KAZAKHMYS PLC

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KAZAKHMYS PLC AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

This preliminary results announcement includes the audited consolidated financial results of the Kazakhmys Group for the year ended 31 December 2011, including the Group's proportionate share of the unaudited earnings of ENRC PLC (ENRC), in which the Group has a 26% shareholding, on an equity accounted basis.

2011 HIGHLIGHTS

- Group EBITDA (excluding special items) of $2,925 million benefiting from higher metals prices
  - $1,959 million from subsidiaries, joint ventures and discontinued operations
  - $966 million contribution from ENRC
- Copper production costs remained globally competitive at 114 USc/lb
  - In line with the target set at the start of 2011
  - Cost pressures remain an industry wide issue in 2012
- Underlying Profit for the year of $1,498 million
  - $465 million contribution from ENRC
  - EPS of $2.80 based on Underlying Profit
- Balance sheet returned to a net funds position for first time since 2008
  - Net funds of $19 million at year end, compared to net debt of $350 million at 31 December 2010
  - Market value of ENRC holding $3,328 million at 26 March 2012
  - Long term funding secured for major and mid-sized projects of $4.2 billion
- Dividend and shareholder returns
  - Final dividend already declared of 20.0 US cents per share
  - Full year dividend of 28.0 US cents per share increased by 27% from 2010
  - $110 million of share buy-back completed at an average price of 904 pence per share

$ million (unless otherwise stated)	2011	2010
Revenues [1]	**3,563**	3,237
Earnings [2]:		
Group EBITDA (excluding special items) [3]	**2,925**	2,835
Profit before taxation	**1,623**	1,592
Underlying Profit	**1,498**	1,489
EPS [2]:		
Basic and diluted ($)	**1.75**	2.71
Based on Underlying Profit [4] ($)	**2.80**	2.79
Free Cash Flow [5]	**824**	718
Cash cost of copper after by-product credits [6] (USc/lb)	**114**	89

1 From continuing operations only.
2 Includes ENRC's published unaudited results.
3 Reconciliation of Group EBITDA (excluding special items) to operating profit is found in note 6(a)(iii).
4 Reconciliation of EPS based on Underlying Profit is found in note 11(b).
5 Net cash flow from operating activities less sustaining capital expenditure on tangible and intangible assets.
6 Total of Kazakhmys Copper cash operating costs excluding purchased concentrate less by-product revenues, divided by the volume of copper cathode equivalent sold.

Matthew Hird, Chief Financial Officer commented: "We continued to generate strong cash flows in 2011, which is reflected in the 27% increase in our full year dividend and our ongoing share buy-back programme. The balance sheet finished 2011 in a net funds position and with $4.2 billion of secured long term funding, we are in an excellent position to continue the delivery of our growth projects."

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FORWARD-LOOKING STATEMENT

Certain statements included in these results contain forward-looking information concerning Kazakhmys' strategy, business, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which Kazakhmys operates. By their nature, forward-looking statements involve uncertainty because they depend on future circumstances, and relate to events, not all of which are within Kazakhmys' control or can be predicted by Kazakhmys.

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 these results 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 Rules of the UK Listing Authority and applicable law, Kazakhmys undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

AVAILABILITY OF THIS ANNOUNCEMENT

This announcement will shortly be available on the Company's website (www.kazakhmys.com).

SHAREHOLDER INFORMATION

The Company declares dividends in US dollars. For those shareholders who hold their shares on the London Stock Exchange the default currency for receipt of their dividends is US dollars although they can elect to receive their dividends in UK pounds sterling. For those shareholders who wish to receive their dividends in UK pounds sterling, currency election forms should be sent to the Company's registrar, Computershare Investor Services PLC, so as to arrive by 3.00pm on Friday 23 April 2012.

For those shareholders who hold their shares on the Hong Kong Stock Exchange the default currency for receipt of their dividends is Hong Kong dollars although they can elect to receive their dividends in US dollars. For those shareholders who wish to receive their dividends in US dollars, currency election forms should be sent to the Company's registrar, Computershare Hong Kong Investor Services Limited, so as to arrive by Tuesday 8 May 2012.

Subject to the approval of shareholders at the Annual General Meeting, the final dividend in US dollars and UK pounds sterling will be paid on Tuesday 15 May 2012 to shareholders who hold their shares on the London Stock Exchange ('UK register of members') at the close of business on Friday 20 April 2012 (the 'UK record date'). The final dividend in US dollars and Hong Kong dollars will be paid on Tuesday 15 May 2012 to shareholders who hold their shares on the Hong Kong Stock Exchange ('Hong Kong register of members') at the opening of business on Friday 20 April 2012 (the 'Hong Kong record date').

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting will be held at 12.15pm on Friday 11 May 2012 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED.

The 2011 Annual Report and Accounts and details of the business to be conducted at the Annual General Meeting will be mailed to shareholders and posted on the Company's website (www.kazakhmys.com) in early April 2012.

CHIEF FINANCIAL OFFICER'S REVIEW

Preliminary results announcement

On 1 March 2012, Kazakhmys PLC issued a trading update which covered the production and selected unaudited financial results of the Kazakhmys Group's subsidiary and joint venture businesses for the year ended 31 December 2011. The trading update excluded the contribution from ENRC PLC ('ENRC'), in which the Group has a 26% shareholding.

This preliminary results announcement presents the audited consolidated financial results of the Kazakhmys Group for the year ended 31 December 2011, including the Group's proportionate share of ENRC's unaudited earnings, on an equity accounted basis.

Revenues

Higher commodity prices for the Group's major products of copper, zinc, silver and gold resulted in the Group's revenues from continuing operations rising by 10% to $3,563 million. Revenues from the sale of copper cathode and rods were $2,570 million, or $186 million above the prior year, as the stronger copper prices more than compensated for lower sales volumes. Other revenues increased by 16% to $993 million, driven by higher revenues from the sale of silver due to improved pricing.

EBITDA

Group EBITDA (excluding special items) for the year was $2,925 million, $90 million higher than in the prior year. Kazakhmys Mining's EBITDA of $1,808 million was $72 million greater than 2010, as the higher revenues were offset by cost pressures. Kazakhmys Power's EBITDA contributed $176 million, a 16% increase compared to the prior year, due to higher sales volumes and improved tariffs. Included within Group EBITDA is Kazakhmys' share of ENRC's EBITDA of $966 million, which is based on ENRC's published unaudited results for the year ended 31 December 2011, and which is 7% higher than 2010 due to ENRC's improved profitability.

Special items

In 2011, the Group has recognised operating special items of $131 million (from continuing operations), principally a $146 million charge following a change in legislation impacting the Group's statutory death and disability benefits obligation in Kazakhstan. The tax effect of the operating special items was $29 million, in addition to which a $26 million deferred tax asset has been recognised in respect of the prior year charge for major social projects.

Taxation

The overall tax charge for the year was $221 million, $18 million higher than the $203 million charge in 2010, with the effective tax rate of 13.6% being marginally higher than the prior year.

The all-in effective tax rate, which is a more representative tax rate on the recurring profits of the Group's subsidiary businesses, was 38.0% compared to 37.5% in 2010, representing a marginal increase due to a higher MET charge resulting from an increase in commodity prices.

Earnings per share (EPS)

Profit for the year attributable to equity holders of the Company from continuing operations rose from $1,389 million to $1,402 million in 2011, as the Group benefited from higher prices and greater equity accounted earnings from Ekibastuz GRES-1. Total profit for the year, including the results of the discontinued operations, declined from $1,450 million to $930 million in 2011 due to the losses incurred in the discontinued operations of $472 million, principally resulting from the impairment charge recognised within Kazakhmys Petroleum prior to its disposal in December 2011.

Basic earnings per share from continuing and discontinuing operations decreased to $1.75 from $2.71 in 2010 following the lower profits for the year. However, earnings per share based on Underlying Profit from continuing and discontinued operations, which excludes special items and the related tax impacts thereof, increased to $2.80 compared to $2.79 for the prior year.

As a result of the Group's share buy-back programme which commenced in September 2011 the weighted average number of shares in issue for the year reduced by 5,559,710 in 2011 (or 1.1% of the Company's issued share capital). As at 31 December 2011, the cost of the share buy-back programme was $78 million.

Discontinued operations

During 2011, MKM continued to be treated as a discontinued operation, while the Maikuben West coal mine and Kazakhmys Petroleum were classified as discontinued until these businesses were disposed on 17 May 2011 and 23 December 2011, respectively. These discontinued businesses contributed a loss of $472 million in 2011 compared to a profit of $61 million in the prior period, mainly due to the impairment loss recognised in respect of Kazakhmys Petroleum.

Cash flows

Cash flows from operating activities were stronger in 2011 compared to the prior year as the higher commodity prices improved profitability. In addition, the dividends received from ENRC and a positive working capital movement offset the increased level of sustaining capital expenditure. Despite an increase in tax and interest payments, Free Cash Flow, a key performance indicator of the Group's ability to translate earnings into cash flow, was $824 million compared to $718 million in 2010.

Balance sheet

As at 31 December 2011, the equity attributable to owners of the Company was $8,825 million, compared to $8,206 million as at 31 December 2010, an increase of $619 million, as the Group's retained earnings grew due to the profits generated during the year.

Strong operating cash flows generated during the year resulted in the Group returning to a net funds position (excluding discontinued operations) for the first time since early 2008. Net funds (excluding discontinued operations) were $19 million as at 31 December 2011 compared to a net debt position of $350 million in the prior year.

