosives, fuel, diesel, tyres and reagents. While there was some cost inflation for key input materials in the first half of 2013, the rate of cost inflation is below the levels experienced in early 2012.

Ore transportation costs were above the prior period with increased railway and auto-transportation tariffs along with the growth in the volume of ore transported. Repair costs rose with a focus on maintaining facilities and mining equipment to support the increase in ore extraction and processing volumes. Utility costs rose as tariffs for electricity supplied from the captive power stations were 34% higher to reflect market rates for electricity instead of being priced at the cost of generation as in the first half of 2012.

Operational salary costs rose by 27% due to the pay awards made to staff in April and May 2012. Certain categories of staff moved to a collective pay rate consistent across Kazakhmys Mining and the Division's wage structure was amended to recognise skills and experience. These pay awards reflected the tight inflationary pressures in the local economy for skilled and mobile labour in 2012. Salary inflation in 2013 has been contained.

Costs of goods sold in the first half of 2013 was impacted by a reduction in work in progress and finished goods, particularly the 12 kt decrease in copper inventory. In the prior period production costs benefited from the build-up of copper inventory which offset the sale of 69 koz of gold bar held in inventory in March 2012.

Administration costs were above the first half of 2012 mainly due to the pay awards that were made to employees to align their wages and salaries with the local market. The results for the first half of 2012 benefited from the release of a provision following a favourable court ruling in respect of environmental levies which was divided evenly between cost of goods sold and administration costs.

The Group's disability benefits obligation increased by \$176 million following the assumption of obligations which were previously insured due to the insurance company failing to make its obligated payments, an increase in the number of claimants and changes in actuarial assumptions. The non-cash components of the disability benefits obligation of \$55 million and the \$84 million relating to the assumption of previously insured payments, are both excluded from EBITDA (excluding special items).

Operating costs denominated in tenge benefited from a slight depreciation of the tenge against the US dollar, with an average rate of 150.89 KZT/\$ in the first half of 2013, compared to 148.16 KZT/\$ in the first half of 2012. The depreciation in the average value of the tenge reduced the costs denominated in tenge such as labour, local services and utilities when stated in US dollars.

Cash costs

The gross and net cash cost of sales metrics are used as a measure of the cost efficiency of Kazakhmys Mining's copper production operations, therefore the operations of the Central Mukur and Mizek gold mines are excluded from the calculation. The gross and net cash costs calculations include electricity purchased from the captive power stations at the cash cost of supply.

The gross cash cost of copper sold in the period decreased to 336 US cents per pound, from 339 US cents per pound in the first half of 2012. The gross cash cost for the first half of 2012 includes the costs associated with the 69 koz gold inventory sold in March 2012 but benefited from a release of the provision in respect of environmental levies. Without these items the indicative gross cash cost for the prior period would have been 326 US cents per pound and against which the current period gross cash cost is 3% higher. The 3% increase in the gross cash cost is due to the growth in cash operational costs, partially offset by the higher copper cathode sales volumes.

Despite the fall in the reported gross cash cost per unit sold, the net cash cost increased from 149 US cents per pound to 232 US cents per pound. The higher net cash cost reflects the decrease in by-product credits with the lower pricing for silver and gold products. The prior period included the sale of 69 koz of gold inventory which reduced the net cash cost by 16 US cents per pound.

In the second half of 2013, operating costs are expected to benefit from actions arising from the optimisation programme to improve the profitability of Kazakhmys Mining's operations. The gross cash cost of copper sold for 2013 is now expected to be 5% to 8% above the gross cash cost of 321 US cents per pound for the full year 2012, excluding the cost of the 69 koz gold inventory sold in March 2012.

Capital expenditure

Sustaining

Sustaining capital expenditure totalled \$275 million in the first half of 2013. The capital expenditure in the period covered the replacement of mining equipment and maintaining output at concentrators, smelters, auxiliary workshops and the transport network. Capital expenditure included continued investment on several projects carried forward from 2012 and \$46 million for non-recurring mine development projects and concentrator improvements.

Capital expenditure was applied to maintaining critical equipment at processing facilities, in particular the annual overhaul of a furnace at the Balkhash smelter. Expenditure was also allocated to replace milling and crushing equipment at the Balkhash concentrator to increase its capacity to process the additional ore volumes from the Konyrat mine. The tailings dam at the Karagaily concentrator, which currently processes ore from the Abyz and Akbastau mines, is being expanded to cater for future operations.

The reconstruction work to increase the capacity and recovery rates achieved at the Nikolayevsky concentrator progressed during the period. The key flotation sections of the concentrator have now been installed and works are being finalised on the upgrades to the milling equipment. The reconstruction project at the concentrator is planned to complete in early 2014.

Funding was allocated for shafting work at a number of mines to provide access to new sections and improve ventilation systems. Developments continued at the West Nurkazgan mine to increase output with the reconstruction of the main conveyor and the upgrade of infrastructure at the site. Major stripping works were conducted at the Abyz mine in order to extend the open pit mine's operational life by a further five years. The mine is expected to produce around 35 koz of gold bar and 3 kt of copper cathode annually.

Investments were made into health, safety and environmental protection projects during the first half of the year with support equipment purchased to improve working practices. The Mining Division's sustaining capital expenditure, including mine development projects and concentrator improvements which will require up to \$150 million, is expected to be between \$400 million and \$500 million in 2013.

Expansionary

During the first half of 2013, the Mining Division conducted an extensive review of its mid-sized projects with the intention of scaling back the Group's capital expenditure requirements during the development of the major growth projects. A number of mine development projects that the Division was progressing through the study phases have now been temporarily suspended. The suspended projects include the Akbastau concentrator, South East Nurkazgan, Anissimov Klyuch, Zhaisan and Zhomart II development projects, although some project study works will continue in 2013. Technical studies are continuing on the project to extend the operational life of the Artemyevsky mine by a further 13 years. Expansionary capital expenditure, excluding the Bozymchak, Bozshakol and Aktogay projects, is now expected to be around \$50 million in 2013.

Bozymchak

The Bozymchak gold-copper deposit which is located in Kyrgyzstan is at the development phase. The stripping works and the development of the infrastructure required for the project to commence operation continued during the period. The mine and processing plant's construction has proved challenging due to issues with local contractors, however first production is expected in late 2013.

The mine's initial operation will be as an open pit with 1 MT per annum of ore extraction, with the potential development of an underground mine in the future. The mine is expected to produce 7 kt of copper in concentrate and 35 koz of gold per annum. The project is forecast to require capital expenditure of around \$90 million in 2013.

Bozshakol

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

The sulphide ore extracted from the mine will be processed by a 25 MT per annum concentrator producing 87 kt of copper in concentrate per annum for the first 15 years, with gold, silver and molybdenum as by-products. A 5 MT per annum clay plant will also operate in addition to the concentrator, contributing a further 16 kt of copper in concentrate per annum in the initial years of its operation.

The development of the Bozshakol project continued in the first half of 2013. Procurement is now substantially complete for key items of equipment. Major construction work is taking place on the concrete foundations and steelworks for the mine facilities and the development of the infrastructure is progressing. The delivery of the mills and drive systems is being arranged, with the equipment expected to be delivered in the second half of the year.

Pre-production mining is planned in 2014 ahead of the first copper in 2015. The project is forecast to require capital expenditure of between \$500 million and \$600 million in 2013. This is below the previous estimate due to changes in the timing of payments some of which will now occur in 2014.

Aktogay

The Aktogay oxide and sulphide ore deposit is located in the East of Kazakhstan. The deposit is the Group's other major growth project which comprises of 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 project will benefit from the work conducted on the Bozshakol project due to the similarities between the two large scale open pit mines.

During the period, site preparation works continued with the delivery of equipment and the construction of temporary facilities for staff and support activities. Some early works were also conducted on permanent facilities and site preparation of the leach pad area, where the oxide ore will be processed. Detailed engineering works continued based on the engineering elements of the Bozshakol project. Long-lead items essential to the delivery of the project have been ordered to reduce the risk of project delays.

First production from the oxide deposit is expected in 2015, while first output from the sulphide plant is planned for 2016. The project is forecast to require capital expenditure of between \$500 million and \$600 million in 2013.

REVIEW OF KAZAKHMY'S POWER

Kazakhmys Power includes the results of Ekibastuz GRES-1 and the Group's three captive heat and power stations. Kazakhmys has a 50% interest in Ekibastuz GRES-1 which is a coal-fired power station with a nameplate capacity of 4,000 MW. The Group's captive heat and power stations are located in Karaganda, Balkhash and Zhezkazgan. The heat and power stations have a combined nameplate capacity of 1,005 MW and predominantly supply electricity to support Kazakhmys Mining's operations.

Kazakhmys Power production summary

EKIBASTUZ GRES-1

	Six months ended 30 June 2013	Six months ended 30 June 2012
Net power generated (GWh)	6,589	7,057
Net power generated attributable to Kazakhmys ¹ (GWh)	3,295	3,529
Net dependable capacity (MW)	2,557	2,222

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

Ekibastuz GRES-1's net power generation volumes fell by 7% in the first half of 2013 due to lower commercial demand in the domestic market and generally warmer weather conditions in the period. Domestic sales were 1,402 GWh lower than in the first half of 2012 with sales to Russia 934 GWh higher as electricity volumes were redirected to the export market. Due to the lower than expected domestic demand for electricity, the net power generated by Ekibastuz GRES-1 is now expected to reach 13,000 GWh in 2013, below the previous guidance of 15,000 GWh.

The power station's net dependable capacity rose by 335 MW in the first half of 2013 mainly due to the commissioning of Unit 8 in the last quarter of 2012.

CAPTIVE POWER STATIONS

	Six months ended 30 June 2013	Six months ended 30 June 2012
Net power generated (GWh)	2,893	2,864
Net dependable capacity (MW)	829	849

The net power generation from the Group's three captive heat and power stations in the first half of 2013 was consistent with the prior period as generation remained close to capacity. The net power generated by the captive power stations in 2013 is expected to be consistent with the prior year.

The net dependable capacity fell by 20 MW in the first half of 2013 as a turbine at the Balkhash power station reached the end of its operational life in April 2013.

Kazakhmys Power financial summary

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

EKIBASTUZ GRES-1

\$ million (unless otherwise stated)	Six months ended 30 June 2013	Six months ended 30 June 2012
Sales revenues	140	139
Electricity generation ¹	140	139
Average tariff price (KZT/kWh)	6.42	5.81
Domestic sales	6.89	5.89
Export sales	4.38	4.07
Average cash cost (KZT/kWh)	2.42	1.82
EBITDA (excluding special items) ¹	86	92
Capital expenditure ¹	88	61
Sustaining	37	31
Expansionary	51	30

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

Revenues

Ekibastuz GRES-1's revenues were in line with the first half of 2012 as higher tariffs were offset by a 7% decrease in sales volumes in the first half of 2013 due to lower domestic demand. Additional volumes of electricity were exported to Russia to mitigate the fall in demand in Kazakhstan.

The average sales tariff realised by Ekibastuz GRES-1 in the first half of 2013 increased by 10% from the first half of 2012. The rise in tariffs was mainly driven by the increase in the ceiling tariff at the start of 2013 from 6.50 KZT/kWh to 7.30 KZT/kWh. While demand was lower, Ekibastuz GRES-1 was able to increase the average tariffs charged for domestic sales close to the applicable ceiling tariff. Russian sales tariffs were 8% above the first half of 2012 mainly due to cost inflation.

EBITDA (excluding special items)

Ekibastuz GRES-1's EBITDA contribution to the Group was 7% below the first half of 2012 with flat electricity revenues and a \$7 million increase in cash operating costs on a 50% contribution basis.

The growth in cash operating costs was mainly attributable to a 10% increase in expenditure on coal, as although the consumption of coal decreased with lower generation volumes, the price charged by coal suppliers rose by 15%. The power station's cost base also rose in the first half of 2013 with Unit 8 operating for a full six months after it was re-commissioned in the last quarter of 2012.

Regulatory authorities raised tariffs on emissions, water usage and distribution charges which increased operational costs. Ekibastuz GRES-1's maintenance programme expanded compared to the prior period increasing repair costs. Employee costs rose with inflationary pay awards and as staff numbers grew to cater for the increasing production capacity, with Unit 8 now operational and the planned commencement of Unit 2 in 2014.

Administration costs included additional social responsibility costs related to assistance provided for the development of local infrastructure.

Average cost

The average cash cost per kWh of electricity sold rose by 33% in the first half of 2013 to 2.42 KZT/kWh. Higher coal prices and general inflation increased the cost base over a lower volume of sales. The additional capacity now available at the power station also increased the cost base.