The ENRC shareholding had a market value of $3,289 million based on the public price quotation on the London Stock Exchange as at 31 December 2011, compared to $5,431 million as at 31 December 2010.

FINANCIAL REVIEW

Basis of preparation

The financial information has been prepared in accordance with IFRS using accounting policies consistent with those adopted in the financial statements for the year ended 31 December 2010, except for those Standards and Interpretations required to be applied for the first time for the year ended 31 December 2011. The application of these new standards has not had a retrospective impact and therefore no restatement of the comparative financial information is required.

As explained in note 5 of the consolidated financial information, MKM and the Maikuben West coal mine, within the Kazakhmys Power Division, which represent separate business units of the Group, were classified as held for sale at 31 December 2010. MKM continued to be treated as a discontinued operation throughout 2011, while the Maikuben West coal mine and Kazakhmys Petroleum were classified as discontinued until these businesses were disposed on 17 May 2011 and 23 December 2011, respectively. Accordingly, MKM represented the only asset held for sale as at 31 December 2011.

In the year ended 31 December 2010, following the disposal on 26 February 2010 of 50% of the Ekibastuz GRES-1 power station, the major asset within the Kazakhmys Power Division, the retained 50% interest in Ekibastuz GRES-1 was classified as a continuing operation and equity accounted as a joint venture. Prior to 26 February 2010, Ekibastuz GRES-1's results were consolidated as a 100% subsidiary but the business was classified as a discontinued operation.

The income and expenses of the held for sale businesses are reported separately from the continuing operations of the Group. The assets and liabilities of these businesses are also separately shown within the consolidated balance sheet as single line items within current assets and current liabilities, as held for sale. The consolidated cash flow statement includes the cash flows of the continuing and discontinued operations for both the current and prior periods.

INCOME STATEMENT

A summary of the consolidated income statement is shown below:

$ million (unless otherwise stated)	2011	2010
Continuing operations		
Revenues	**3,563**	3,237
Operating costs (excluding depreciation, depletion, amortisation, MET and special items)	**(1,791)**	(1,529)
EBITDA from subsidiaries (excluding special items)	**1,772**	1,708
EBITDA from joint venture (excluding special items)	**154**	86
Segmental EBITDA (excluding special items) from continuing operations	**1,926**	1,794
Less: interest and taxes of joint venture	**(26)**	(28)
Special items:		
Less: additional death and disability benefits obligation charge	**(146)**	–
Less: impairment charge against property, plant and equipment	**(11)**	(13)
Add: impairment reversal against mining assets	**7**	–
Less: major social projects	**–**	(130)
Add: provisions released against inventories	**19**	18
Less: MET	**(280)**	(236)
Less: depreciation, depletion and amortisation	**(264)**	(268)
Operating profit	**1,225**	1,137
Share of profits from associate	**466**	522
Profit before finance items and taxation	**1,691**	1,659
Net finance expenses	**(68)**	(67)
Profit before taxation	**1,623**	1,592
Income tax expense	**(221)**	(203)
Profit for the year from continuing operations	**1,402**	1,389
Discontinued operations		
(Loss)/profit for the year from discontinued operations	**(472)**	61
Profit for the year	**930**	1,450
Non-controlling interests	**–**	–
Profit attributable to equity holders of the Company	**930**	1,450

EPS – basic and diluted ($)		
From continuing operations	**2.63**	2.60
From discontinued operations	**(0.88)**	0.11
	1.75	2.71
EPS based on Underlying Profit ($)		
From continuing operations	**2.76**	2.59
From discontinued operations	**0.04**	0.20
	2.80	2.79

Revenues and EBITDA (excluding special items)

The rise in commodity prices for the Group's major products led to higher revenues, despite lower sales volumes. The increase in revenues and a greater contribution from the Ekibastuz GRES-1 joint venture led to the Group's Segmental EBITDA (excluding special items) from continuing operations rising from $1,794 million in 2010 to $1,926 million in 2011.

Commodity prices for the Group's major products of copper, zinc, silver and gold, averaged 17%, 1%, 75% and 28% higher than the prior year respectively, which resulted in the Group's revenues rising by 10% to $3,563 million. Copper revenues from the sale of cathodes and rods were $2,570 million, $186 million above the prior year as strong copper prices, particularly over the first seven months of 2011, more than compensated for 24 kt of lower sales volumes. Zinc in concentrate production fell in 2011, leading to a reduction in revenues from $193 million in 2010 to $177 million in 2011. Silver, the Mining Division's largest by-product, generated $479 million of revenues, an increase of 77% from 2010, due to higher pricing in the year. Gold revenues fell by $86 million as a restriction on gold bar exports imposed by the National Bank in July 2011 prevented sales for the remainder of 2011. Gold bar sales are expected to resume in the first half of 2012.

Cost inflation in the mining sector and general inflation in Kazakhstan put considerable upward pressure on the cost of input materials, repairs and maintenance and ore transportation services. Salary costs, included within production and administration costs, were $544 million in 2011, a 31% increase from $415 million in 2010, reflecting the rising cost of retaining and attracting skilled workers in Kazakhstan and the introduction of a union negotiated collective pay rate for certain categories of workers. The Group's headcount remained largely unchanged between 2010 and 2011.

The factors described above, together with a 2% greater volume of ore extracted in 2011, resulted in the Group's production costs (excluding depreciation, depletion, amortisation, MET and special items) rising by 18%. The costs associated with the production of the gold bar built-up in inventory in the second half of 2011 were held in finished goods at the year end and will be charged to cost of sales when the gold is sold.

Administration costs (excluding depreciation and special items) were 15% higher than the prior year driven by inflationary pressures and a number of specific items incurred in 2011. The Group incurred costs associated with listing on the Hong Kong Stock Exchange in June 2011, legal expenses and fines and penalties relating to tax claims. The impact of these items was partially offset by the release of a provision for fines and penalties associated with an excess profits tax claim which the Group successfully defended in the courts. An additional charge was incurred for the death and disability benefits obligation at Kazakhmys Mining, where a change in legislation saw the entitlements for employees receiving payments for work-related injuries increase significantly. The potential future cost, which is wholly attributable to the change in legislation, is $146 million and has been treated as a special item. A further $26 million has been charged for the interest component of the future obligations and revisions to the actuarial assumptions applied in determining the obligation which has not been treated as a special item.

In March and April 2011, the Group entered into a series of forward foreign exchange transactions to purchase tenge against the US dollar with a value of $40 million per month from April through to December 2011. The forward transactions were executed at rates averaging between 144.65 KZT/$ and 145.44 KZT/$ on a monthly basis. The purpose of the forward contracts was to hedge the impact on KZT denominated operating costs of the possible appreciation of the tenge against the US dollar. As at 31 December 2011 there were no open forward contracts.

The average US dollar exchange rate for the year ended 31 December 2011 was 146.62 KZT/$, compared to 147.35 KZT/$ in 2010. The closing US dollar exchange rate at 31 December 2011 was 148.40 KZT/$ compared to 147.40 KZT/$ at 31 December 2010.

Joint venture

The Group equity accounts for its 50% investment in the Ekibastuz GRES-1 joint venture.

The Group's share of EBITDA (excluding special items) from Ekibastuz GRES-1 increased from $86 million in 2010 to $154 million in 2011, as a result of the improved performance at the power station where electricity volumes grew by 15% and the average tariff rose by 20%. The prior year only included the results of Ekibastuz GRES-1 from 27 February 2010 when Ekibastuz GRES-1 became an equity accounted joint venture following the disposal of 50% of the business to Samruk-Kazyna.

As a result of the improved performance, the Group's share of profits, net of tax, from the Ekibastuz GRES-1 joint venture was $100 million compared to $38 million for the period from 27 February 2010 to 31 December 2010.

Special items

Special items are non-recurring or variable in nature which do not impact the underlying trading of the Group. The principal special items recognised within continuing operations are:

Operating related special items:

2011

- the Government of Kazakhstan enacted new legislation which significantly increased the entitlements payable to current and former employees who suffer a work-related injury. Based on a reassessment of the potential future costs associated with meeting this additional death and disability benefits obligation, Kazakhmys Mining has provided for a further $172 million in 2011, of which $146 million relates solely to the impact of the changes in the legislation and has been treated as a special item; and
- impairments included as special items are:
  - Property, plant and equipment – a charge of $11 million which primarily relates to the impairment of administrative land and buildings within Kazakhmys Mining which are not in use;
  - Mining assets – a credit of $7 million which mainly relates to a reversal of impairment provisions held against mining assets which were considered uneconomic in prior years and which are now being actively prepared for future extraction due to higher commodity prices; and
  - Inventories – a $19 million release of an impairment provision held against minor by-product inventories within Kazakhmys Mining to reflect improved market conditions for those by-products.

2010

- in the first half of 2010, the Group committed to fund major social projects in Kazakhstan at a cost of $130 million. The charge represented the full cost of the projects;
- in 2008, Kazakhmys Mining recognised an impairment loss in respect of stockpiled ore for which processing was considered uneconomic at the prevailing commodity prices. During 2010, the stockpiles were partially processed as commodity prices improved, and as a result, an $18 million impairment provision previously recognised was released; and
- in 2010, social assets constructed by Kazakhmys Mining as part of the Group's social programme of $13 million were impaired as these assets were not deemed to be part of the cash generating unit of Kazakhmys Mining.