Capital expenditure

Sustaining

Sustaining capital expenditure on replacing the power station's infrastructure and maintaining the six operating units totalled \$37 million in the first half of 2013. Major capital repair work on the boiler and auxiliary equipment at Unit 3 commenced in April 2013 and is expected to continue until the third quarter of 2013. Payments were also made for the major overhaul of Unit 7 which commenced from July 2013 and is planned to complete in the fourth

quarter of 2013. These overhaul works are performed as part of the four year maintenance programme for each unit. Work was also conducted on the reconstruction of the switchyard which integrates Ekibastuz GRES-1 with the Kazakhstan power network.

Expansionary

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

The rehabilitation of Unit 2, which has a 500 MW nameplate capacity, remains on target for completion in the second half of 2014. The dismantling of the turbine, the generator's foundations and auxiliary equipment was completed during the first half of 2013. Manufacturing of the turbine and auxiliary equipment required for the unit is on schedule. Once operational, Unit 2 will expand Ekibastuz GRES-1's nameplate capacity to 3,500 MW.

As previously announced, Ekibastuz GRES-1 is proceeding with the rehabilitation of the final dormant unit, Unit 1, which has a nameplate capacity of 500 MW. The project's design documents have been developed and dismantling work at the unit continued with the removal of obsolete equipment. Once operational in late 2016, the unit will expand Ekibastuz GRES-1's nameplate capacity to 4,000 MW.

The capital expenditure programme includes the installation of ESPs to the plant's existing generators to reduce ash emissions to international standards. The installation of Unit 7's ESP is well advanced and also expected to complete in the third quarter of 2013. Dismantling work for the ESP at Unit 3 was completed in the first half of 2013 and the unit is expected to be operational in the fourth quarter of 2013. Once these two projects are completed, all the operating units at Ekibastuz GRES-1 will have ESPs installed, significantly improving the environmental footprint of the power station.

CAPTIVE POWER STATIONS

\$ million (unless otherwise stated)	Six months ended 30 June 2013	Six months ended 30 June 2012
Sales revenues	116	99
Electricity generation	98	75
Heat and other	18	24
Average realised electricity tariff price (KZT/kWh)	5.10	3.87
Third party sales	5.10	3.95
Intercompany sales	5.10	3.82
Average cash cost (KZT/kWh)	3.14	3.18
EBITDA (excluding special items)	33	4
Capital expenditure (sustaining)	29	13

Revenues

Revenues from the sale of electricity and heat to Kazakhmys Mining and to third parties by the captive power stations rose by 17%. Total electricity sales volumes were flat against the first half of 2012 as the power stations continued to operate close to their production capacity. Sales of electricity and heat to Kazakhmys Mining totalled \$69 million in the first half of 2013. The percentage of electricity sales volumes made to third parties was consistent with the prior period at 39%.

EBITDA (excluding special items)

The captive power stations' EBITDA increased by \$29 million to \$33 million with higher revenues and lower cash operating costs. Cash operating costs were lower mainly due to the transfer of an operational unit which was reported within the captive power stations to the Mining Division in late 2012. The operating costs of the captive power stations include the cost of coal which is sourced predominantly from the Mining Division at cost.

Capital expenditure

Capital expenditure in the first half of the year at the captive power stations was focused on maintaining equipment. A turbine replacement programme is underway with projects to install new turbines at the captive power stations. In 2013, capital expenditure is expected to be between \$70 million and \$90 million.

REVIEW OF MKM

MKM was disposed of by the Group on 28 May 2013 for €42 million, including €12 million on a deferred basis. Kazakhmys also received a dividend of €10 million from MKM in April 2013.

MKM produces copper and copper alloy semi-finished products. Based in Germany, the business is structured into three sections: wire products, flat products (strips and sheets) and tubes and bars.

MKM financial summary

MKM is treated as an asset held for sale and a discontinued operation in the Group's financial statements.

\$ million (unless otherwise stated)	Six months ended 30 June 2013	Six months ended 30 June 2012
GVA ^{1,2} (€ million)	67	86
Wire section (€ million)	15	20
Flat section (€ million)	35	43
Tubes and bars (€ million)	17	23
EBITDA (excluding special items) ²	(2)	34
Capital expenditure (sustaining) ²	9	3

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

² The results for MKM for the six months ended 30 June 2013 are for the period until the date of disposal on 28 May 2013.

GVA

Demand for MKM's products was weaker in 2013 reflecting the economic uncertainty in the Eurozone including MKM's key market, Germany. Sales volumes were below the prior period, in particular for the higher margin products, resulting in a lower overall GVA.

EBITDA (excluding special items)

EBITDA was negative \$2 million for the period to 28 May 2013, which due to copper price movements includes an IFRS inventory adjustment which had a negative impact on EBITDA. In the prior period MKM recorded a positive IFRS inventory adjustment.

Capital expenditure

Capital expenditure in the period to 28 May 2013 totalled \$9 million as MKM invested mainly to maintain production equipment.

REVIEW OF ENRC

Kazakhmys has a 26% interest in ENRC PLC, a diversified natural resources group with significant operations in Kazakhstan and Africa. On 2 August 2013, the disposal of the 26% holding in ENRC was approved by Kazakhmys' shareholders for net cash of \$875 million and the repurchase of approximately 77 million shares in Kazakhmys. ENRC was classified as an asset held for sale from 24 June 2013 and has been included within discontinued operations.

ENRC's EBITDA (excluding special items) was 16% below the first half of 2012 primarily due to lower contributions from the Ferroalloys, Alumina and Aluminium and Energy Divisions along with higher corporate costs. ENRC's vertically integrated business is structured into six key operating divisions the performance of which is set out below.

ENRC divisional EBITDA (excluding special items) ¹

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Ferroalloys	451	522
Iron ore	504	512
Alumina and Aluminium	30	54
Other non-ferrous	(3)	(13)
Energy	137	215
Logistics	52	35
Corporate	(108)	(67)
ENRC Group	1,063	1,258
Kazakhmys' share of EBITDA (excluding special items) of ENRC	276	328

¹ The 30 June 2013 results for ENRC are unaudited. The EBITDA figures exclude MET.

The Ferroalloys Division operates chrome ore and manganese mines along with processing plants which produce ferroalloys. The Division operated at full capacity in the first half of 2013. Saleable production of the Division's primary product, high-carbon ferrochrome, was slightly above the first half of 2012. The Division's EBITDA was \$71 million below the prior period as revenues declined by \$98 million. Realised prices for ferroalloy products fell offsetting the higher sales volumes. Cash operating costs were below the first half of 2012 with lower unit costs as energy, input materials, distribution and social investment costs reduced.

The Iron Ore Division mines and processes iron ore into concentrate and pellets for sale. Iron ore extraction volumes in Kazakhstan were consistent with the first half of 2012 and there was a 2% increase in the production of primary concentrate. The Division raised output of saleable iron concentrate and pellets above prior period levels. Despite the higher production volumes, total iron ore sales volumes were lower than the prior period resulting in a \$16 million reduction in revenue. Cash operating costs reduced so the Division's EBITDA was \$8 million below the first half of 2012.

The Alumina and Aluminium Division operates two bauxite mines which feed an alumina refinery and an aluminium smelter which are supported by a captive heat and energy plant. Alumina production was at full capacity for the period, above the first half of 2012 which was impacted by processing issues. Aluminium production was also at full capacity for the period. Revenue was \$24 million above the first half of 2012 with higher sales volumes of alumina and aluminium mitigating a reduction in realised prices. The \$24 million decline in the Division's EBITDA is mainly due to increased cash operating costs, in particular labour costs.

The Other Non-ferrous Division produces and processes copper and cobalt ore and is predominantly based in the Democratic Republic of the Congo and Zambia. Copper product production volumes increased in the first half of 2013 due to the commissioning of the Frontier Mine and the repair to the first roaster and commissioning of the SX/EW plant at Chambishi. Revenue rose by \$59 million with an increase in copper product sales volumes partially offset by lower realised prices in the period for cobalt and copper products. Cash operating costs were higher with additional production volumes although the unit costs of the business are declining as the scale of the operations grows. The Division's EBITDA improved by \$10 million compared to the first half of 2012 but remained negative.

The Energy Division operates the Vostochny and Shubarkol coal mines and the coal-fired power station at Aksu in Kazakhstan. The acquisition of the Shubarkol coal mine in April 2012 increased coal production volumes. Electricity generation was above the first half of 2012 with the 325 MW Unit 6 at Aksu recommencing operation from May 2013. Operating cash costs increased due to additional production from Shubarkol along with higher input material and labour costs. The Division's EBITDA fell by \$78 million as revenue declined by \$27 million with a reduction in the ceiling tariff for electricity sales partially offset by higher sales from Shubarkol.

The Logistics Division provides transportation and logistics services to third parties and to ENRC's operations in Kazakhstan. The Division's EBITDA was \$17 million above the first half of 2012 as charges associated with renting third party wagons fell. The results also reflect the disposal of the railway line repair business, Zhol Zhondeushy LLP, in May 2012.

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 2012, except for the first-time adoption of IAS 19 (revised) 'Employee benefits' with effect from 1 January 2013.

As explained in note 18 of the condensed consolidated financial statements and in the 'Discontinued operations' section of this Financial Review, MKM and the Group's investment in ENRC, which represent separate business lines of the Group, have been treated as discontinued operations for the half year ended 30 June 2013. The consolidated income statement and the related notes for the comparative period have been restated to conform with this presentation.

During 2012, EBITDA (excluding special items), a key performance indicator of the Group, was redefined. The Group considers EBITDA to be a proxy for cash earnings from current trading performance. Consequently, the actuarial remeasurement charge recognised in the income statement in respect of the Group's disability benefits obligation is excluded from EBITDA and instead, the actual disability benefits payments disbursed during the period are deducted in arriving at EBITDA. The summary consolidated income statement for the comparative period has been restated to conform with this presentation. Please see the 2012 Annual Report and Accounts for further details.

Income statement

A summary of the consolidated income statement is shown below:

\$ million (unless otherwise stated)	Six months ended 30 June 2013	Six months ended 30 June 2012
Continuing operations		
Revenues	1,571	1,516
Operating costs (excluding non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, MET and special items)	(1,217)	(963)
EBITDA from subsidiaries (excluding special items)	354	553
EBITDA from joint venture (excluding special items)	86	92
Segmental EBITDA (excluding special items) from continuing operations¹	440	645
Less: interest and taxes of joint venture	(15)	(13)
Special items:		
Less: additional disability benefits obligation related to previously insured employees	(84)	–
Less: impairment charges	(146)	(162)
Less: loss on disposal of assets	(10)	(10)
Less: depreciation, depletion and amortisation	(155)	(147)
Less: non-cash component of the disability benefits obligation	(55)	(58)
Less: MET	(121)	(129)
(Loss)/profit before finance items and taxation	(146)	126
Net finance costs	(47)	(45)
(Loss)/profit before taxation	(193)	81
Income tax credit/(expense)	16	(63)
(Loss)/profit for the period from continuing operations	(177)	18
Discontinued operations		
(Loss)/profit for the period from discontinued operations	(785)	104
(Loss)/profit for the period	(962)	122
Non-controlling interests	–	(1)
(Loss)/profit attributable to equity holders of the Company	(962)	121
EPS – basic and diluted (\$)		
From continuing operations	(0.34)	0.03
From discontinued operations	(1.50)	0.20
	(1.84)	0.23
EPS based on Underlying Profit (\$)		
From continuing operations	0.06	0.33
From discontinued operations	0.15	0.25
	0.21	0.58

¹ Segmental EBITDA for the six months ended 30 June 2012 has been restated to exclude the non-cash component of the disability benefits obligation. This change has resulted in an increase in EBITDA of \$58 million. Refer to the 'Basis of preparation' in note 2(b) of the condensed consolidated financial statements.

Revenues

Group revenues in the first half of 2013 were \$1,571 million, 4% above the \$1,516 million achieved in the first half of 2012. The increase in revenues was primarily due to increased copper revenues from the Mining Division where higher sales volumes more than offset the fall in realised prices for copper and the main by-products and significantly lower sales volumes of gold.

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.

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

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Continuing operations		
Kazakhmys Mining	337	574
Kazakhmys Power ¹	119	96
Corporate Services	(16)	(25)
Total continuing operations	440	645
Discontinued operations		
MKM	(2)	34
Total discontinued operations	(2)	34
Segmental EBITDA (excluding special items)	438	679
Share of EBITDA of ENRC ²	276	328
Group EBITDA (excluding special items)	714	1,007

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

² The share of EBITDA (excluding special items) of ENRC excludes MET of ENRC. At 24 June 2013, ENRC was classified as an asset held for sale and a discontinued operation. The Group's share of earnings from ENRC is classified within discontinued operations for the periods ended 30 June 2013 and 30 June 2012.

Segmental EBITDA (excluding special items) of \$438 million was 35% lower than in the prior period. Kazakhmys Mining's contribution to EBITDA fell by \$237 million to \$337 million as higher revenues were offset by an increase in costs.

At Kazakhmys Power, EBITDA (excluding special items) increased by 24% compared to the first half of 2012 mainly due to rising ceiling tariffs in Kazakhstan offsetting lower demand.

MKM's EBITDA (excluding special items) for the period to 28 May 2013, the date on which it was sold, was lower than in the first half of 2012 as declining copper prices led to a negative IFRS inventory adjustment in cost of sales compared to a positive adjustment in the comparative period.

Group EBITDA (excluding special items) in the first half of 2013 was \$714 million, compared to \$1,007 million in 2012. Included in Group EBITDA is the Group's share of EBITDA (excluding special items) of ENRC of \$276 million based on its published unaudited results for the six months ended 30 June 2013, a decrease from the \$328 million recognised for the first half of 2012.

Special items

Special items within operating (loss)/profit:

Impairment charges

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 is taking 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 will be suspended in the second half of 2013 resulting in a move from copper cathode to copper concentrate sales from the Zhezkazgan Region. This review is ongoing and has resulted in impairment charges being recognised in the first half of 2013 and may result in further impairment charges in the future. 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 have been suspended.

Loss on disposal of assets

During the first half of 2013, the Group disposed of various assets for proceeds of \$26 million on which a loss of \$10 million was realised.

Disability benefits obligation

In accordance with Kazakhstan law, 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 has agreed to meet these future disability payments. Consequently at 30 June 2013, the liability for the future disability benefit payments to the employees previously covered by the insurance contracts has been included in the disability benefits obligation. Of the total income statement charge of \$176 million during the first half of 2013, \$84 million relates to the assumption of this obligation by the Group and has been treated as a one-off special item. Also included in the \$176 million charge are 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.

Half year ended 30 June 2012

Special items from continuing operations in the first half of 2012 totalled \$172 million, mainly comprising \$162 million related to the impairment of the Bozymchak gold/copper project in Kyrgyzstan and the loss on disposal of a subsidiary in Kazakhstan of \$8 million.

Net finance costs

Net finance costs of \$47 million are consistent with the first half of 2012 and include finance costs incurred on borrowings, net foreign exchange losses and interest on the employee benefits obligation.

The finance costs incurred on borrowings decreased to \$14 million from \$36 million in the first half of 2012, as \$73 million of the total \$87 million interest charged on the Group's borrowings was capitalised to the development projects, Bozshakol, Bozymchak and Aktogay, an increase of \$57 million over the costs capitalised in the first half of 2012. The level of capitalised costs has risen due to higher finance costs on raised borrowings and an increase in the capital spend on the development projects to date. The fall in finance costs incurred on borrowings was offset by higher net foreign exchange losses compared to the prior period.

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. The all-in effective tax rate excludes the effect of equity accounted earnings as these are derived from businesses that are not controlled by the Group and which are included in the consolidated income statement on a post-tax basis.

\$ million (unless otherwise stated)	Six months ended 30 June 2013	Six months ended 30 June 2012
(Loss)/profit before taxation from continuing operations	(193)	81
Add: MET	121	129
Add: special items	240	172
Less: share of profits from joint venture	(51)	(63)
Adjusted profit before taxation from continuing operations	117	319
Income tax (credit)/expense	(16)	63
Add: MET	121	129
Add: taxation effect of special items	29	13
Adjusted tax expense from continuing operations	134	205
Effective tax rate (%)	8.3	77.8
All-in effective tax rate¹ (%)	114.5	64.3

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 credit of \$16 million has been recognised on the loss before taxation in the first half of 2013. The effective tax rate was reduced by the impact of non-deductible expenses, including certain impairment charges for which no deferred tax has been recognised. This reduction in the effective tax rate was partially offset by the reversal of prior year transfer pricing provisions and the impact of the post-tax equity accounted results of Ekibastuz GRES-1, resulting in an effective tax rate of 8.3%.

In the first half of 2012, the effective tax rate of 77.8% on a profit of \$81 million was primarily due to a high level of non-deductible expenses and also a deferred tax credit at the statutory rate in Kyrgyzstan of only 10% on the impairment of the Bozymchak project. The restatement of the Group's income statement following the reclassification of ENRC as a discontinued operation has led to a restatement of the effective tax rate for the first half of 2012. Prior to this reclassification, the effective tax rate was 35.4%.

All-in effective tax rate

The all-in effective tax rate increased from 64.3% in 2012 to 114.5% in 2013, as MET, which is revenue-based and independent of the profitability of the operations, remained broadly consistent with the first half of 2012 whilst the adjusted profit before taxation fell significantly compared to the prior period. In the first half of 2013, the MET charge exceeded the adjusted profit before taxation compared to the first half of 2012 when MET represented 40% of the adjusted profit before taxation.

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

The special items within operating profit in 2013 in respect of the asset impairment charges and the additional disability benefits obligation charge resulted in the recognition of deferred tax assets of \$29 million. The most significant taxation effect of the special items within operating profit in the first half of 2012 was a \$13 million deferred tax credit relating to the impairment charges recognised for the Bozymchak project in Kyrgyzstan.

Discontinued operations

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
ENRC		
Share of profits from associate	65	97
Impairment charge recognised on remeasurement to fair value	(823)	–
(Loss)/profit for the period	(758)	97
MKM		
(Loss)/profit before tax excluding impairment losses	(2)	33
Impairment losses	(23)	(11)
Loss on disposal	(1)	–
Taxation charge	(1)	(2)
(Loss)/profit for the period	(27)	20
Kazakhmys Petroleum		
Loss on disposal	–	(13)
Loss for the period	–	(13)
(Loss)/profit for the period from discontinued operations	(785)	104

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, and the share of post-tax results from the Group's investment in ENRC up to 24 June 2013, the date the Group accepted a proposed offer to sell this investment and ceased equity accounting for the investment. The prior period includes the post-tax results of MKM and ENRC as well as a \$13 million loss representing the final completion price adjustment from the sale of Kazakhmys Petroleum.

ENRC

On 24 June 2013, Eurasian Resources Group B.V. ('Eurasian Resources'), acting on behalf of the ENRC Consortium comprising Mr Machkevitch, Mr Ibragimov, Mr Chodiev and the Government of Kazakhstan, announced a firm intention to make an offer for ENRC comprising \$2.65 in cash plus approximately 0.23 Kazakhmys shares per ENRC share.

Following the Group's irrevocable undertaking to accept the proposed offer, the ENRC investment has been reclassified as an asset held for sale and a discontinued operation at 24 June 2013. ENRC's contribution to the results from discontinued operations of \$758 million comprises the Group's share of post-tax profits from ENRC of \$65 million for the period during which it was classified as an associate and the impairment charge of \$823 million

to write the investment down to the expected net sales proceeds of \$1,194 million. The proceeds are based on the terms of the proposed offer, whereby the Group will receive \$875 million in cash (net of \$12 million estimated costs) and 77,041,147 Kazakhmys shares with an approximate value of \$319 million, or £2.69 per share. The Group's share of ENRC's profits for the first half of 2013 has declined from the \$97 million in the first half of 2012 as falling prices for ENRC's major products, impairment charges and higher finance costs adversely impacted the profitability of the business.

MKM

MKM was sold on 28 May 2013, for a consideration of €42 million (\$55 million), comprising €30 million (\$39 million) in cash and €12 million (\$16 million) which is deferred over four years. The results from MKM include its loss for the period until its disposal of \$4 million, an impairment charge of \$22 million to write MKM down to the net sales proceeds and a \$1 million loss on its disposal. The loss on disposal of MKM arises from the recycling of the foreign currency translation losses recognised in the Group's equity on consolidation of MKM of \$2 million.

Underlying Profit

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

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Net (loss)/profit attributable to equity holders of the Company from continuing operations	(177)	17
Special items:		
Additional disability benefits obligation related to previously insured employees	84	–
Impairment charges	146	162
Loss on disposal of assets	10	10
Taxation effect of special items:		
Deferred tax asset on additional disability benefits obligation related to previously insured employees	(17)	–
Recognition of a deferred tax asset resulting from the impairment of Bozymchak	–	(13)
Deferred tax assets recognised on other non-recurring items	(12)	–
Underlying Profit from continuing operations	34	176
Net (loss)/profit attributable to equity holders of the Company from discontinued operations	(785)	104
Special items:		
Subsidiary businesses		
Impairment charge recognised on remeasurement to fair value less costs to sell – MKM	22	10
Loss on disposal of subsidiary	1	13
Impairment charge recognised on remeasurement to fair value less costs to sell – ENRC	823	–
Associate		
Impairment charges recognised by associate	42	–
Onerous contract provision utilised	(13)	–
Acquisition related transaction costs	1	2
Loss related to acquisition of associate	–	4
Recognition of deferred tax assets on impairment charges recognised by ENRC	(14)	–
Release of deferred tax assets/(liabilities) resulting from impairment charges – MKM	4	(2)
Underlying Profit from discontinued operations	81	131
Total Underlying Profit	115	307

The Group's net loss attributable to equity holders of the Company from continuing operations was \$177 million for the first half of 2013, compared to a profit of \$17 million in the first half of 2012. Excluding special items and their taxation effect, Underlying Profit for the period was \$34 million from continuing operations and \$81 million from discontinued operations, with the total Underlying Profit being \$115 million, down from \$307 million in the prior period.

Earnings per share

\$ million (unless otherwise stated)	Six months ended 30 June 2013	Six months ended 30 June 2012
Net (loss)/profit attributable to equity holders of the Company	(962)	121
Total Underlying Profit	115	307
Weighted average number of shares in issue (million)	524	526
EPS – basic and diluted (\$)	(1.84)	0.23
EPS based on Underlying Profit (\$)	0.21	0.58

Basic earnings per share from continuing and discontinued operations was a loss of \$1.84 after the impairment charges recognised by the Group on various assets, including ENRC, and the additional charge for future disability benefit payments in the first half of 2013. Earnings per share based on Underlying Profit decreased to \$0.21 for the first half of 2013 from \$0.58 in the prior period.

The decrease in the weighted average number of shares in issue for the period compared to the first half of 2012 arises from the purchase of shares by the Company under the share buy-back programme completed in May 2012. The shares purchased through the share buy-back programme are being held in treasury and are accounted for as own shares.

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 decline in commodity prices, the Group's anticipated increase in net debt during the construction phase of the two major growth projects and the uncertain economic outlook, the Directors have not declared an interim dividend for 2013. 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 2013	Six months ended 30 June 2012
Segmental EBITDA before joint venture and associate	89	392
Impairment losses	177	186
Non-cash component of the disability benefits obligation	(55)	(58)
Loss on disposal of assets	11	23
Dividends received from associate and joint venture	–	65
Working capital movements ¹	172	(106)
Interest paid	(70)	(38)
MET paid	(86)	(131)
Income tax paid	(70)	(121)
Foreign exchange and other movements	(8)	(9)
Net cash flows from operating activities before other expenditure associated with major projects	160	203
Sustaining capital expenditure	(295)	(297)
Free Cash Flow	(135)	(94)
Expansionary and new project capital expenditure	(418)	(157)
Non-current VAT receivable associated with major projects	(33)	(35)
Major social projects	(31)	–
Interest received	6	7
Proceeds from disposal of property, plant and equipment	26	26
Proceeds from disposal of subsidiaries, net of cash disposed	27	3
Dividends paid	(42)	(105)
Purchase of own shares under the Group's share buy-back programme	–	(88)
Other movements	(4)	(10)
Cash flow movement in net debt	(604)	(453)

¹ 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 projects.

Summary

Net cash flows from operating activities before other expenditure associated with major projects in the first half of 2013 were \$43 million below those in the first half of 2012, as the impact of lower profitability and increased interest payments was only partially compensated by a reduction in working capital and lower tax payments.

Working capital

Working capital levels at Kazakhmys Mining fell due to the increase in the disability benefits obligation and lower inventory levels, as copper sales exceeded production and consumables inventory declined. These movements were partially offset by increased trade receivables. At MKM, which was sold on 28 May 2013, working capital increased as the rise in receivables due to seasonal fluctuations was only partially offset by a fall in the value of inventory, reflecting lower copper prices.

Interest cash flows

Interest paid during the first half of 2013 was \$70 million, \$32 million higher than the \$38 million paid in the first half of 2012, primarily due to the higher average effective interest rate of 5.21% compared to 4.55% in 2012, on an increased level of debt outstanding during the period.

Income tax and mineral extraction tax

Income tax payments for the first half of 2013 of \$70 million were lower than the prior period as the Group's profitability has declined. Payments on account for the 2013 estimated tax liability in the first half of 2013 exceeded the income statement charge for current tax of \$23 million, resulting in an increase in the net tax receivable position from \$29 million at 31 December 2012 to \$76 million at 30 June 2013. It is anticipated that payments on account in the second half of 2013 will reduce in order to lower the tax receivable position by the year end.