Tax related special items:

2011

- the additional death and disability benefits obligation recognised in the year of $172 million, of which $146 million has been treated as a special item, is deductible against taxable profits in the future when the death and disability payments are made. As a result, a deferred tax asset has been recognised in respect of the obligation, with $29 million in respect of the $146 million charge treated as a special item; and

- in 2011, the Group determined that the cost of delivering the major social projects in Kazakhstan will be deductible against taxable profits in the future, resulting in the recognition of a $26 million deferred tax asset at 31 December 2011. As the cost of these projects was considered a special item in 2010, the related tax credit has also been treated as a special item.

2010

- a provision for withholding tax of $98 million which was recognised at 31 December 2009, payable on unremitted earnings to be distributed from Kazakhmys LLC to settle an intercompany loan by way of dividend payments, was released in 2010. In the second half of 2010, as a result of an internal Group restructuring, the intercompany loan was settled by alternative means, such that no dividend was distributed by Kazakhmys LLC to settle it, and the corresponding withholding tax provision was no longer required; and
- an additional deferred tax charge of $16 million was recognised in 2010 as a result of a change in future tax rates in Kazakhstan. The future phased reduction in tax rates, envisaged under the 2009 tax legislation whereby the rate would be progressively reduced to 15% in 2014, was removed in the 2010 tax legislation, and instead the 2010 rate of 20% will be maintained for future years. The revised rate of 20% was therefore applied to the Group's long-lived assets in calculating the Group's deferred tax balances.

Total operating special items for continuing operations in 2011 amounted to $131 million compared to $125 million in 2010. Operating special items in respect of discontinued operations of $495 million (2010: $44 million) principally relate to the disposal of Kazakhmys Petroleum and the Maikuben West coal mine, part of Kazakhmys Power, and the impairment charge recognised to reduce MKM's carrying value to the net expected proceeds from a sale. These special items are discussed within the 'Discontinued Operations' section below.

Reconciliation of EBITDA (excluding special items) by operating segment

Consistent with other international mining companies, EBITDA (excluding special items) has been chosen as the key measure in assessing the underlying trading performance of the Group. This performance measure removes depreciation, depletion, amortisation and non-recurring or items variable in nature which do not impact the underlying trading performance of the Group. MET is also excluded from the EBITDA (excluding special items) key financial indicator, as the Directors believe that the exclusion of MET provides a more informed measure of the operational profitability of the Group given the nature of the tax as further explained in the 'Taxation' section.

Following the restructuring of the Group's operating assets in Kazakhstan undertaken during 2011, the Group's operating segments have changed from those previously reported at 31 December 2010. The Group is now managed in four separate business units: Kazakhmys Mining, Kazakhmys Power, MKM and Kazakhmys Petroleum until its disposal in December 2011. Kazakhmys Gold is included within Kazakhmys Mining and the Group's captive power stations, previously within Kazakhmys Copper, are now included within Kazakhmys Power. The 2010 comparative figures have been presented on a consistent basis with the results for the year ended 31 December 2011.

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

$ million	2011	2010
Continuing operations		
Kazakhmys Mining	**1,808**	1,736
Kazakhmys Power [1]	**168**	94
Corporate Services	**(50)**	(36)
Total continuing operations	**1,926**	1,794
Discontinued operations		
Kazakhmys Power [2]	**8**	58
MKM	**26**	81
Kazakhmys Petroleum	**(1)**	(1)
Total discontinued operations	**33**	138
Segmental EBITDA (excluding special items)	**1,959**	1,932
Share of EBITDA of associate [3]	**966**	903
Group EBITDA (excluding special items)	**2,925**	2,835

[1] Kazakhmys Power EBITDA (excluding special items) includes the Group's share of EBITDA (excluding special items) of the joint venture, Ekibastuz GRES-1, for the full year ended 31 December 2011 and in 2010, for the period 27 February 2010 to 31 December 2010. Also included within Kazakhmys Power is the EBITDA (excluding special items) of the Group's captive power stations for the years ended 31 December 2011 and 31 December 2010. The EBITDA (excluding special items) of the Group's captive power stations was previously included within the EBITDA (excluding special items) of Kazakhmys Copper.

[2] In the year ended 31 December 2011, Kazakhmys Power EBITDA (excluding special items) includes the EBITDA (excluding special items) of the Maikuben West coal mine for the period to 17 May 2011, the date on which it was sold. The prior year includes 100% of the EBITDA (excluding special items) of Ekibastuz GRES-1 until the date of its partial disposal on 26 February 2010 and the EBITDA (excluding special items) of the Maikuben West coal mine for the year ended 31 December 2010.

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

Group EBITDA (excluding special items) for the year was $2,925 million, 3% higher than the prior year. Included within Group EBITDA is Kazakhmys' share of ENRC's EBITDA of $966 million, which is based on ENRC's published unaudited results for the year ended 31 December 2011.

Associate

The Group's 26% shareholding in ENRC, is equity accounted as an associate. The Group's share of EBITDA from ENRC is $966 million an increase of 7% over the prior year reflecting the improved operational performance of ENRC as higher sales volumes and prices compensated for the rise in costs over the year.

The Group's share of profits from ENRC recognised in the consolidated income statement for the year, net of tax, is $466 million based on the unaudited results of ENRC for the year ended 31 December 2011, which were published on 21 March 2012. ENRC's contribution to the Group has decreased from $522 million in 2010, despite commodity price rises and higher sales volumes in its key markets, as 2010 benefited from a one-off gain on the acquisition of a joint venture.

Dividends received from ENRC of $113 million during 2011 (2010: $62 million) have not been recognised in the consolidated income statement, but are netted off against the carrying value of the investment in ENRC in the consolidated balance sheet, in accordance with equity accounting principles.

Based on the 2011 final dividend announced by ENRC on 21 March 2012 of 11.0 US cents per share, the Group should receive $37 million in June 2012.

Net finance items

Net finance expenses of $68 million for the year were largely unchanged on the prior year as an increased level of borrowing costs were capitalised to the development projects to which they relate. Included within the net finance expense is a net foreign currency loss of $13 million compared to $18 million in 2010.

The gross interest charge incurred on borrowings of $60 million was higher than the $39 million incurred in the prior year. The charge in 2011 includes $14 million in respect of the pre-export finance debt facility ('PXF'), which carries a margin of US$ LIBOR plus 1.25% and $46 million for the CDB/Samruk-Kazyna financing facilities, which incurs interest at US$ LIBOR plus 4.80%. The higher average debt outstanding from the draw downs under the CDB/Samruk-Kazyna financing facilities resulted in the Group's weighted average cost of borrowings increasing from 2.22% in 2010 to 3.32% in 2011, and as the balance outstanding on the lower margin PXF was reduced by $525 million during the year.

The Group's net interest charges incurred on borrowings recognised in the income statement during 2011 have reduced to $42 million from $47 million in the prior year. This charge excludes interest costs incurred on the CDB/Samruk-Kazyna financing facilities that have been capitalised to the cost of the Group's development projects to which the borrowings relate. A total of $28 million of interest was capitalised in 2011 compared to $6 million in 2010, reflecting the progression of the Bozshakol and Bozymchak projects and their related drawings under the CDB/Samruk-Kazyna financing facilities.

Taxation

In 2010, the Government of Kazakhstan introduced new tax legislation which removed the previously legislated phased reduction in CIT and maintained a flat rate of 20% for future years.

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

$ million (unless otherwise stated)	2011	2010
Profit before taxation from continuing operations	**1,623**	1,592
Add: MET	**280**	236
Add: special items	**131**	125
Less: share of profits from joint venture	**(100)**	(38)
Less: share of profits from associate	**(466)**	(522)
Adjusted profit before taxation from continuing operations	**1,468**	1,393
Income tax expense	**221**	203
Add: MET	**280**	236
Add: deferred tax asset on additional death and disability benefits obligation	**29**	–
Add: deferred tax asset on major social projects	**26**	–
Add: release of deferred withholding tax liability	**–**	98
Add/(less): tax effect of special items	**2**	(14)
Adjusted tax expense from continuing operations	**558**	523
Effective tax rate (%)	**13.6**	12.8
All-in effective tax rate[1] (%)	**38.0**	37.5

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

Effective and all-in effective tax rate

In 2010, the income tax expense included the release of $98 million in respect of deferred withholding taxes whereas in 2011, the major tax credits totalled $55 million, arising from the recognition of deferred tax assets relating to the major social assets and the additional death and disability benefits obligation. The 2011 effective tax rate is marginally higher than the prior year as the profit before tax from continuing operations in the prior year benefited more from a tax credit compared to the current year whilst contributions from the equity accounted joint venture and associate profits, both of which are included on a post-tax basis, were similar across both years.

Excluding the special items and the contribution from equity accounted joint venture and associate profits, the Group's adjusted profit before taxation was $75 million higher compared to the prior year. The increased adjusted tax expense as a result of the 19% higher MET charge which has only been partially offset by the inclusion of the release of the provision for excess profits tax and lower non-deductible items in 2011, has led to the all-in effective tax rate rising marginally to 38.0% from 37.5% in 2010.

Mineral extraction tax

MET is a revenue tax based on the volume and metal content of extracted ore and global commodity prices. Over the course of the year, the metal content of extracted ore at Kazakhmys Mining has declined slightly, however given the increases in commodity prices, particularly for copper, the Group has recognised a higher expense of $280 million in relation to MET within cost of sales, compared to $236 million in 2010.