MET payments of \$86 million were lower than the prior period and the current period charge, resulting in a higher MET payable of \$106 million at 30 June 2013 compared to \$71 million at 31 December 2012.

Capital expenditure

Capital expenditure on sustaining the current business operations of \$295 million was in line with the \$297 million in the first half of 2012, whilst expansionary and new project expenditure of \$418 million increased significantly over the \$157 million invested in the prior period, as development of the major projects accelerated. Total capital expenditure incurred in the first half of 2013 was \$713 million, \$259 million higher than the \$454 million spent in the first half of 2012. Please refer to the Divisional Review for an analysis of the Group's capital expenditure by operating segment.

Free Cash Flow

Reduced working capital requirements, lower MET and income tax payments partially offset the impact of lower earnings, increased interest payments and no dividends received from ENRC and Ekibastuz GRES-1, resulting in a negative Free Cash Flow of \$135 million compared to the negative \$94 million in the first half of 2012.

Major social projects

In the first half of 2013, the Group spent \$31 million (30 June 2012: \$nil) as part of the Group's social development programme on major projects in Kazakhstan. The expenditure relates to the accrual for these projects recognised in 2010.

Investing cash flows

The most significant investing cash flows in the first half of 2013 related to the payment of the Group's final dividend for 2012, the net cash proceeds from the disposal of MKM of \$27 million and the proceeds from the disposal of various other assets of \$26 million.

BALANCE SHEET

The Group's attributable loss for the period, returns to shareholders during the period, actuarial losses recognised in equity of \$20 million, the Group's share of ENRC's losses recognised in equity of \$75 million and a non-cash loss of \$13 million recognised in the foreign currency translation reserve, have led to a \$1,111 million decrease in equity attributable to owners of the Company to \$5,148 million at 30 June 2013.

The Group's capital employed position as at 30 June 2013 is shown below:

\$ million	At 30 June 2013	At 31 December 2012
Equity attributable to owners of the Company	5,148	6,259
Non-controlling interests	6	6
Borrowings	2,945	2,468
Capital employed	8,099	8,733

ENRC

The Group's 26% investment in ENRC was equity accounted for as an associate until 24 June 2013 when it was reclassified as an asset held for sale. As a result of the reclassification of the investment, an impairment charge of \$823 million has been recognised to write the value of the ENRC investment down to the expected net sales proceeds of \$1,194 million. In the first half of 2013, the Group's share of ENRC's profits was \$65 million and the Group's share of losses of ENRC recognised directly in equity was \$75 million.

Ekibastuz GRES-1 (within Kazakhmys Power)

The investment in the Ekibastuz GRES-1 joint venture is included on the Group's consolidated balance sheet at a carrying value of \$974 million at 30 June 2013. The increase in the carrying value of \$47 million from 31 December 2012 represents the Group's share of the post-tax profits of \$51 million, which was partially offset by the Group's share of losses recognised in equity of \$4 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 2013	At 31 December 2012
Cash and cash equivalents	1,386	1,246
Current investments	299	515
Borrowings	(2,945)	(2,468)
Net debt¹	(1,260)	(707)

¹ Excludes discontinued operations.

Cash and current investments of the Group's continuing businesses as at 30 June 2013 of \$1,685 million were slightly lower than the \$1,761 million as at 31 December 2012, as the cash flows from operating activities for the period and draw downs of the Group's debt facilities were utilised for increased capital expenditure and returns to shareholders. Of the cash balances, approximately \$1,429 million has been drawn under the CDB/Samruk-Kazyna financing facilities and \$20 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 2013, \$1,498 million of cash and short-term deposits were held in the UK, with \$187 million being held in Kazakhstan.

Gross borrowings of the Group's continuing operations increased from \$2,468 million at 31 December 2012 to \$2,945 million at 30 June 2013 as a result of a \$200 million draw down under the CDB/Samruk-Kazyna financing facilities, a \$56 million draw down under the CDB Aktogay financing facility and a \$250 million draw down under the pre-export finance facility. The Group was in a net debt position of \$1,260 million at 30 June 2013 compared to \$707 million at 31 December 2012.

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 (\$159 million equivalent at the RMB/\$ exchange rate as at 30 June 2013). 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 \$2,655 million compared to \$2,468 million at 31 December 2012. Of the \$2,700 million, excluding amortised fees, drawn down under the CDB/Samruk-Kazyna financing facilities, \$2,000 million is intended for the development of the Bozshakol copper project, \$300 million is intended for the development of the Bozymchak deposit in Kyrgyzstan and \$400 million is intended for other mid-sized development projects across the Group.

As at 30 June 2013, the Group had \$100 million of revolving credit facilities available for standby liquidity and general corporate purposes. These facilities have remained undrawn since inception. In addition, at 30 June 2013, the Group had \$750 million under the pre-export finance facility and \$1,444 million under the CDB Aktogay financing facility remaining available to be drawn down.

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 16 to 17 and pages 42 to 47 of the 2012 Annual Report and Accounts, which is available at www.kazakhmys.com.

In the view of the Board, the risk factors set out in the 2012 Annual Report and Accounts are the significant risks and uncertainties for the remaining six months of the year, with the addition of the risks associated with the ongoing transaction to dispose of the Group's investment in ENRC. The applicable disclosures given in the 2012 Annual Report and Accounts have been set out below in summary form, updated for the ongoing disposal of the Group's investment in ENRC. There may be other risks unknown, or currently believed immaterial by Kazakhmys, which might become material.

Operational risks

Health and safety

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

Business interruption

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

Assets controlled by third parties and joint ventures

Kazakhmys holds a 26% investment in ENRC. The business and financial performance of this investment is not controlled by the Group. The Group is party to a joint venture arrangement in respect of the ownership and management of the Ekibastuz GRES-1 power station. Kazakhmys has also engaged outsourcing companies to manage certain Group assets, principally engaged in the transportation of production materials by road and rail. The Board of ENRC, joint venture partners or other third parties that control or manage assets in which the Group has an interest may take actions which are inconsistent with Kazakhmys' strategy, values and standards.

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.

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, and availability of mining equipment and supplies can be subject to long lead times and cost inflation. The remote location of some of the Group's operations also makes the attraction and retention of skilled staff at these sites more challenging.

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 of 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.

Political risk

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

Reserves and resources

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

Compliance risks

Subsoil use rights

In Kazakhstan and certain other countries in which the Group operates, all subsoil reserves belong to the State. Subsoil use rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. Rights may be terminated if the Group does not satisfy its licensing or contractual obligations, which may include financial commitments to State authorities and the satisfaction of mining, development, environmental, social, health and safety requirements. 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 which are dependent on a number of factors, including world supply and demand as well as 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. Over the past five years, sales to China have represented an average of 45% of Kazakhmys Mining's revenues. The proportion of sales into China is likely to increase in the future when production commences from the two major growth projects, Bozshakol and Aktogay. China is also an important source of financing to the Group with long-term debt facilities secured totalling \$4.2 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 transaction to dispose of the Group's interest in ENRC has been approved by Kazakhmys' shareholders, but remains subject to certain outstanding conditions, including anti-competition regulatory clearance. If the transaction does not complete, the Group will not receive the net cash proceeds due to it for the shareholding.

Liquidity risk

The Group is exposed to liquidity risks, including the risk that borrowing facilities are not available to meet cash requirements, that financial assets cannot readily be converted to cash without loss of value and the risk that US LIBOR rates rise, raising the interest cost on the Group's borrowings.

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

CORPORATE RESPONSIBILITY

Reporting

We welcome the decision of the UK Government to mandate greenhouse gas emissions reporting for companies listed on the London Stock Exchange and will continue to improve our data collection processes to ensure our Corporate Responsibility reporting remains ahead of regulatory requirements. We also believe that these improvements will allow us to report on and monitor our performance more accurately and regularly, assess risk and set clear long-term targets. In 2012 we appointed an external consultant to review our internal data collection processes with a view to achieving external assurance in due course. As we develop our internal reporting systems, there is a risk that improvements in data collection result in a restatement of previously reported data.

Health and safety

The health and safety of our employees remains our first priority. We deeply regret that this year there were 11 fatalities at our operations, including 3 contractors. There were 13 fatalities in the same period in 2012. We will continue to develop our approach to managing health and safety at our operations to achieve our long-term goal of zero fatalities and will ensure that investment in health and safety remains a priority within the current cost optimisation programme. The LTIFR amongst Kazakhmys employees for the first six months of 2013 was 1.94, compared to 1.98 during the same period last year and 1.78 for the full year in 2012. As previously stated, our LTIFR figure may increase as we implement an incident reporting system and continue to develop our health and safety awareness programme and training for all employees. Our long-term goal, however, is an annual reduction in LTIFR of 10%.

In the first six months of 2013, we rolled out EMEX, an incident management programme that centrally records all incidents reported and corrective actions taken, to help us identify trends. The system now covers all Group operational sites. We continued with the implementation of the integrated health and safety management system and the long-term Group-wide educational and training scheme. In the first six months of 2013 we have made significant investment in operational health and safety, including equipment purchases and upgrades, improvements in working conditions, as well as health and safety education and employee communications. Rock fall remains the most common incident cause at our operations, and one of the main priorities of the health and safety programme. During the reporting period we continued to upgrade the equipment with a focus on making our underground operations safer, including drilling, concreting, roof bolting and scaling machinery, as well as ventilation equipment.

Environment

In the first six months of 2013, total energy use for the Group was 2,940 GWh, in line with 3,025 GWh during the comparative period. We report CO₂ emissions on an annual basis and will provide an update on the data in our 2013 Annual Report and Accounts. The Government of Kazakhstan is currently developing a GHG emissions trading scheme, with quota allocation expected to be completed by the end of the year and preliminary trading to commence in 2014. We believe the scheme will help us to strengthen our internal emission monitoring and management procedures.

Group SO₂ emissions in the first six months of 2013 amounted to 121,250 tonnes, in line with 124,613¹ tonnes in the comparative period. The Mining Division produced 46,735 tonnes of SO₂ in the first six months of 2013, also in line with the comparative period. The ongoing modernisation programme at Ekibastuz GRES-1 and our captive power plants, as well as warmer weather conditions in the beginning of the year, resulted in a 16% reduction in total Group ash emissions of 50,408 tonnes compared to 60,344 tonnes during the first six months of 2012. At 28,234 tonnes, NO_x emissions were broadly in line with the comparative period.

Water consumption at the Mining and Power Divisions amounted to 445,831 megalitres in the first half of 2013. Of the water used in our Mining Division, approximately 37% is non-potable, and our usage does not affect local drinking water supplies. At Ekibastuz GRES-1, we manage our water use to ensure that industrial and potable water taken from the local watershed does not compromise community supplies. Water used for cooling the equipment is reused repeatedly.

All our sites control the quality of discharged water to avoid polluting local water sources and our emissions to water are generally below permitted levels. Sadly, there were three incidents of industrial water discharge at our metallurgical complex in the Central Region during the first six months of 2013. We continue to work on improving the piping, water collection and drainage systems at the site to prevent similar incidents in the future.

Waste generation for the Group amounted to approximately 67 million tonnes. The majority of waste produced at our operations is represented by overburden, tailings and ash from the Mining Division. The waste recycling rate for the first six months of 2013 was 21%, lower than the 30% average rate reported for 2012. The reduction is driven

by less rehabilitation work at sites, where overburden is typically used for finished sections. We are currently developing long-term waste management plans for our operations that will help us to dispose of our waste more responsibly.

¹ The data was restated for the six month period ended 30 June 2012.

Employees and social

In the first six months of 2013 we spent just under \$700 million on locally sourced goods and services. Of the amount spent, over \$540 million was spent by the Mining Division, where the share of locally sourced goods and services represented 64% of total procurement spend. We continue to support local producers as part of "Made in KZ", a national programme we helped initiate, encouraging the development of local small and medium-sized businesses. Kazakhmys supports two regional business associations that currently list almost 100 small and medium-sized local businesses as members. The associations focus on the development of supply networks in the remote regions of our operations and provide regional businesses with opportunities to facilitate new income streams in addition to Kazakhmys. Since the beginning of the year 15 more member companies joined the associations, with 120 new jobs created across all members. Our efforts in this area were once again recognised with a national award for local content development.

We also support local communities through voluntary sponsorship, social provisions required by subsoil licences and annual agreements with regional governments. We prioritise our support to local communities through a series of initiatives in education, infrastructure improvements and healthcare. During the first half of 2013, the Mining Division's social investment amounted to \$31 million.

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 2012 Annual Report and Accounts.