Excess profits tax

The conclusion of the tax audit for the years 2006 to 2008 inclusive did not identify any further excess profits tax liabilities for these years over and above payments which had already been remitted, neither did the tax audit for the years 2003 to 2005 inclusive, thereby confirming the tax authorities acceptance of the methodology applied by Kazakhmys LLC in calculating its excess profits tax liabilities for the years up to and including 2008. In addition, the Supreme Court's ruling in August 2011 upheld earlier court decisions which ruled that Kazakhmys LLC should not have been considered as an excess profits tax payer for these years. As a result of the tax audits and the Supreme Court ruling, the previously recognised provision for excess profits tax totalling $21 million, has been released as at 31 December 2011, along with the associated fines and penalties of $28 million which are included within administration expenses. The provision was recognised in previous years due to the uncertainties over the judgements that were made in respect of the methodology of computing excess profits tax. The release of the provision for excess profits tax reduced the Group's effective tax rate by 1.2%.

Transfer pricing

A provision of $26 million has been recognised as at 31 December 2011 (2010: $22 million) for transfer pricing exposures where external and intercompany sales contracts entered into during the year resulted in certain of the Group's profits being taxed twice in the UK and Kazakhstan due to inconsistencies between the transfer pricing legislation of both jurisdictions. The provision for transfer pricing exposures increased the Group's effective tax rate by 1.5% (2010: 1.4%).

Non-deductible items

The tax impact of non-deductible items was $38 million in 2011 (2010: $74 million) primarily relating to the accrual of additional tax liabilities with related fines and penalties raised in the tax audits for the years 2006 to 2008 inclusive, ongoing non-deductible business expenses and impairment losses at Kazakhmys Mining. These non-deductible items were partially offset by the reversal of fines and penalties associated with the excess profits tax provision that was released at 31 December 2011 (see above). In 2010, the most significant non-deductible item related to the cost of the major social projects of $130 million. The impact of the non-deductibility of these items increased the Group's effective tax rate by 2.2% in 2011 (2010: 4.7%).

Equity accounted earnings

The Group's interests in the earnings of ENRC and Ekibastuz GRES-1 are included, net of tax, in the consolidated income statement in arriving at profit before taxation, thereby reducing the Group's effective tax rate by 9.2% (2010: 9.9%).

Deferred income tax

In December 2011, the Group recognised a deferred tax asset relating to the cost of the major social projects in Kazakhstan of $26 million. According to Kazakhstan tax legislation, the cost of the projects will be deductible against taxable profits when the construction is complete and the assets are transferred to the relevant Government department. The recognition of this deferred tax asset reduced the effective tax rate by 1.5%.

The additional death and disability benefits obligation recognised in the year of $172 million, of which $146 million has been treated as a special item, is deductible against taxable profits in the future when the death and disability payments are made. As a result, a deferred tax asset has been recognised in respect of the obligation, with $29 million in respect of the $146 million charge treated as a special item.

In 2010, the income tax expense for the year included a charge of $16 million in respect of deferred income tax which related to the new tax legislation which maintained corporate income tax in Kazakhstan at 20% beyond 2012, rather than the phased reduction in corporate income tax as previously envisaged under the legislation enacted in 2009. The deferred tax balances within the Group's Kazakhstan businesses were recalculated applying a flat rate of 20% in future years.

Withholding taxes

In 2010, the Group released a withholding tax provision of $98 million which was recognised for taxes payable on the unremitted earnings of subsidiaries in Kazakhstan, reducing the Group's effective tax rate by 6.2%. Following an internal Group restructuring, no dividends were expected to be remitted from these earnings and as a result, this provision was no longer appropriate.

Future tax rates

Future tax rates are materially affected by the application of corporate income tax and MET. The corporate income tax rate is frozen in Kazakhstan at 20% but as explained above, the Group's all-in effective tax rate will be dependent on copper prices in the future given the revenue based nature of MET.

Discontinued operations

As explained above in the 'Basis of preparation', the Maikuben West coal mine, within the Kazakhmys Power Division, the Kazakhmys Petroleum Division and MKM have been classified as discontinued operations within the consolidated financial statements. MKM continued to be treated as a discontinued operation throughout 2011, while the Maikuben West coal mine and Kazakhmys Petroleum were treated as discontinued until the date these businesses were disposed on 17 May 2011 and 23 December 2011, respectively. Accordingly, MKM represented the only asset held for sale as at 31 December 2011.

$ million	2011	2010
Kazakhmys Power		
Profit before tax excluding impairment losses and (loss)/gain on disposal	**8**	57
(Loss)/gain on disposal	**(20)**	14
Taxation charge	**(1)**	(12)
Impairment loss on remeasurement to fair value	**–**	(12)
(Loss)/profit for the year	**(13)**	47
MKM		
Profit before tax excluding impairment losses	**18**	74
Taxation credit/(charge)	**3**	(1)
Impairment loss on remeasurement to fair value	**(9)**	(58)
Profit for the year	**12**	15
Kazakhmys Petroleum		
Loss before tax excluding impairment losses and loss on disposal	**(4)**	(2)
Loss on disposal	**(24)**	–
Taxation credit	**1**	1
Impairment loss on remeasurement to fair value	**(444)**	–
Loss for the year	**(471)**	(1)
(Loss)/profit for the year from discontinued operations	**(472)**	61

Discontinued operations contributed a post-tax loss of $472 million compared to a post-tax profit of $61 million in the prior period, mainly due to the loss recognised on the sale of the Maikuben West coal mine of $20 million, the impairment loss of $444 million recognised to remeasure Kazakhmys Petroleum to fair value and the subsequent loss on the disposal of Kazakhmys Petroleum of $24 million.

Kazakhmys Power

As discussed above, Kazakhmys Power's results for the year ended 31 December 2011, in respect of discontinued operations, includes the Maikuben West coal mine until its disposal on 17 May 2011, whilst the prior year included 100% of Ekibastuz GRES-1 for the period to 26 February 2010, the date 50% of the business was sold to Samruk-Kazyna, and the Maikuben West coal mine for the full year.

In 2011, Kazakhmys Power's discontinued operations recorded a post-tax loss of $13 million, resulting from the loss on disposal of the Maikuben West coal mine of $20 million, which is treated as a special item, compared to a post-tax profit of $47 million in 2010. The loss on disposal of the Maikuben West coal mine recognised in the year was determined by the excess of the net assets disposed over the proceeds received of $11 million and the $9 million transfer from equity of the unrealised exchange losses which arose on consolidation when converting the net assets, which are denominated in tenge, into US dollars.

The net profit reported in 2010 included the results of the Maikuben West coal mine for the full year and 100% of the results of Ekibastuz GRES-1 until its partial disposal on 26 February 2010, as well as a gain of $14 million arising on the partial disposal of Ekibastuz GRES-1 which was also treated as a special item.

MKM

MKM's underlying operating results were strong, however due to the negative IFRS inventory adjustment which reflects copper price movements between December 2010 and December 2011 of $14 million and weakness in the Euro compared to the US dollar, MKM's profit before tax excluding impairment losses fell by $56 million.

A post-tax impairment charge of $9 million was recognised in 2011, net of a $2 million deferred tax credit, to remeasure MKM's net assets to fair value. In 2010, MKM made a profit of $15 million which included a post-tax impairment loss of $46 million to write down the business to fair value and a positive IFRS inventory adjustment of $43 million.

Kazakhmys Petroleum

The majority of the operating costs incurred by Kazakhmys Petroleum in 2010 and 2011 relate directly to its exploration activities and were therefore capitalised.

Following the adverse results from the drilling programme and the signing of a sales agreement for the disposal of Kazakhmys Petroleum in August 2011, an impairment loss of $444 million was recognised to write the business down to its recoverable amount, being the net expected sales proceeds. The net expected proceeds from the disposal was $100 million plus contingent consideration in the form of potential royalties of up to $476 million, dependent upon future oil revenues. In determining the consideration receivable, no value has been assigned to the contingent consideration given the inherent uncertainties in oil exploration and the adverse drilling results which led to the asset's impairment.

The sale completed on 23 December 2011, and from that date Kazakhmys Petroleum was no longer consolidated and a loss on disposal of $24 million was recognised in the Group's income statement within discontinued operations, also as a special item. The loss arises from the recycling of the foreign currency translation reserves which arose on conversion of the tenge denominated assets and liabilities of Kazakhmys Petroleum into US dollars.

As a result of the impairment charge recognised and the loss realised on disposal of the business, Kazakhmys Petroleum made a loss for the year of $471 million compared to $1 million in the prior year.

Underlying profit

Underlying Profit is considered a more informed measure of the performance of the Group as it removes non-recurring or variable non-trading items from the profit for the period, and their resulting tax and minority interest impacts. It therefore provides a more consistent basis for comparing the underlying trading performance of the Group between 2010 and 2011.

The Group's Underlying Profit for the year from continuing operations increased from $1,384 million to $1,475 million as the Group benefited from higher prices and greater equity accounted earnings from ENRC and Ekibastuz GRES-1.

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

$ million	2011	2010
Net profit attributable to equity holders of the Company from continuing operations	**1,402**	1,389
Special items:		
Subsidiary businesses		
Additional death and disability benefits obligation charge	**146**	–
Impairment charge against property, plant and equipment	**11**	13
Impairment reversal against mining assets	**(7)**	–
Provisions released against inventories	**(19)**	(18)
Major social projects	**–**	130
Associate		
Gain related to acquisition of joint venture	**–**	(77)
Acquisition related transaction (credit)/costs	**(1)**	19
Tax effect of non-recurring items		
Subsidiary businesses	**(2)**	(2)
Associate	**–**	–
Change in current and deferred tax liabilities:		
Deferred tax asset on additional death and disability benefits obligation	**(29)**	–
Deferred tax asset on major social projects	**(26)**	–
Release of deferred withholding tax liability	**–**	(98)
Change in tax rates in Kazakhstan:		
Subsidiary businesses	**–**	16
Associate	**–**	12
Underlying Profit from continuing operations	**1,475**	1,384
Net (loss)/profit attributable to equity holders of the Company from discontinued operations	**(472)**	61
Special items:		
Impairment charge against intangible assets – Kazakhmys Petroleum	**444**	–
Impairment charge against property, plant and equipment – MKM	**1**	26
Provisions against inventories – MKM	**8**	44
Loss on disposal of subsidiaries	**44**	–
Gain on disposal of share in subsidiary	**–**	(14)
Release of deferred tax liabilities resulting from impairment charges	**(2)**	(12)
Underlying Profit from discontinued operations	**23**	105
Total Underlying Profit	**1,498**	1,489

Earnings per share

$ million (unless otherwise stated)	**2011**	2010
Net profit attributable to equity holders of the Company	**930**	1,450
Total Underlying Profit	**1,498**	1,489
Weighted average number of shares in issue (million)	**534**	535
EPS – basic and diluted ($)	**1.75**	2.71
EPS based on Underlying Profit ($)	**2.80**	2.79

Under the Group's share buy-back programme 5,559,710 ordinary shares were purchased in 2011 leading to a decrease in the weighted average number of shares in issue for the year. As the share buy-back programme commenced in September 2011, the impact on the weighted average number of shares in issue has not been significant. The shares purchased through the share buy-back programme are being held in treasury and are accounted for as own shares.

Key financial indicators

The definitions of the key financial indicators, on a total Group basis including continuing and discontinued operations, are set out below:

	2011	2010
Group EBITDA (excluding special items) ($ million)	**2,925**	2,835
EPS based on Underlying Profit ($)	**2.80**	2.79
Free Cash Flow ($ million)	**824**	718
Net cash cost of copper after by-product credits excluding purchased concentrate (USc/lb)	**114**	89

Dividends

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

In the second half of 2011, the Directors announced a share buy-back programme of up to $250 million, the completion of which was subject to market conditions. In 2011, 5.6 million shares were purchased, with a further 2.1 million purchased in the period from 1 January 2012 to 26 March 2012, at a total cost of $110 million, representing 1.4% of the Company's shares in issue at the commencement of the programme. The Company's authority for this share buy-back programme expires in May 2012, and it is unlikely the announced programme will be completed in full.

The Directors recommend a final dividend for 2011 of 20.0 US cents per share, which together with the interim ordinary dividend of 8.0 US cents per share, gives a total full year ordinary dividend of 28.0 US cents per share (2010: 22.0 US cents per share), based on the earnings for 2011. The total dividend reflects an approximate 12% payout ratio of the Group's full year Underlying Profits as adjusted for the removal of ENRC's and Ekibastuz GRES-1's equity accounted earnings but including dividends received from ENRC during the year, plus an additional 5.0 US cents per share or $26.5 million. The additional 5.0 US cents per share to the 12% payout ratio has been recommended by the Directors taking into account that the announced buy-back programme is unlikely to be completed in full and the Group retains its financial strength with available cash and long dated debt facilities in place.

Subject to the approval of the shareholders at the Annual General Meeting to be held on 11 May 2012, the final dividend shall be paid on 15 May 2012.

CASH FLOWS

A summary of cash flows is shown below:

$ million	2011	2010
Segmental EBITDA before joint venture and associate	**1,221**	1,651
Impairment losses	**462**	84
Share-based payment	**4**	3
Dividends received from associate	**113**	62
Working capital movements [1]	**154**	(49)
Interest paid	**(66)**	(50)
MET paid	**(264)**	(230)
Income tax paid	**(341)**	(365)
Foreign exchange and other movements	**(39)**	(8)
Net cash flows from operating activities	**1,244**	1,098
Sustaining capital expenditure	**(420)**	(380)
Free Cash Flow	**824**	718
Expansionary and new project capital expenditure	**(259)**	(286)
Major social projects	**(36)**	(60)
Interest received	**9**	10
Dividends paid	**(129)**	(80)
Proceeds from disposal of property, plant and equipment	**16**	16
Proceeds from disposal of subsidiaries, net of cash disposed	**111**	–
Cash related to disposal of the subsidiary	**–**	(107)
Purchase of own shares under the Group's employee share-based payment plans	**(5)**	(4)
Purchase of own shares under the Group's share buy-back programme	**(78)**	–
Other movements	**(16)**	(10)
Cash flow movement in net funds/(debt)	**437**	197

[1] Working capital movements exclude any accruals relating to the MET.

Summary of the year

Cash flows from operating activities were stronger in 2011 compared to the prior year as the higher commodity prices improved profitability. In addition, the dividends received from ENRC and a positive working capital movement offset the increased sustaining capital expenditure. Despite an increase in tax and interest payments, Free Cash Flow, a key performance indicator of the Group's ability to translate earnings into cash flow, was $824 million compared to $718 million in 2010.

Dividends received

The Group received dividends of $113 million from ENRC in 2011, compared to $62 million in 2010, representing the 2010 final dividend and the 2011 interim dividend of ENRC. As explained above, dividends received have been credited against the carrying value of the investment in ENRC and are not included within the Group's reported earnings.

Working capital

Working capital employed by the Group decreased by $154 million during the year (2010: increase of $49 million). The 2011 working capital movement is primarily due to:

- inventory increases at Kazakhmys Mining of $164 million as there was a build-up of gold bar due to no sales taking place in the second half of the year following the restriction on exports imposed by the National Bank in July 2011, and also an increase in copper finished goods inventories of 6 kt across the year. In addition, reflecting rising input costs, the cost of raw material inventories has also risen since December 2010;

- an increase of $77 million in prepayments and advances, attributable to rising expenditure on the Group's ongoing development projects, including VAT that can only be reclaimed once revenue generating activities commence at these projects;

- lower trade receivables at Kazakhmys Mining of $87 million reflecting the timing of sales and receipts;

- a significant increase of $172 million in Kazakhmys Mining's obligations for death and disability benefits, mainly related to the accrual for payments to current and former employees for work-related injuries following amendments to the legislation in Kazakhstan; and

- a decrease at MKM in the value of inventory of $98 million and trade receivables of $12 million driven by the lower copper prices experienced in the second half of 2011, partially offset by lower accounts payable of $30 million.

In 2010, the increase in working capital of $49 million related to:

- inventory increases at Kazakhmys Mining of $83 million as there was a build-up in work in progress in the fourth quarter of 2010 of material to be processed in 2011;

- a decrease of $66 million in prepayments and advances, resulting from the receipt of goods and services related to the Group's ongoing development projects;

- a positive movement in trade payables and other payables of $191 million at Kazakhmys Mining, principally the accrual of $130 million related to the major social project expenditure;

- an increase in the level of trade receivables within Kazakhmys Mining of $118 million due to larger revenues in the latter part of 2010 and the timing of receipts; and

- a significant increase at MKM in the value of inventory of $70 million and trade receivables of $25 million driven by the higher copper prices experienced in the second half of 2010, when compared to those in 2009.

Despite these working capital movements, working capital levels continue to be tightly controlled and managed across all of the Group's businesses.

Interest cash flows

Interest paid during the year was $66 million compared to $50 million in the prior year, as both bi-annual interest payments on the CDB/Samruk-Kazyna financing facilities were made in 2011 compared to one such payment in 2010 when the facilities were first drawn. The higher average effective interest rate and bi-annual payments under the CDB/Samruk-Kazyna financing facilities were partially offset by lower interest charges under the PXF due to capital repayments of $525 million.

Interest received is at similar levels to 2011 at $9 million as larger average cash balances were offset by lower deposit interest rates during 2011.

Income taxes and mineral extraction tax

Total tax payments for the year were $605 million, compared to $595 million in 2010, including $264 million related to MET. The higher tax payments in 2011 arise from the larger MET payments made due to stronger commodity prices and increased advance payments made for corporate income tax.

The Group was in a net tax receivable position of $64 million, compared to $12 million at the end of 2010. Income tax payments for the year of $341 million exceeded the total current income tax charge of $291 million due to advance payments remitted during 2011 that had been agreed earlier in the year with the tax authorities prior to the decline in commodity prices in the second half of the year. Of the total MET charge of $280 million, $66 million remains unpaid at 31 December 2011.

Free Cash Flow

The Group's Free Cash Flow of $824 million improved from $718 million in the prior year as the higher earnings generated by the Group and dividends received from ENRC together with a favourable working capital movement, were only partially offset by higher interest and tax payments and sustaining capital expenditure.

Capital expenditure

Total capital expenditure in 2011, excluding expenditure on major social projects, was $13 million greater than the $666 million spent in 2010, with expenditure focused on sustaining the current business operations increasing to $420 million from $380 million. Expansionary and new project capital expenditure was $27 million lower than 2010 at $259 million.