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

OLEG NOVACHUK
CHIEF EXECUTIVE
21 August 2013

INDEPENDENT REVIEW REPORT TO KAZAKHMYS PLC

Introduction

We have been engaged by Kazakhmys PLC (the 'Company') to review the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2013 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 2(a), the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and as issued by the International Accounting Standards Board ('IASB'). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 ('IAS 34'), Interim Financial Reporting, as adopted by the EU.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 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 Audit Plc

Chartered Accountants

15 Canada Square

London E14 5GL

21 August 2013

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Six months ended 30 June 2013

\$ million (unless otherwise stated)	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012
Continuing operations			
Revenues	4(b)	1,571	1,516
Cost of sales		(1,068)	(888)
Gross profit		503	628
Selling and distribution expenses		(37)	(27)
Administrative expenses		(506)	(347)
Net operating expenses		(3)	(16)
Impairment losses	6	(154)	(175)
Share of profits from joint venture		51	63
(Loss)/profit before finance items and taxation		(146)	126
Analysed as:			
Profit before finance items and taxation (excluding special items)		94	298
Special items	5	(240)	(172)
Finance income	7	25	27
Finance costs	7	(72)	(72)
(Loss)/profit before taxation		(193)	81
Income tax credit/(expense)	8	16	(63)
(Loss)/profit for the period from continuing operations		(177)	18
Discontinued operations			
(Loss)/profit for the period from discontinued operations	18	(785)	104
(Loss)/profit for the period		(962)	122
Attributable to:			
Equity holders of the Company		(962)	121
Non-controlling interests		–	1
		(962)	122
Earnings per share attributable to equity holders of the Company – basic and diluted			
From continuing operations (\$)	9(a)	(0.34)	0.03
From discontinued operations (\$)	9(a)	(1.50)	0.20
		(1.84)	0.23
EPS based on Underlying Profit – basic and diluted			
From continuing operations (\$)	9(b)	0.06	0.33
From discontinued operations (\$)	9(b)	0.15	0.25
		0.21	0.58

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

Six months ended 30 June 2013

\$ million	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012
(Loss)/profit for the period		(962)	122
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		(20)	–
		(20)	–
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on retranslation of foreign operations		(13)	(25)
Recycling of exchange differences on disposal of subsidiary		2	–
Share of other comprehensive losses of joint venture		(4)	(4)
Share of other comprehensive losses of associate	11	(75)	(62)
		(90)	(91)
Other comprehensive expense for the period		(110)	(91)
Total comprehensive (expense)/income for the period		(1,072)	31
Attributable to:			
Equity holders of the Company		(1,072)	30
Non-controlling interests		–	1
		(1,072)	31

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2013

\$ million	Notes	At 30 June 2013	At 31 December 2012	At 30 June 2012
Assets				
Non-current assets				
Intangible assets		68	64	58
Property, plant and equipment		2,722	2,448	2,293
Mining assets		667	614	527
Investment in joint venture		974	927	869
Investment in associate	11	–	2,027	4,598
Other non-current assets		731	532	143
Deferred tax asset		140	87	77
		5,302	6,699	8,565
Current assets				
Inventories		682	750	800
Prepayments and other current assets		313	380	278
Income taxes receivable		77	30	99
Trade and other receivables		139	122	148
Investments		299	515	501
Cash and cash equivalents	15(b)	1,386	1,246	1,107
		2,896	3,043	2,933
Assets classified as held for sale	18	1,194	251	290
		4,090	3,294	3,223
Total assets		9,392	9,993	11,788
Equity and liabilities				
Equity				
Share capital	12(a)	200	200	200
Share premium		2,650	2,650	2,650
Capital reserves		(1,022)	(932)	(931)
Retained earnings		3,320	4,341	6,746
Attributable to equity holders of the Company		5,148	6,259	8,665
Non-controlling interests		6	6	6
Total equity		5,154	6,265	8,671
Non-current liabilities				
Borrowings	13	2,843	2,439	1,677
Deferred tax liability		11	1	–
Employee benefits	14	499	330	243
Provisions		102	100	94
		3,455	2,870	2,014
Current liabilities				
Trade and other payables		625	622	520
Borrowings	13	102	29	349
Income taxes payable		1	1	–
Employee benefits	14	50	43	33
Provisions		5	5	5
		783	700	907
Liabilities directly associated with assets classified as held for sale		–	158	196
		783	858	1,103
Total liabilities		4,238	3,728	3,117
Total equity and liabilities		9,392	9,993	11,788

These condensed consolidated financial statements were approved by the Board of Directors on 21 August 2013.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 June 2013

\$ million	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash flows from operating activities			
Cash flows from operations before interest, income taxes and dividends from associate and joint venture	15(a)	267	262
Interest paid		(70)	(38)
Income taxes paid		(70)	(121)
Dividends from associate and joint venture		–	65
Net cash flows from operating activities		127	168
Cash flows from investing activities			
Interest received		6	7
Proceeds from disposal of property, plant and equipment		26	26
Purchase of intangible assets		(10)	(8)
Purchase of property, plant and equipment		(656)	(369)
Investments in mining assets		(78)	(77)
Licence payments for subsoil contracts		(4)	(3)
Acquisition of non-current investments		–	(5)
Acquisition of non-controlling interest in subsidiary	12(a)	–	(2)
Movement in short-term bank deposits	15(c)	215	296
Disposal of subsidiary, net of cash disposed		27	3
Net cash flows used in investing activities		(474)	(132)
Cash flows from financing activities			
Purchase of own shares under the Group's share buy-back programme		–	(88)
Proceeds from borrowings – net of arrangement fees paid of \$22 million (30 June 2012: \$18 million)		540	419
Repayment of borrowings		(14)	(263)
Dividends paid by the Company	10	(42)	(105)
Net cash flows from/(used in) financing activities		484	(37)
Net increase/(decrease) in cash and cash equivalents	15(c)	137	(1)
Cash and cash equivalents at the beginning of the period		1,250	1,111
Effect of exchange rate changes on cash and cash equivalents	15(c)	(1)	(2)
Cash and cash equivalents at the end of the period	15(b)	1,386	1,108

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 2013

\$ million	Notes	Attributable to equity holders of the Company				Total	Non-controlling interests	Total equity
		Share capital	Share premium	Capital reserves	Retained earnings			
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	11	–	–	(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	10	–	–	–	(42)	(42)	–	(42)
At 30 June 2013		200	2,650	(1,022)	3,320	5,148	6	5,154
At 1 January 2012		200	2,650	(840)	6,815	8,825	7	8,832
Profit for the period		–	–	–	121	121	1	122
Exchange differences on retranslation of foreign operations		–	–	(25)	–	(25)	–	(25)
Share of losses of joint venture recognised in other comprehensive income		–	–	(4)	–	(4)	–	(4)
Share of losses of associate recognised in other comprehensive income	11	–	–	(62)	–	(62)	–	(62)
Total comprehensive (expense)/income for the period		–	–	(91)	121	30	1	31
Acquisition of non-controlling interest in subsidiary	12(a)	–	–	–	–	–	(2)	(2)
Share-based payment		–	–	–	3	3	–	3
Own shares acquired under the Group's share buy-back programme	12(b)	–	–	–	(88)	(88)	–	(88)
Dividends paid by the Company	10	–	–	–	(105)	(105)	–	(105)
At 30 June 2012		200	2,650	(931)	6,746	8,665	6	8,671

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Six months ended 30 June 2013

1. Corporate information

Kazakhmys PLC (the "Company") is a public limited company incorporated in the United Kingdom of Great Britain and Northern Ireland. The Company's registered 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 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 three divisions, the principal activities of which during the first half of 2013 were:

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

MKM for the periods ended 30 June 2013, 31 December 2012 and 30 June 2012 is included as a discontinued operation within the condensed consolidated financial statements (see note 18). The business was sold on 28 May 2013.

These condensed consolidated financial statements for the six months ended 30 June 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 21 August 2013. The information for the year ended 31 December 2012 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 2012, 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 2013 have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and the requirements of the Disclosure and Transparency Rules (DTR) of the Financial Services Authority (FSA) or its successor body, 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 FSA. Accordingly, they do not include all the information and disclosures required for full annual financial statements, and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2012.

(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.

At 31 December 2012, the Group reclassified non-current VAT receivables and non-current advances for the purchase of property, plant and equipment from current assets and property, plant and equipment, respectively, to other non-current assets. As a result, the comparative information presented in the condensed consolidated financial statements for 30 June 2012 has been reclassified accordingly. This change has not had an impact on the Group's net assets or total assets for any of periods presented in the consolidated financial statements.

During 2012, EBITDA (excluding special items), a key performance indicator of the Group, was redefined. The Group considers EBITDA to be a proxy for cash earnings from current trading performance. Consequently, the actuarial remeasurement charge recognised in the income statement in respect of the Group's disability benefits obligation is excluded from EBITDA and instead, the actual disability benefits payments disbursed during the period are deducted in arriving at EBITDA. For the period ended 30 June 2013, the actuarial remeasurement charge of \$78 million has been excluded from EBITDA and cash disbursements of \$23 million have been deducted in arriving

at EBITDA, such that a net amount relating to the non-cash component of the disability benefits obligation of \$55 million has been excluded from EBITDA. For the period ended 30 June 2012, the non-cash component of \$58 million has been excluded from EBITDA based on the actuarial remeasurement charge of \$71 million and cash disbursements of \$13 million for the period.

Following the Group's irrevocable undertaking to accept the proposed offer for the sale of the Group's shareholding in ENRC, the ENRC investment has been reclassified as an asset held for sale and a discontinued operation at 24 June 2013. The share of profits from ENRC for the period is now recognised within discontinued operations in the consolidated income statement. The consolidated income statement for the comparative period has been restated to conform with 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, but actual results may differ from the amounts included in the condensed consolidated financial statements.

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

In preparing these condensed consolidated financial statements, significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty were the same, in all material respects, as those applied to the Group's consolidated financial statements for the year ended 31 December 2012. Whilst the judgements made by the Directors and key sources of estimation uncertainty were the same in all material respects as at 31 December 2012, there have been developments in the facts and circumstances in respect of the carrying value of and the accounting for the Group's investment in ENRC, the assumptions applied in the actuarial valuation of the Group's disability benefits obligation and the disclosure of a contingent asset in respect of excess profits tax, which have impacted the conclusions reached by the Directors as at 30 June 2013. These developments and the conclusions reached on these matters are disclosed in notes 11, 14 and 19.

(d) Going concern

The Directors have considered the Group's cash flow forecasts for the period to 30 September 2014. The Board is satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group for the foreseeable future will have sufficient funds available to meet its obligations as they fall due. Furthermore, the Group has committed facilities in place to meet the funding requirements for the development of the two major growth projects at Bozshakol and Aktogay. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

3. Summary of significant accounting policies

(a) Basis of accounting

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 when otherwise indicated.

The Group has adopted IAS 19 (revised) with effect from 1 January 2013, the standard requires the immediate recognition of actuarial gains and losses in other comprehensive income and eliminates the corridor approach. This has 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 2012 or 31 December 2012. 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 2012.

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 2013, as adopted by the European Union up to 30 June 2013.

(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 2013		31 December 2012		30 June 2012	
	Spot	Average	Spot	Average	Spot	Average
Kazakhstan tenge	151.65	150.89	150.74	149.11	149.42	148.16
Kyrgyz som	48.63	48.01	47.40	47.01	47.24	46.87
Euro	0.77	0.76	0.76	0.78	0.80	0.77
UK pounds sterling	0.66	0.65	0.62	0.63	0.64	0.63

4. Segment information

Information provided to the Group's Board of Directors for the purposes of resource allocation and the assessment of segmental performance is prepared in accordance with the management and operational structure of the Group. For management and operational purposes, the Group is organised into 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 is a sales function on behalf of the Kazakhmys Mining business and consequently the assets and liabilities related to those trading operations, i.e. trade payables and trade receivables, are included within the Kazakhmys Mining operating segment;
- the Group's exploration companies which provide services for greenfield drilling on new projects and deposits, brownfield drilling on expansion projects and deposits at existing mines, and exploration work for potential new projects and deposits for the Mining segment;
- the Group's project companies, whose responsibility is the development of metal production related assets on behalf of the Mining segment including the evaluation and development of the Group's major mining projects; and
- the Group's technical and ancillary services which provide technical, logistics and other services principally to the Mining segment and which are managed as an extension of the Mining segment.

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

Kazakhmys Power

Kazakhmys Power operates in Kazakhstan and consists of the Group's three captive power stations and the Ekibastuz GRES-1 coal-fired power station joint venture. The principal activity of the Kazakhmys Power operating segment is the sale of electricity and coal to external customers and internally to the Kazakhmys Mining segment. The captive power stations and the Group's 50% interest in the Ekibastuz GRES-1 coal-fired power station are managed by the same management team and produce discrete financial and operating information that is used by the Board of Directors for operational and resource allocation decisions.

MKM

MKM operates in Germany, where it manufactures copper and copper alloy semi-finished products. The business was sold on 28 May 2013. At 31 December 2012 and 30 June 2012, MKM was classified as an asset held for sale and as a discontinued operation. MKM faces different risks to the Group's other businesses, and produces different products. It is therefore shown as a separate operating segment.

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 destination and by product in note 4(b).

(a) Operating segments

(i) Income statement information

\$ million	Six months ended 30 June 2013							
	Kazakhmys Mining	MKM	Kazakhmys Power ¹	Corporate Services	Total	Continuing operations		
						Income statement	Joint venture ¹	Discontinued operations ²
Revenues								
Segment sales	1,553	595	256	–	2,404			
Inter-segment sales	(29)	–	(69)	–	(98)			
Sales to external customers	1,524	595	187	–	2,306	1,571	140	595
Gross profit	466	28	113	–	607	503	76	28
Operating costs	(521)	(29)	(17)	(16)	(583)	(546)	(8)	(29)
Impairment losses	(146)	(23)	(10)	–	(179)	(154)	(2)	(23)
Share of profits from joint venture ³	–	–	–	–	–	51	(51)	–
Loss on disposal of subsidiary ⁴	–	(1)	–	–	(1)	–	–	(1)
Segmental operating (loss)/profit	(201)	(25)	86	(16)	(156)	(146)	15	(25)
Share of losses from associate ³					(758)	–	–	(758)
Net finance costs					(50)	(47)	(2)	(1)
Income tax credit/(expense)					2	16	(13)	(1)
Loss for the period					(962)	(177)	–	(785)

\$ million	Six months ended 30 June 2012							
	Kazakhmys Mining	MKM	Kazakhmys Power ¹	Corporate Services	Total	Continuing operations		
						Income statement	Joint venture ¹	Discontinued operations ²
Revenues								
Segment sales	1,508	805	238	–	2,551			
Inter-segment sales	(26)	–	(65)	–	(91)			
Sales to external customers	1,482	805	173	–	2,460	1,516	139	805
Gross profit	625	64	91	–	780	628	88	64
Operating costs	(346)	(29)	(20)	(28)	(423)	(382)	(12)	(29)
Impairment losses	(174)	(11)	–	(1)	(186)	(175)	–	(11)
Share of profits from joint venture ³	–	–	–	–	–	63	(63)	–
Loss on disposal of subsidiaries ^{5,6}	(8)	–	–	(13)	(21)	(8)	–	(13)
Segmental operating profit/(loss)	97	24	71	(42)	150	126	13	11
Share of profits from associate ³					97	–	–	97
Net finance (costs)/income					(44)	(45)	3	(2)
Income tax expense					(81)	(63)	(16)	(2)
Profit for the period					122	18	–	104

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

² For the period ended 30 June 2013 discontinued operations comprise the results of MKM for the period up to 28 May 2013, the date on which it was sold, and the share of post-tax results from the Group's investment in ENRC up to 24 June 2013. For the period ended 30 June 2012 discontinued operations comprised MKM, the Group's investment in ENRC as well as the impact of the completion adjustment relating to the disposal of Kazakhmys Petroleum (see footnote 6 below).

³ 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.

⁴ On 28 May 2013, the Group sold its German subsidiary, MKM (see note 17).

⁵ In early 2012, the Group disposed of a subsidiary company in Kazakhstan, included within Kazakhmys Mining, for proceeds of \$3 million which resulted in the recognition of a loss of \$8 million on disposal.

⁶ In the period ended 30 June 2012, negotiations over the completion adjustment in respect of Kazakhmys Petroleum were concluded. As a result of these negotiations, the completion adjustment was revised downwards resulting in the reduction of the consideration receivable by \$13 million within the Corporate Services segment.

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

\$ million	Six months ended 30 June 2013							
	Kazakhmys Mining	MKM	Kazakhmys Power	Corporate Services	Total	Continuing operations		
						Subsidiaries	Joint venture ¹	Discontinued operations ²
(Loss)/profit before finance items and taxation ¹	(201)	(25)	71	(16)	(171)	(197)	51	(25)
Interest and taxation of joint venture	–	–	15	–	15	–	15	–
Segmental operating (loss)/profit¹	(201)	(25)	86	(16)	(156)	(197)	66	(25)
Add: depreciation, depletion and amortisation	122	–	33	–	155	135	20	–
Add: non-cash component of the disability benefits obligation ³	55	–	–	–	55	55	–	–
Add: mineral extraction tax ⁴	121	–	–	–	121	121	–	–
Segmental EBITDA	97	(25)	119	(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	(2)	119	(16)	438	354	86	(2)
Share of EBITDA of associate ⁵	–	–	–	276	276	–	–	276
Group EBITDA (excluding special items)	337	(2)	119	260	714	354	86	274

\$ million	Six months ended 30 June 2012							
	Kazakhmys Mining	MKM	Kazakhmys Power	Corporate Services	Total	Continuing operations		
						Subsidiaries	Joint venture ¹	Discontinued operations ²
Profit/(loss) before finance items and taxation ¹	97	24	58	(42)	137	63	63	11
Interest and taxation of joint venture	–	–	13	–	13	–	13	–
Segmental operating profit/(loss)¹	97	24	71	(42)	150	63	76	11
Add: depreciation, depletion and amortisation	120	–	25	2	147	131	16	–
Add: non-cash component of the disability benefits obligation ³	58	–	–	–	58	58	–	–
Add: mineral extraction tax ⁴	129	–	–	–	129	129	–	–
Segmental EBITDA	404	24	96	(40)	484	381	92	11
Special items – note 5:								
Add: impairment charges	162	10	–	–	172	162	–	10
Add: loss on disposal of assets	8	–	–	15	23	10	–	13
Segmental EBITDA (excluding special items)	574	34	96	(25)	679	553	92	34
Share of EBITDA of associate ⁵	–	–	–	328	328	–	–	328
Group EBITDA (excluding special items)	574	34	96	303	1,007	553	92	362

¹ As the (loss)/ profit before finance items and taxation 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 continuing operations of the Group on a consistent pre-interest and tax basis.

² For the periods ended 30 June 2013 and 30 June 2012, discontinued operations comprises the results of MKM for the period up to 28 May 2013, the date on which it was sold, and the results from the Group's investment in ENRC up to 24 June 2013. For the period ended 30 June 2012 discontinued operations comprised MKM, the Group's investment in ENRC as well as the impact of the reduced completion adjustment relating to the disposal of Kazakhmys Petroleum.

³ 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 current trading performance. The non-cash component of the disability benefits obligation is determined as the actuarial remeasurement charge recognised in the income statement less the actual cash payments disbursed during the period in respect of the disability benefits obligation (see note 14).

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

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

(iii) Balance sheet information

At 30 June 2013							
\$ million	Kazakhmys Mining	MKM ¹	Kazakhmys Power	Corporate Services	Total	Continuing operations	Discontinued operations
Assets							
Property, plant and equipment, mining assets and intangible assets ²	3,290	–	153	14	3,457	3,457	–
Intragroup investments	–	–	–	4,458	4,458	4,458	–
Non-current investments and other assets ³	682	–	1,007	1,210	2,899	1,705	1,194
Operating assets ⁴	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 ⁵	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	–

At 31 December 2012							
\$ million	Kazakhmys Mining	MKM ¹	Kazakhmys Power	Corporate Services	Total	Continuing operations	Discontinued operations
Assets							
Property, plant and equipment, mining assets and intangible assets ²	2,968	23	143	15	3,149	3,126	23
Intragroup investments	–	–	–	4,290	4,290	4,290	–
Non-current investments and other assets ³	518	–	941	2,027	3,486	3,486	–
Operating assets ⁴	1,216	224	68	164	1,672	1,448	224
Current investments	65	–	–	450	515	515	–
Cash and cash equivalents	147	4	20	1,079	1,250	1,246	4
Segment assets	4,914	251	1,172	8,025	14,362	14,111	251
Deferred tax asset					87	87	–
Income taxes receivable					30	30	–
Assets classified as held for sale					–	251	(251)
Elimination					(4,486)	(4,486)	–
Total assets					9,993	9,993	–
Liabilities							
Employee benefits and provisions	469	6	9	–	484	478	6
Operating liabilities ⁵	605	25	112	101	843	818	25
Segment liabilities	1,074	31	121	101	1,327	1,296	31
Borrowings					2,593	2,468	125
Deferred tax liability					1	1	–
Income taxes payable					3	1	2
Liabilities directly associated with assets classified as held for sale					–	158	(158)
Elimination					(196)	(196)	–
Total liabilities					3,728	3,728	–

\$ million	Kazakhmys Mining	MKM ¹	Kazakhmys Power	Corporate Services	Total	Continuing operations	Discontinued operations
Assets							
Property, plant and equipment, mining assets and intangible assets ²	2,739	17	124	15	2,895	2,878	17
Intragroup investments	–	–	–	4,079	4,079	4,079	–
Non-current investments and other assets ³	139	–	869	4,602	5,610	5,610	–
Operating assets ⁴	1,114	272	57	190	1,633	1,361	272
Current investments	51	–	–	450	501	501	–
Cash and cash equivalents	252	1	6	849	1,108	1,107	1
Segment assets	4,295	290	1,056	10,185	15,826	15,536	290
Deferred tax asset					77	77	–
Income taxes receivable					99	99	–
Assets classified as held for sale					–	290	(290)
Elimination					(4,214)	(4,214)	–
Total assets					11,788	11,788	–
Liabilities							
Employee benefits and provisions	374	5	1	–	380	375	5
Operating liabilities ⁵	600	40	–	55	695	655	40
Segment liabilities	974	45	1	55	1,075	1,030	45
Borrowings					2,167	2,026	141
Income taxes payable					10	–	10
Liabilities directly associated with assets classified as held for sale					–	196	(196)
Elimination					(135)	(135)	–
Total liabilities					3,117	3,117	–

¹ As at 24 June 2013 the Group's investment in ENRC was classified as an asset held for sale and as a discontinued operation. MKM was sold on 28 May 2013 (see note 17). At 31 December 2012 and at 30 June 2012, MKM was classified as an asset held for sale and included within discontinued operations (see note 18).

² 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 \$76 million (31 December 2012: \$57 million; 30 June 2012: \$49 million) Kazakhmys Power operates in Kazakhstan and MKM in Germany.

³ Non-current investments and other assets include other non-current investments, non-current VAT receivable, 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 and the Group's investment in ENRC within Corporate Services.

⁴ Operating assets comprise inventories, prepayments and other current assets and trade and other receivables, including intragroup receivables.

⁵ Operating liabilities comprise trade and other payables, including intragroup payables.

(iv) Capital expenditure

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

\$ million	Six months ended 30 June 2012						
	Kazakhmys Mining	MKM	Kazakhmys Power ¹	Corporate Services	Total	Continuing operations	Discontinued operations
Property, plant and equipment	371	3	13	2	389	386	3
Mining assets	81	–	–	–	81	81	–
Intangible assets	8	–	–	–	8	8	–
Capital expenditure	460	3	13	2	478	475	3

¹ Capital expenditure within the Kazakhmys Mining segment includes capitalised depreciation of \$4 million (30 June 2012: \$4 million) and \$2 million (30 June 2012: \$4 million) and capitalised borrowing costs of \$66 million (30 June 2012: \$16 million) and \$7 million (30 June 2012: \$nil) related to property, plant and equipment and mining assets respectively. During the period, the site restoration and clean up provisions within Kazakhmys Mining were reassessed and as a result, an additional \$2 million (30 June 2012: \$nil) 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. 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 \$2 million (30 June 2012: \$nil) 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 and for the period ended 30 June 2012, MKM is included within discontinued operations.

(b) Segmental information in respect of revenues

Revenues by product are as follows:

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Kazakhmys Mining		
Copper cathodes	1,117	895
Copper rods	51	81
Total copper products	1,168	976
Silver	158	191
Gold bullion	65	183
Gold doré	–	12
Zinc metal in concentrate	70	70
Other by-products	23	30
Other revenue	40	20
	1,524	1,482
MKM		
Wire	186	279
Sheets and strips	263	342
Tubes and bars	128	169
Metal trade	18	15
	595	805
Kazakhmys Power¹		
Electricity generation	178	168
Heating and other	9	5
	187	173
Total revenues	2,306	2,460
Continuing operations	1,571	1,516
Discontinued operations	595	805
Share of revenues from joint venture – Kazakhmys Power	140	139
Total revenues	2,306	2,460

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

Revenues by destination to third parties are as follows:

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Continuing operations		
Europe	349	233
China	798	845
Kazakhstan	285	369
Other	139	69
	1,571	1,516
Discontinued operations		
Europe	446	643
China	10	12
Other	139	150
	595	805
Share of joint venture's revenues		
Kazakhstan	122	135
Other	18	4
	140	139
Total revenues	2,306	2,460

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.