Sustaining capital expenditure within Kazakhmys Mining included expenditure on the smelters, concentrators, auxiliary workshops and the transport infrastructure to maintain output levels, and the purchase of new mining equipment to improve availability. Expenditure was also incurred on improving the health and safety and operating conditions and practices at the mines, including roof bolters, shotcret equipment and ventilation units to improve air quality. Equipment was ordered to enable the re-opening of the Konyrat mine in 2012 which was suspended in 2008 due to unfavourable commodity prices at that time.

The major items of expansionary capital expenditure during the year include the feasibility study and engineering work on the sulphide ore deposit at Bozshakol, the continued on-site processing and infrastructure construction at the Bozymchak mine, the pre-feasibility work at the Aktogay mine and the ongoing development of the infrastructure at the West Nurkazgan mine.

In 2010, the Group spent $60 million as part of the Group's social development programme on major social projects in Kazakhstan. In 2011, an additional $36 million was paid for construction work.

Investing cash flows

During 2011, proceeds were received from the disposal of non-core businesses, Kazakhmys Petroleum and the Maikuben West coal mine of $119 million and $3 million respectively. The net proceeds received were $111 million as the cash disposed within these businesses amounted to $11 million.

In the prior year, a $107 million outflow resulted from the deconsolidation of Ekibastuz GRES-1's net funds position following the 50% disposal of Ekibastuz GRES-1 in February 2010.

Returns to shareholders

The Group paid ordinary dividends of $129 million in 2011 representing the final 2010 dividend of $86 million and the 2011 interim dividend of $43 million. In 2010, the Group paid ordinary dividends of $80 million, being the final 2009 dividend of $48 million and the 2010 interim dividend of $32 million.

Kazakhmys commenced a buy-back programme in September 2011 which by 31 December 2011 had purchased 1.1% of the Company's issued share capital at a cost of $78 million.

BALANCE SHEET

Summary of movements

As at 31 December 2011, the equity attributable to owners of the Company was $8,825 million, compared to $8,206 million as at 31 December 2010, an increase of $619 million, as the Group's retained earnings grew due to the profits generated during the year. The slight depreciation of the tenge over the year to 31 December 2011 has led to a non-cash loss of $21 million being recognised in the foreign currency translation reserve within equity. The non-cash loss arises due to the retranslation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge.

The Group's capital employed position at 31 December 2011 is shown below:

$ million	2011	2010
Equity attributable to owners of the Company	**8,825**	8,206
Non-controlling interests	**7**	13
Borrowings	**1,893**	1,819
Capital employed	**10,725**	10,038

ENRC

Included on the Group's consolidated balance sheet at 31 December 2011, as an investment in associate, is the Group's 26% investment in ENRC, with a carrying value of $4,600 million (2010: $4,356 million). The Group's share of equity accounted earnings of $466 million (2010: $522 million) and the share of losses of the associate recognised within equity of $109 million (2010: gain of $27 million) for the year have been offset by $113 million (2010: $62 million) of dividends received from ENRC in 2011.

At 31 December 2011, the ENRC shareholding had a market value of $3,289 million (2010: $5,431 million) based on the public price quotation on the London Stock Exchange. The market value of the ENRC shareholding at the year end was determined to be significantly below the carrying value on the Group's balance sheet as envisaged by IAS 39 and consequently an impairment review of the investment was undertaken at 31 December 2011. No impairment has been recognised as the recoverable value of the ENRC shareholding, as calculated on a value-in-use basis, exceeded the carrying value at 31 December 2011.

Ekibastuz GRES-1 (Kazakhmys Power)

The Group's 50% interest is included on the consolidated balance sheet as an investment in joint venture at a carrying value of $838 million (2010: $742 million). The carrying value of the investment represents the fair value of 50% of Ekibastuz GRES-1 at acquisition, being the deemed cost at 26 February 2010 of $703 million, and the Group's share of the subsequent post-tax profits and equity movements. The Group's share of equity accounted earnings of $100 million (2010: $38 million) for the year has been offset by the share of Ekibastuz GRES-1's losses recognised within equity of $4 million (2010: gains of $1 million).

Net funds/(debt)

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

$ million	**2011**	2010
Cash and cash equivalents	**1,102**	1,113
Current investments	**810**	356
Borrowings	**(1,893)**	(1,819)
Net funds/(debt) [1]	**19**	(350)

[1] Excludes MKM and Kazakhmys Power.

The Group's net funds position (net of capitalised arrangement fees of $23 million and excluding discontinued operations) was $19 million compared with a net debt position of $350 million at 31 December 2010. The improved cash inflows in 2011, the receipt of $100 million from the sale of Kazakhmys Petroleum and the increased dividend from ENRC converted the Group's net debt position into a net funds position as the cash flows generated during the year were more than sufficient to support the capital expenditure programme, fulfil the Group's tax payments during the year and purchase $78 million of the Company's shares under the share buy-back programme.

Gross debt of continuing operations of $1,893 million is $74 million higher than the $1,819 million at 31 December 2010, as the draw down of an additional $600 million during the year ($592 million net of fees) under the $2.7 billion CDB/Samruk-Kazyna financing facilities was offset by the continued monthly repayment of $44 million under the PXF. These monthly repayments have reduced the amount outstanding under the PXF by $525 million during the year to $612 million. Of the funds drawn under the CDB/Samruk-Kazyna financing facilities, $1,000 million has been allocated to the Bozshakol project and $300 million for the development of the Bozymchak project, the gold/copper deposit in Kyrgyzstan and other mid-sized projects.

The Group has available several revolving credit facilities for general corporate purposes and to provide standby liquidity. Of the corporate credit facilities of $300 million entered into by the Group, facilities amounting to $250 million have maturity dates in March 2013 and a facility amounting to $50 million has a maturity date in September 2013. At 31 December 2011 all such facilities were undrawn and a further $1.4 billion remains available to be drawn down under the CDB/Samruk-Kazyna financing facilities by December 2012.

Cash and short-term deposits of the Group's continuing businesses as at 31 December 2011 were $1,912 million compared to $1,469 million at 31 December 2010. The increase is attributed to higher cash inflows from operating activities, the receipt of $100 million for the sale of Kazakhmys Petroleum and the proceeds from borrowings drawn under the CDB/Samruk-Kazyna financing facilities, partially offset by continued monthly repayments under the PXF. Of the cash and short-term deposits as at 31 December 2011, approximately $900 million (2010: $500 million) is reserved under the CDB/Samruk-Kazyna financing facilities for the development of the Group's projects under the terms of the individual facility agreements, with the balance being available to meet working capital needs and general corporate purposes.

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 in the UK are held primarily with major European and US financial institutions with minimum ratings of Standard & Poors 'A-' and Moodys 'A3' and 'AAA' rated liquidity funds. At 31 December 2011, $1,743 million (2010: $1,292 million) of cash and short-term deposits were held in the UK, with $169 million (2010: $177 million) being held in Kazakhstan.

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 $1.34 billion and the second agreement for up to RMB1.0 billion ($157 million equivalent at the year end RMB/$ exchange rate). The funds will be available to draw down over a three year period, following the satisfactory completion of the feasibility study, maturing 15 years from the date of first draw down.

Discontinued operations

As explained in the 'Basis of preparation', following the disposal of the Maikuben West coal mine on 17 May 2011, only MKM has been classified as being held for sale as at 31 December 2011. As a result of this classification, MKM's assets and liabilities are separately shown within the consolidated balance sheet as single line items within current assets and current liabilities. The principal components of MKM's current assets include inventory and trade receivables balances of $95 million and $114 million, respectively. Current liabilities include MKM's borrowings of $121 million. As with the current assets, the liabilities of the Maikuben West coal mine were all derecognised when the disposal completed in May 2011. The net debt of MKM at 31 December 2011 was $112 million (2010: $185 million).

On 21 July 2011, the MKM trade finance facility was refinanced for four years with a final maturity in July 2015. The facility was also increased from €170 million to €220 million. Interest is payable on the drawn balance at a rate of EURIBOR +2.25%. The loan is secured over the inventories and receivables of MKM. At 31 December 2011, borrowings under this facility were $121 million, down from $191 million at 31 December 2010, as a result of lower working capital requirements due to falling copper prices towards the end of the year and a weaker Euro against the US dollar.

PRINCIPAL RISKS

The significant risks identified by Kazakhmys are those that could materially affect the Group's financial condition, performance, strategy and prospects. These should be carefully considered in conjunction with the cautionary statement set out above. There may be other risks unknown, or currently believed immaterial, by Kazakhmys which might become material.

Operational risks

Health and safety

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

Impact

Health and safety incidents could lead to a number of adverse consequences, including harm to people, as well as production disruption, reputational damage and financial loss. Fatality levels at Kazakhmys are higher than at comparable internationally listed mining companies, with 24 fatalities recorded for 2011.

Action

Kazakhmys recognises that the highest standards of health and safety practices are vital to its success, and are a key responsibility of all employees. The Group's policies and procedures in these areas are designed to identify relevant risks and opportunities and provide a clear framework for conducting business. Further details on the measures being taken to improve health and safety practices, including the work of the Group's HSE function, are set out in the Corporate Responsibility Report in the Annual Report and Accounts.

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.

Impact

Any disruption to operational activities could have a negative impact on the Group's profitability and cash flows, and may require the Group to make large unplanned capital expenditures. In addition to revenue losses, long-term business interruption could result in a loss of customers and reputational damage.