Six months ended 30 June 2012

Four customers within the Kazakhmys Mining segment, three of which are collectively under common control, represented 45% of total Group revenue from continuing operations for the six months. The total revenue from these customers was \$676 million. The revenue from the three customers under common control of \$555 million represented 37% of the total Group revenue from continuing operations. Revenues from the fourth major customer of \$121 million represented 8% 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 2013	Six months ended 30 June 2012
Continuing operations		
Special items within operating (loss)/profit:		
Additional disability benefits obligation related to previously insured employees	84	–
Impairment charges – note 6	146	162
Impairment charges against property, plant and equipment	111	91
Impairment charges against mining assets	4	71
Provisions raised against inventories	11	–
Provisions raised against other assets	20	–
Loss on disposal of assets	10	10
Loss on disposal of property, plant and equipment	10	2
Loss on disposal of subsidiary	–	8
	240	172
Special items within (loss)/profit for the period:		
Taxation effect of special items	(29)	(13)
Recognition of a deferred tax asset on additional disability benefits obligation related to previously insured employees	(17)	–
Recognition of a deferred tax asset resulting from the impairment of Bozymchak	–	(13)
Deferred tax assets on other special items	(12)	–
	211	159
Discontinued operations		
Special items within operating (loss)/profit:		
Impairment charge recognised on remeasurement to fair value less costs to sell – MKM	22	10
Loss on disposal of subsidiary	1	13
	23	23
Special items within (loss)/profit before taxation:		
Impairment charges recognised on remeasurement to fair value less costs to sell – ENRC Associate ¹	823	–
Impairment charges recognised by associate	30	6
Onerous contract provision utilised	42	–
Acquisition related transaction costs	(13)	–
Loss related to acquisition of associate	1	2
	–	4
	876	29
Special items within (loss)/profit for the period:		
Release of deferred tax liabilities/(assets) resulting from the remeasurement of MKM	4	(2)
Recognition of deferred tax assets on impairment charges recognised by ENRC	(14)	–
	866	27

¹ At 24 June 2013, the Group's investment in its associate, ENRC, was reclassified to assets held for sale and discontinued operations (see note 11).

6. Impairment losses

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Impairment charges against property, plant and equipment	111	91
Impairment charges against mining assets	4	71
Provisions raised against inventories	12	10
Provisions raised against other assets	28	–
Provisions (released)/raised against trade and other receivables	(1)	3
Continuing operations	154	175
Discontinued operations	846	11
	1,000	186

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 is taking 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 will be suspended in the second half of 2013 resulting in a move from copper cathode to copper concentrate sales from the Zhezkazgan region. This review is ongoing and has resulted in impairment charges being recognised in the first half of 2013 and may result in further impairment charges in the future. 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 \$11 million against associated specialised consumables; and
- \$27 million in respect of certain mid-sized projects which have been suspended.

Within discontinued operations impairment charges were recognised to write down the carrying values of MKM and ENRC, assets that are classified as held for sale, to their fair value less costs to sell. For the period ended 30 June 2013, MKM was impaired by \$22 million (30 June 2012: \$10 million) and ENRC by \$823 million (30 June 2012: \$nil) (see note 11).

At 30 June 2012, the Bozymchak gold/copper development project, included in the Kazakhmys Mining division, was subject to an impairment review due to difficulties experienced from operating in Kyrgyzstan. The impairment review assumed a revised date for commercial production, additional capital costs and re-assessed the risks associated with the project's execution. As a result, the Group recognised an impairment charge of \$162 million against the mining assets and property, plant and equipment of the Bozymchak project. The impairment charge reduced the carrying value of the Bozymchak project to its recoverable amount of \$76 million, determined as its value-in-use on a discounted cash flow basis. The charge of \$162 million was recorded against tangible assets (mining assets – \$71 million and property, plant and equipment – \$91 million) with an associated deferred tax credit of \$13 million. The cash flow forecasts were discounted at a pre-tax rate of 16%.

7. Finance income and finance costs

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Finance income		
Interest income	5	10
Foreign exchange gains	20	17
Finance income attributable to continuing operations	25	27
Foreign exchange gains	5	5
Finance income attributable to discontinued operations	5	5
	30	32
Finance costs		
Interest expense	(14)	(36)
Total interest expense	(87)	(52)
Less: amounts capitalised to the cost of qualifying assets ¹	73	16
Interest on employee obligations	(13)	(8)
Unwinding of discount on provisions	(3)	(3)
Finance costs before foreign exchange losses	(30)	(47)
Foreign exchange losses	(42)	(25)
Finance costs attributable to continuing operations	(72)	(72)
Interest expense	(2)	(3)
Foreign exchange losses	(4)	(4)
Finance costs attributable to discontinued operations	(6)	(7)
	(78)	(79)

¹ At 30 June 2013, the Group capitalised to the cost of qualifying assets \$63 million (30 June 2012: \$16 million) of borrowing costs incurred on the outstanding debt during the period on the CDB/Samruk-Kazyna financing facilities at an average rate of interest of 5.30% (30 June 2012: 5.57%). In addition, \$10 million (30 June 2012: nil) was capitalised in respect of the CDB Aktogay financing facility at an average rate of interest of 6.55%.

8. Income taxes

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

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Current income tax		
Corporate income tax – current period (UK)	–	3
Corporate income tax – current period (overseas)	36	81
Corporate income tax – prior periods	(14)	–
	22	84
Deferred income tax		
Corporate income tax – current period temporary differences	(45)	(21)
Corporate income tax – prior period temporary differences	7	–
	(38)	(21)
Income tax (credit)/expense attributable to continuing operations	(16)	63
Current income tax attributable to discontinued operations	1	2
Income tax expense attributable to discontinued operations	1	2
Total income tax (credit)/expense	(15)	65

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 2013	Six months ended 30 June 2012
(Loss)/profit before tax from continuing operations	(193)	81
At UK statutory income tax rate of 23.25% (30 June 2012: 24.5%) ¹	(45)	20
Taxation effect of share of profits from joint venture	(12)	(15)
Overprovided in prior periods – current income tax	(14)	–
Underprovided in prior periods – deferred income tax	7	–
Unrecognised tax losses	4	13
Effect of domestic tax rates applicable to individual Group entities	9	11
Non-deductible items:		
Transfer pricing	2	12
Other non-deductible expenses	33	22
Income tax (credit)/expense attributable to continuing operations	(16)	63
Income tax expense attributable to discontinued operations	1	2
Total income tax (credit)/expense	(15)	65

¹ For the period ended 30 June 2013, the UK statutory rate for January to March 2013 was 24.00% and for April to December 2013 is 23.0%, giving a weighted average full year rate of 23.25%. For the period ended 30 June 2012, the UK statutory rate for January to March 2012 was 26.0% and for April to December 2012 was 24.0%, giving a weighted average full year rate of 24.5%.

Corporate income tax is calculated at 23.25% (30 June 2012: 24.5%) of the assessable profit for the period for the Company and its UK subsidiaries, 20.0% for the operating subsidiaries in Kazakhstan (30 June 2012: 20.0%) and 10.0% for the Group's Kyrgyzstan based subsidiary (30 June 2012: 10.0%). MKM, which is included as part of discontinued operations, has a tax rate of 28.5% (30 June 2012: 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 2013 is 8.3% (30 June 2012: 77.8%).

9. Earnings per share

(a) Basic and diluted EPS

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

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

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Net (loss)/profit attributable to equity shareholders of the Company from continuing operations	(177)	17
Net (loss)/profit attributable to equity shareholders of the Company from discontinued operations	(785)	104
	(962)	121
Number	Six months ended 30 June 2013	Six months ended 30 June 2012
Weighted average number of ordinary shares of 20 pence each for EPS calculation	523,712,360	526,280,884
EPS – basic and diluted (\$)		
From continuing operations	(0.34)	0.03
From discontinued operations	(1.50)	0.20
	(1.84)	0.23

(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 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	Six months ended 30 June 2013	Six months ended 30 June 2012
Net (loss)/profit attributable to equity shareholders of the Company from continuing operations	(177)	17
Special items within operating (loss)/profit – note 5	240	172
Special items within (loss)/profit for the period – note 5	(29)	(13)
Underlying Profit from continuing operations	34	176
Net (loss)/profit attributable to equity shareholders of the Company from discontinued operations	(785)	104
Special items within operating (loss)/profit – note 5		
Subsidiary businesses	23	23
Special items within (loss)/profit before taxation – note 5		
Impairment charge recognised on remeasurement to fair value less costs to sell – ENRC	823	–
Associate	30	6
Special items within (loss)/profit for the period – note 5		
Subsidiary businesses	4	(2)
Associate	(14)	–
Underlying Profit from discontinued operations	81	131
Total Underlying Profit	115	307
Number	Six months ended 30 June 2013	Six months ended 30 June 2012
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	523,712,360	526,280,884
EPS based on Underlying Profit – basic and diluted (\$)		
From continuing operations	0.06	0.33
From discontinued operations	0.15	0.25
	0.21	0.58

10. Dividends paid and proposed

(a) Dividends paid

The dividends paid during the six months ended 30 June 2013 and 2012 were as follows:

	Per share US cents	Amount \$ million
Six months ended 30 June 2013		
Final dividend in respect of the year ended 31 December 2012	8.0	42
Six months ended 30 June 2012		
Final dividend in respect of the year ended 31 December 2011	20.0	105

(i) 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.

(ii) Six months ended 30 June 2012

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

11. Investment in associate

The Group holds 334,824,860 shares in ENRC representing 26.0% of the issued share capital. There have been no changes in this holding in 2012 and 2013.

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Investment in associate		
At 1 January	2,027	4,600
Share of profits from associate ^{1,2}	65	97
Net share of losses of associate recognised in other comprehensive income ²	(75)	(62)
Impairment charge recognised on remeasurement to fair value less costs to sell	(823)	–
Dividends received	–	(37)
Reclassified to assets held for sale – note 18	(1,194)	–
At 30 June	–	4,598

¹ Share of profits from associate is net of tax.

² Based on ENRC's published unaudited interim results for the periods ended 30 June 2013 and 30 June 2012.

On 24 June 2013, the Kazakhmys Board of Directors gave an irrevocable undertaking to accept the proposed offer from Eurasian Resources for the Group's entire shareholding in ENRC. At that date it was considered 'highly probable' that Kazakhmys' shareholders would approve the transaction such that the Group's investment in ENRC met the criteria to be classified as an asset held for sale. Kazakhmys shareholder approval was granted on 2 August 2013. The investment has been stated at the expected net sales proceeds of \$1,194 million, resulting in an impairment of \$823 million being recognised within discontinued operations in the condensed consolidated income statement.

At 31 December 2012, following an impairment charge of \$2,223 million the carrying value of the Group's equity investment in ENRC was \$2,027 million. The impairment charge was recognised following an impairment review that was performed in accordance with IAS 36 'Impairment of assets', where the value of the Group's investment was determined on a value-in-use basis.

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 2012	535,417,961	107	200
Issuance of Company's share capital pursuant to acquisition of non-controlling interest in subsidiary	2,219	–	–
At 30 June 2012, 31 December 2012 and 30 June 2013	535,420,180	107	200

In June 2012, the Company issued 2,219 ordinary shares of 20 pence each and paid \$2 million in consideration for the transfer of 7,160,730 units in Kazakhmys LLC from non-controlling shareholders. Following this transaction, the Company's interest in Kazakhmys LLC increased from 99.88% at 1 January 2012 to 99.90% at 30 June 2012.

(b) Own shares

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

The provision of shares to the Group's share-based payment plans is facilitated by an Employee Benefit Trust. The cost of shares purchased by the Trust is charged against retained earnings. The Employee Benefit Trust has waived the right to receive dividends on these shares. In the six months ended 30 June 2013, 30,451 shares (30 June 2012: 84,183) were transferred out of the Trust in settlement of share awards granted to employees that were exercised during the period.

At 30 June 2013, the Group, through the Employee Benefit Trust, owned 733,343 Kazakhmys PLC shares (30 June 2012: 764,126, 31 December 2012: 763,794) with a market value of \$3 million (30 June 2012: \$9 million, 31 December 2012: \$10 million) and a cost of \$14 million (30 June 2012: \$15 million, 31 December 2012: \$14 million).

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

In August 2011, the Group announced a share buyback programme of up to \$250 million, the completion of which was subject to market conditions. The buy-back programme commenced in September 2011 following receipt of regulatory and shareholder approval. In the period from 1 January 2012 to 10 May 2012, when the buy-back programme ceased, the Group purchased 6,142,120 shares at a cost of \$88 million. In total, since the buy-back commenced, the Group purchased 11,701,830 shares at a cost of \$166 million (equivalent to 2.2% of the issued share capital prior to the commencement of the buyback programme). The bought back shares are held in treasury and have been accounted for as own shares. The cost of the shares has been charged against retained earnings and no dividends are declared on these shares.