Action

Work is being undertaken across the Group, with the support of appropriate in-house and third-party specialists, to address operational risk issues. The Group has a number of initiatives underway to improve equipment availability and reduce outages. The Group is partially protected from the loss of key assets by the availability of geographically diversified mining and concentrating operations, two smelting complexes, the option of selling concentrate to customers and access to multiple power sources. A combined property damage and business interruption catastrophic insurance programme is in place which can provide protection from some of the financial impact of a major incident at the Group's main concentrating, smelting and refining facilities, and power stations.

Assets controlled by third parties and joint ventures

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

Impact

Decisions made by the board of ENRC PLC could have a material impact on the reported earnings of Kazakhmys. The board of ENRC PLC may take actions which are inconsistent with the Group's values and strategies. Furthermore, changes in market or macroeconomic conditions could impact the cash flows and the valuation of Kazakhmys' investment in ENRC PLC. The Group's partner in the Ekibastuz GRES-1 joint venture may have business interests inconsistent with those of the Group and may exercise its right to block certain actions. The partner may take actions which are inconsistent with the Group's policies or standards. Outsourcing companies may take actions which are inconsistent with the Group's objectives or operating procedures, including the failure to adequately maintain Kazakhmys' assets.

Action

Kazakhmys monitors the business and financial performance of its 26% investment in ENRC PLC. The Group has the ability to exercise its rights as the single largest shareholder of ENRC PLC and maintains an active dialogue with members of ENRC's board, senior management and major shareholders. Kazakhmys seeks to ensure that the appropriate governance structures are in place to manage the Ekibastuz GRES-1 joint venture in accordance with the Group's business interests and that they are consistent with the Group's policies and standards. Under the terms of the joint venture arrangement, Kazakhmys is entitled to appoint the operational management of the power plant until 2015, overseen by a supervisory board consisting of representatives of both joint venture partners. Kazakhmys actively monitors the performance of its outsourcing companies to ensure they fulfil their contractual obligations.

New projects

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

Impact

Projects may fail to achieve the desired economic returns due to an inability to recover mineral reserves as planned and higher than expected capital and operating costs. Projects may also fail to complete or suffer delays which may reduce future production volumes and result in a financial loss to the Group. A reduction in future production volumes would also increase the cash cost on a per unit basis.

Action

Prior to an investment decision being made, certain evaluation activities are performed including, where appropriate, feasibility and other technical studies. Significant projects are subject to the Group's capital appraisal process, including Board review and approval as they progress. There are also a number of planning and monitoring procedures in place addressing the management of capital expenditure. The Group ensures that sufficient expertise, from both in-house and third-party specialists, is utilised on projects throughout their life cycle. For the major project currently underway, Bozshakol, Kazakhmys has appointed an experienced EPC contractor to manage the construction of the processing plant. In respect of project funding, Kazakhmys has long dated financing in place for Bozshakol and a number of the medium-sized projects and a loan agreement has been signed during 2011 for the development of Aktogay, the Group's other major copper project.

Specialist staff, mining equipment and supplies

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

Impact

Kazakhmys may suffer shortages of skilled workers and delays in obtaining mining equipment and supplies which limit the Group's ability to operate effectively. Employee costs and the Group's mining equipment and supplies may be subject to pricing pressures, thereby increasing operating and capital costs which would also affect the Group's financial performance and may impact the viability of certain mines and projects.

Action

The Group actively monitors the market for specialist staff and mining equipment and supplies to remain competitive in the hiring of staff and procurement of mining equipment and supplies. Kazakhmys has an extensive social programme for its employees and their dependents and invests in training facilities and staff development to raise skill levels. Further details of measures to manage talent risk and improve personnel attraction and retention are set out in the Corporate Responsibility Report in the Annual Report and Accounts. The Group also assesses opportunities for outsourcing which can bring in external capabilities.

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.

Impact

Changes to Kazakhstan's foreign trade (export and import), foreign investments, property, tax, environmental and mining regimes or social responsibility expectations or other changes that affect the supportive business environment in Kazakhstan could negatively affect the Group's business, financial position and performance.

Action

The Government of Kazakhstan has actively pursued a programme of economic reform, helping to make it one of the most politically stable and economically developed countries in Central Asia. The Government of Kazakhstan has representation on the Board of Kazakhmys and is a significant shareholder in the Group. The Board continues to view the political, social and economic environment within Kazakhstan favourably, and looking forward, remains optimistic about the conditions for business in the region. Kazakhmys maintains a proactive dialogue with the Government of Kazakhstan across a range of issues, including subsoil use regulations, taxation, the environment and social responsibility and community relations.

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.

Impact

Changes in reserves could adversely impact mine plans and the economic viability of projects resulting in economic losses, negatively impacting the Group's financial position and performance.

Action

The Group's ore reserves and mineral resources are published in accordance with the criteria of the JORC Code and can be found in the Reserves and Resources section of the Annual Report and Accounts. Kazakhmys engages the services of independent technical experts to annually convert reserve and resource calculations for operating mines and development projects from the in-house method established by the former Soviet Union to the method prescribed by the JORC Code. The Group's reserves and resources were last audited in 2010 by an independent technical expert. A project is ongoing to digitise selected mines' reserves which will be used in the future for determining estimates of reserves and resources and to support improved estimation of ore grades and mine planning.

Compliance risks

Subsoil use rights

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

Impact

As many of Kazakhstan's subsoil use laws have been adopted relatively recently and remain untested in the country's judicial system, the legal consequences of a given breach may not be predictable. However, non-compliance with the requirements of subsoil use contracts could potentially lead to regulatory challenges and subsequently to fines and litigation, and ultimately to the loss of operating licences. The loss of any of the Group's subsoil use rights could have a material adverse effect on its mining operations.

Action

The Group's management makes every effort to engage with the relevant regulatory authorities and ensure compliance with all relevant legislation and subsoil use contracts. The Group's procedures to ensure compliance with the terms of subsoil contracts have been updated to reflect the requirements of the new legislation. A specialist department is also tasked with monitoring compliance with the terms of the subsoil use contracts.

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.

Impact

A violation of environmental laws, or failure to comply with the instructions of the relevant authorities, could lead to the suspension of operating licences, challenges to subsoil use mining rights, fines and penalties, the imposition of costly compliance procedures, reputational damage and financial loss. New or amended environmental legislation or regulations may result in increased operating costs, additional capital investment or, in the event of non-compliance, the possibility of fines, penalties or other actions which may adversely affect Kazakhmys' financial results and reputation. Emissions charges in Kazakhstan have been increased over recent years and the authorities are adopting an increasingly robust stance on compliance with environmental standards.

Action

The Group has policies and procedures in place which set out the required operating standards for all employees. Kazakhmys monitors its emissions and in recent years has invested in reducing its environmental impact including the construction of the sulphuric acid plant at Balkhash and the ongoing programme to install electrostatic precipitators at the Ekibastuz GRES-1 power plant. The Group liaises with the relevant governmental bodies on environmental matters, including the development of new legislation. Further details of the environmental measures being taken by the Group are set out in the Corporate Responsibility Report in the Annual Report and Accounts.

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. Kazakhmys' financial results are strongly influenced by commodity prices which are dependent on a number of factors, including world supply and demand and investor sentiment. In particular, Kazakhmys is exposed to demand from China as described in note 6(b), 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.

Impact

Commodity prices can fluctuate widely and could have a material impact on the Group's asset values, revenues, earnings, cash flows and growth prospects.

Action

The Group keeps under regular review its sensitivity to fluctuations in commodity prices. The Group does not as a matter of course hedge commodity prices, but may enter into a hedge programme for certain commodities where the Board determines it is in the Group's interest to provide greater certainty over future cash flows. The Group adopts a prudent approach in its financial planning reflecting the volatility in commodity prices.

Exposure to China

In addition to the impact of Chinese demand on the pricing of Kazakhmys' major products, as noted under the Commodity Prices risk above, the Group makes significant physical sales to China which over the past five years have represented an average of 43% of Kazakhmys Mining's revenues. 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 debt financing to the Group, with Kazakhmys currently utilising a $2.7 billion financing line from the CDB and Samruk-Kazyna for the development of the Bozshakol copper mine and a number of mid-sized projects. In 2011, Kazakhmys also signed a loan facility directly with the CDB for $1.5 billion to fund the development of the Aktogay copper project.

Impact

Changes to China's fiscal or regulatory regimes or lower Chinese copper consumption could reduce demand in China for Kazakhmys' major products, leading Kazakhmys to direct a greater volume of sales to its other major market, Europe. Changes to Chinese government policy on credit or cross border lending may affect the availability of Chinese bank lending to Kazakhmys.

Action

Kazakhmys continues to sell a significant volume of its copper production into Europe as well as into China, thereby taking advantage of its geographic position which provides access to both major markets. In the event that demand reduced in China for Kazakhmys' products, Kazakhmys would continue to allocate its sales between the two markets to obtain the best commercial terms. The financing line for Bozshakol and mid-size projects has been largely drawn and the Aktogay loan agreement is a committed loan facility subject to the satisfactory completion of the feasibility study, thereby providing greater certainty over the funding of Kazakhmys' growth projects. Kazakhmys also maintains relationships with a number of international lending banks and has the flexibility to consider other sources of capital such as the bond or equity markets, if so required.

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.

Impact

Changing market conditions, incorrect assumptions or deficiencies in due diligence processes could result in acquisitions failing to deliver the expected benefit or value to the Group, leading to adverse financial performance and failure to meet expectations. Acquisitions could also lead to the Group assuming liability for the past acts of acquired businesses, without recourse to other parties. The disposal of assets or businesses may not achieve the expected proceeds due to changing market conditions or deficiencies in the sales process.