13. Borrowings

	Maturity	Average interest rate during the period	Currency of denomination	Current \$ million	Non-current \$ million	Total \$ million
30 June 2013						
Continuing						
CDB/Samruk-Kazyna facility – US\$ LIBOR + 4.80%	2023	5.30%	US dollar	102	2,553	2,655
CDB - Aktogay facility – US\$ LIBOR + 4.20%	2026	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
31 December 2012						
Continuing						
CDB/Samruk-Kazyna facility – US\$ LIBOR + 4.80%	2023	5.54%	US dollar	29	2,439	2,468
				29	2,439	2,468
Discontinued						
Revolving trade finance facility – EURIBOR + 2.25%	2015	2.60%	Euro	–	125	125
30 June 2012						
Continuing						
CDB/Samruk-Kazyna facility – US\$ LIBOR + 4.80%	2023	5.57%	US dollar	–	1,677	1,677
Pre-export finance facility – US\$ LIBOR + 1.25%	2013	1.51%	US dollar	349	–	349
				349	1,677	2,026
Discontinued						
Revolving trade finance facility – EURIBOR + 2.25%	2015	3.88%	Euro	141	–	141

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 are available for drawing at any time within a year from the date of the agreement and once drawn will 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.

At 30 June 2013, the Group had drawn down \$250 million under this facility. Arrangement fees with an amortised cost of \$16 million, gross cost before amortisation of \$18 million, have been netted off against these borrowings in accordance with IAS 39. At 31 December 2012, the finance facility was undrawn.

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 2013, \$2.7 billion (30 June 2012: \$1.7 billion, 31 December 2012: \$2.5 billion) was drawn under the facility agreements signed to date. Arrangement fees with an amortised cost of \$32 million (30 June 2012: \$23 million, 31 December 2012: \$32 million), gross cost before amortisation of \$35 million (30 June 2012: \$26 million, 31 December 2012: \$32 million), have been netted off against these borrowings in accordance with IAS 39.

Further details on the accounting treatment, the loan structuring and related guarantees are set out in note 27 of the 2012 Annual Report and Accounts.

China Development Bank (“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 (\$159 million equivalent at the RMB/\$ exchange rate on 30 June 2013). 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 mature 15 years from the date of first draw down. At 31 December 2012, the finance facility remained undrawn. Kazakhmys PLC acts as guarantor of the loan.

At 30 June 2013, the Group had drawn down the first \$56 million under the RMB facility. Arrangement fees with an amortised cost of \$1 million, gross cost before amortisation of \$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 2013	Six months ended 30 June 2012
Employer's share of current service cost	1	1
Employer's share of past service cost	84	–
Actuarial losses recognised in the period	78	71
Interest cost on benefits obligation	13	8
	176	80

In accordance with Kazakhstan law, 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 obligated payments to the employees covered by insurance contracts. The Group has agreed to meet these future disability payments. Consequently at 30 June 2013, the liability for the future disability benefit payments to the employees previously covered by the insurance contracts has been included in the disability benefits obligation. Of the total income statement charge of \$176 million during the first half of 2013, \$84 million relates to the assumption of this obligation by the Group and has been treated as a one-off special item. Also included in the income statement charge are 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.

The movement in the defined benefits obligation is as follows:

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
At 1 January	373	211
Employer's share of current service cost	1	1
Employer's share of past service cost	84	–
Net actuarial losses arising in the income statement	78	71
Net actuarial losses recognised in other comprehensive income	25	–
Interest cost on benefits obligation	13	8
Benefits provided to employees	(23)	(13)
Net exchange adjustment	(2)	(2)
At 30 June	549	276

The employee benefits obligation of \$549 million consists of \$59 million related to post-employment benefits and \$490 million related to other long-term benefits.

The expected settlement of the defined benefits obligation is as follows:

\$ million	At 30 June 2013	At 31 December 2012	At 30 June 2012
Current	50	43	33
Non-current	499	330	243
	549	373	276

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 2013	Six months ended 30 June 2012
(Loss)/profit before taxation from continuing operations	(193)	81
(Loss)/profit before taxation from discontinued operations	(784)	119
Interest income	(5)	(10)
Interest expense	16	39
Share-based payments	3	3
Depreciation and depletion	133	128
Amortisation	2	3
Share of profits from joint venture	(51)	(63)
Share of profits from associate	(65)	(97)
Impairment losses	1,000	186
Unrealised foreign exchange loss	26	6
Loss on disposal of subsidiary	1	8
Loss on disposal of property, plant and equipment	10	2
Operating cash flows before changes in working capital and provisions	93	405
Increase in non-current VAT receivable	(33)	(35)
Decrease/(increase) in inventories	78	(88)
Decrease/(increase) in prepayments and other current assets	45	(58)
Increase in trade and other receivables	(87)	(37)
Increase in employee benefits	153	67
Increase/(decrease) in provisions	1	(29)
Increase in trade and other payables	17	37
Cash flows from operations before interest, income taxes and dividends from associate and joint venture	267	262

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

\$ million	At 30 June 2013	At 31 December 2012	At 30 June 2012
Cash deposits with initial maturities of less than three months	850	1,107	880
Cash at bank	536	139	227
Continuing operations¹	1,386	1,246	1,107
Discontinued operations	–	4	1
Cash and cash equivalents in the statement of cash flows	1,386	1,250	1,108

¹ The total of cash and cash equivalents (\$1,386 million) and current investments (\$299 million) amounting to \$1,685 million, includes approximately \$1,150 million (at 31 December 2012: approximately \$1,545 million and at 30 June 2012: approximately \$1,150 million) of cash drawn down under the CDB/Samruk-Kazyna financing facilities which is intended to be used on the specific development projects in accordance with the relevant facility agreements (see note 13).

(c) Movement in net debt

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

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

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

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 management¹				
30 June 2013	4	2	49	–
30 June 2012	6	5	55	–
Other¹				
30 June 2013	4	9	10	–
30 June 2012	1	10	10	1

¹ A provision of \$47 million (30 June 2012: \$55 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 related parties was \$9 million for the period (30 June 2012: charge of \$1 million).

(i) Government

Share ownership in the Company

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

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

Following the purchase of 11,701,830 of the Company's shares under the share buy-back programme which completed in May 2012, the Government's percentage of the total voting rights held has increased to 26.57% as at 30 June 2013.

On 19 June 2013, the Government transferred its entire shareholding to Eurasian Resources.

Eurasian Resources

Eurasian Resources holds 139,162,843 ordinary shares in Kazakhmys PLC following a transfer from the Government of Kazakhstan on 19 June 2013.

China Development Bank (“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 2012: \$nil).

Dividend payment

The Government’s share of the final 2012 dividend paid by the Company on 21 May 2013 was \$11 million (30 June 2012: \$28 million).

(ii) ENRC

In the first half of 2013 the Group received no dividends from ENRC (30 June 2012: \$37 million).

(iii) Ekibastuz GRES-1

In the first half of 2013 the Group received no dividends from Ekibastuz GRES-1, the joint venture (30 June 2012: \$28 million).

(iv) Companies under trust management agreements

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

(v) Other

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

(b) Terms and conditions of transactions with related parties

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

17. Disposal of subsidiary

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 consists of €30 million (\$39 million), which was received in May 2013 and €12 million (\$16 million) which is 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 periods of 30 June 2012 and 31 December 2012.

18. Discontinued operations and assets held for sale

Discontinued operations consist of ENRC and MKM (for the period up to 28 May 2013).

(a) ENRC

On 24 June 2013 Eurasian Resources, acting on behalf of the ENRC Consortium comprising Mr Machkevitch, Mr Ibragimov, Mr Chodiev and the Government of Kazakhstan, announced a firm intention to make an offer for ENRC comprising \$2.65 in cash plus approximately 0.23 Kazakhmys shares per ENRC share. The share component of the offer is fixed at Kazakhmys' share price on 21 June 2013, resulting in an offer of approximately \$1,206 million (\$1,194 million net of expenses). Following discussions with Eurasian Resources and the announcement of the firm intention to make an offer the Kazakhmys Board of Directors gave an irrevocable undertaking to accept the proposed offer for the Group's entire shareholding in ENRC on 24 June 2013. The Group's acceptance of the proposed offer was subject to the approval of Kazakhmys minority shareholders, thereby giving shareholders the ultimate decision on whether to accept the proposed offer. The offer was approved by Kazakhmys shareholders at a General Meeting held on 2 August 2013.

As a result of the Group's acceptance of the proposed offer the investment has been classified as an asset held for sale at 24 June 2013 and at the balance sheet date, and correspondingly as a discontinued operation. The Directors consider that the ENRC investment meets the criteria to be classified as held for sale at the balance sheet date for the following reasons:

- the Directors are committed to selling the investment following the acceptance of the proposed offer from Eurasian Resources and the irrevocable undertaking to support the transaction given on 24 June 2013, and the subsequent approval of the sale by Kazakhmys shareholders;
- as a listed investment, the Group's ENRC shareholding is available for immediate sale and can be sold in its current condition, subject to usual and customary conditions such as anti-trust clearance; and
- the Directors expect the sale of the ENRC investment to conclude in 2013 or early 2014 depending on the relevant anti-trust clearances, a timeframe within 12 months of the date of classification of the investment as an asset held for sale.

As an asset held for sale the investment in ENRC is carried at the expected net sales proceeds of \$1,194 million, resulting in an impairment charge of \$823 million being recognised in the condensed consolidation income statement within discontinued operations.

(b) MKM

As stated in note 17, the Group disposed of MKM on 28 May 2013. It was classified as an asset held for sale at 31 December 2012 and 30 June 2012, and as a discontinued operation for the periods ended 30 June 2013 (until the date of its disposal) and 30 June 2012.

(c) Financial results of 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 2013	Six months ended 30 June 2012
Results of discontinued operations:		
ENRC	(758)	97
MKM	(27)	20
Kazakhmys Petroleum	–	(13)
(Loss)/profit for the period from discontinued operations	(785)	104

The Group's share of ENRC's results for the period is shown below:

\$ million	Six months ended 30 June 2013	Six months ended 30 June 2012
Share of revenue and profit		
Revenue	834	844
Operating profit	126	188
Net loss arising from business combinations	(5)	(4)
Profit before finance items, taxation and share of profits from joint ventures and associates	121	184
Net finance costs and share of loss of joint ventures and associates	(33)	(34)
Income tax expense and non-controlling interests	(23)	(53)
Share of profits	65	97
Impairment loss recognised on the remeasurement to fair value less costs to sell	(823)	–
Results for the period	(758)	97

19. Update on commitments and contingencies

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

Kazakhmys Mining – excess profits taxation (“EPT”)

As disclosed in the 2012 Annual Report and Accounts, the Supreme Court of Kazakhstan ruled in favour of Kazakhmys LLC in relation to past disputes over the interpretation of the EPT legislation. As part of this ruling, the Supreme Court also found that Kazakhmys LLC should not have been an EPT payer in the periods up to and including 2008. Management subsequently submitted a claim for \$108 million to the Ministry of Finance. By 31 December 2012, \$60 million had been reimbursed by set-off against the 2012 tax year income tax and mineral extraction tax liabilities and was recognised in the consolidated financial statements as a special item. The remaining \$48 million of the \$108 million claim was challenged by the Ministry of Finance, who believe that this amount relates to periods beyond the Kazakhstan statute of limitations, and was not reimbursed. As a result, management believed that there was sufficient uncertainty over the recoverability of this amount such that an asset was not recognised in the consolidated financial statements as at 31 December 2012.

In 2013, the Ministry of Finance is pursuing legal action over the remaining \$48 million of the \$108 million claim. Consequently, management continues to believe that there is still sufficient uncertainty over the recoverability of this amount such that an asset has not been recognised in the consolidated financial statements as at 30 June 2013.

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 as at 30 June 2013 amounted to \$1,191 million (31 December 2012: \$1,208 million).

20. Events after the balance sheet date

ENRC

The Kazakhmys shareholders approved the sale of the Group's investment in ENRC to Eurasian Resources at a General Meeting held on 2 August 2013. The offer comprises \$2.65 in cash plus approximately 0.23 Kazakhmys shares per ENRC share.

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

CO₂

Carbon dioxide

Company or Kazakhmys

Kazakhmys PLC

Directors

The Directors of the Company

dollar or \$ or USD

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

EBITDA

Earnings before interest, taxation, 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

ESP

Electrostatic precipitator

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

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

GVA

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

GWh

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

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

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 Petroleum

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

Kazakhmys Power

An operating segment of the Group, which includes the Group's captive power stations 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

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

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

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

SO₂

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