Action

Specialised staff are assigned to manage corporate transactions, supported where appropriate by external advisors. Due diligence processes are undertaken on acquisitions and material transactions are subject to Board review and approval, including ensuring the transaction is aligned with the Group's strategy, consideration of the key assumptions being applied and the risks identified.

Liquidity risk

The Group is exposed to liquidity risks, including the risk that borrowing facilities are not available to meet cash requirements, and the risk that financial assets cannot readily be converted to cash without the loss of value.

Impact

Failure to manage financing risks could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes.

Action

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group's financial position, cash flows and future capital commitments. Kazakhmys adopts a prudent approach in managing its liquidity risk, reflecting the volatility in commodity prices. The Group has secured committed funding for Bozshakol and a number of the medium-sized projects and has signed a committed loan facility for the development of Aktogay. Further details are set out in the Financial Review section in the Annual Report and Accounts.

Taxation

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

Impact

The uncertainty of interpretation and application, and the evolution, of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's cash flows, earnings and financial position.

Action

The Group makes every effort to comply with existing tax legislation, and works closely with the Government and tax authorities in the review of proposed amendments to tax legislation and regulation. Further details of the Group's tax strategy and risk management are set out in the Financial Review section in the Annual Report and Accounts.

RESPONSIBILITY STATEMENT

Each Director confirms to the best of his knowledge that:

- the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards;
- the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

$ million (unless otherwise stated)	Notes	2011	2010
Continuing operations			
Revenues	6(b)	**3,563**	3,237
Cost of sales		**(1,619)**	(1,419)
Gross profit		**1,944**	1,818
Selling and distribution expenses		**(64)**	(55)
Administrative expenses		**(751)**	(657)
Other operating income		**53**	44
Other operating expenses		**(48)**	(37)
Impairment losses	7	**(9)**	(14)
Share of profits from joint venture	13	**100**	38
Operating profit		**1,225**	1,137
Share of profits from associate	14	**466**	522
Profit before finance items and taxation		**1,691**	1,659
Analysed as:			
Profit before finance items and taxation (excluding special items)		**1,822**	1,784
Special items	8	**(131)**	(125)
Finance income	9	**69**	90
Finance costs	9	**(137)**	(157)
Profit before taxation		**1,623**	1,592
Income tax expense	10	**(221)**	(203)
Profit for the year from continuing operations		**1,402**	1,389
Discontinued operations			
(Loss)/profit for the year from discontinued operations	5	**(472)**	61
Profit for the year		**930**	1,450
Attributable to:			
Equity holders of the Company		**930**	1,450
Non-controlling interests		**–**	–
		930	1,450
Earnings per share attributable to equity holders of the Company – basic and diluted			
From continuing operations ($)	11(a)	**2.63**	2.60
From discontinued operations ($)	11(a)	**(0.88)**	0.11
		1.75	2.71
EPS based on Underlying Profit – basic and diluted			
From continuing operations ($)	11(b)	**2.76**	2.59
From discontinued operations ($)	11(b)	**0.04**	0.20
		2.80	2.79

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2011

$ million	Notes	2011	2010
Profit for the year		**930**	1,450
Other comprehensive income/(loss) for the year after tax:			
Exchange differences on retranslation of foreign operations		**(21)**	31
Recycling of exchange differences on disposal of subsidiary	4	**33**	–
Recycling of exchange differences on disposal of share in subsidiary	3	**–**	196
Net share of other comprehensive (loss)/income of joint venture	13	**(4)**	1
Net share of other comprehensive (loss)/income of associate	14	**(109)**	27
Other comprehensive (loss)/income for the year		**(101)**	255
Total comprehensive income for the year		**829**	1,705
Attributable to:			
Equity holders of the Company		**829**	1,705
Non-controlling interests		**–**	–
		829	1,705

CONSOLIDATED BALANCE SHEET

At 31 December 2011

$ million	Notes	2011	2010
Assets			
Non-current assets			
Intangible assets		**53**	509
Tangible assets		**2,793**	2,470
Property, plant and equipment		**2,256**	2,031
Mining assets		**537**	439
Investment in joint venture	13	**838**	742
Investment in associate	14	**4,600**	4,356
Other non-current investments		**10**	9
Deferred tax asset		**61**	9
		8,355	8,095
Current assets			
Inventories		**744**	585
Prepayments and other current assets		**227**	155
Income taxes reclaimable		**71**	45
Trade and other receivables		**190**	264
Investments		**810**	356
Cash and cash equivalents		**1,102**	1,113
		3,144	2,518
Assets classified as held for sale	5	**232**	382
		3,376	2,900
Total assets		**11,731**	10,995
Equity and liabilities			
Equity			
Share capital	15(a)	**200**	200
Share premium		**2,650**	2,648
Capital reserves	15(c)	**(840)**	(739)
Retained earnings		**6,815**	6,097
Attributable to equity holders of the Company		**8,825**	8,206
Non-controlling interests		**7**	13
Total equity		**8,832**	8,219
Non-current liabilities			
Borrowings	16	**1,368**	1,300
Deferred tax liability		**6**	16
Employee benefits		**188**	58
Provisions		**86**	110
		1,648	1,484
Current liabilities			
Trade and other payables		**498**	403
Borrowings	16	**525**	519
Income taxes payable		**7**	33
Dividends payable		**1**	2
Employee benefits		**23**	–
Provisions		**43**	35
		1,097	992
Liabilities directly associated with assets classified as held for sale	5	**154**	300
		1,251	1,292
Total liabilities		**2,899**	2,776
Total equity and liabilities		**11,731**	10,995

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

$ million	Notes	2011	2010
Cash flows from operating activities			
Cash inflow from operations before interest, income taxes and dividends from associate	17	**1,538**	1,451
Interest paid		**(66)**	(50)
Income taxes paid		**(341)**	(365)
Dividends from associate	14	**113**	62
Net cash inflow from operating activities		**1,244**	1,098
Cash flows from investing activities			
Interest received		**9**	10
Proceeds from disposal of property, plant and equipment		**16**	16
Purchase of intangible assets		**(8)**	(4)
Purchase of property, plant and equipment		**(589)**	(590)
Investments in mining assets		**(118)**	(132)
Licence payments for subsoil contracts		**(7)**	(8)
Acquisition of non-current investments		**(1)**	(2)
Acquisition of non-controlling interest in subsidiary		**(8)**	–
Proceeds from disposal of subsidiaries, net of cash disposed	4	**111**	–
Investment in short-term bank deposits		**(454)**	(298)
Cash disposed of in relation to disposal of subsidiary	3	**–**	(107)
Net cash flows used in investing activities		**(1,049)**	(1,115)
Cash flows from financing activities			
Purchase of own shares under the Group's employee share-based payment plans		**(5)**	(4)
Purchase of own shares under the Group's share buy-back programme		**(78)**	–
Proceeds from borrowings – net of arrangement fees paid of $8 million (2010: $14 million)		**592**	855
Repayment of borrowings		**(595)**	(572)
Dividends paid by the Company		**(129)**	(80)
Net cash flows (used in)/from financing activities		**(215)**	199
Net (decrease)/increase in cash and cash equivalents	18	**(20)**	182
Cash and cash equivalents at the beginning of the year		**1,126**	945
Effect of exchange rate changes on cash and cash equivalents	18	**5**	(1)
Cash and cash equivalents at the end of the year		**1,111**	1,126

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

		Attributable to equity holders of the Company						
$ million	Notes	Share capital	Share premium	Capital reserves [1]	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2010		200	2,648	(994)	4,728	6,582	13	6,595
Profit for the year		–	–	–	1,450	1,450	–	1,450
Exchange differences on retranslation of foreign operations		–	–	31	–	31	–	31
Recycling of exchange differences on disposal of share in subsidiary	3	–	–	196	–	196	–	196
Net share of gains of joint venture recognised in other comprehensive income	13	–	–	1	–	1	–	1
Net share of gains of associate recognised in other comprehensive income	14	–	–	27	–	27	–	27
Total comprehensive income for the year		–	–	255	1,450	1,705	–	1,705
Share-based payment		–	–	–	3	3	–	3

Own shares acquired under the Group's employee share-based payment plans	15(b)	–	–	–	(4)	(4)	–	(4)
Dividends paid by the Company	12	–	–	–	(80)	(80)	–	(80)
At 31 December 2010		200	2,648	(739)	6,097	8,206	13	8,219
Profit for the year		–	–	–	930	930	–	930
Exchange differences on retranslation of foreign operations		–	–	(21)	–	(21)	–	(21)
Recycling of exchange differences on disposal of subsidiary	4	–	–	33	–	33	–	33
Net share of losses of joint venture recognised in other comprehensive income	13	–	–	(4)	–	(4)	–	(4)
Net share of losses of associate recognised in other comprehensive income	14	–	–	(109)	–	(109)	–	(109)
Total comprehensive (loss)/income for the year		–	–	(101)	930	829	–	829
Shares issued pursuant to acquisition of non-controlling interest in subsidiary	15(a)	–	2	–	(4)	(2)	(6)	(8)
Share-based payment		–	–	–	4	4	–	4
Own shares acquired under the Group's share buy-back programme	15(b)	–	–	–	(78)	(78)	–	(78)
Own shares acquired under the Group's employee share-based payment plans	15(b)	–	–	–	(5)	(5)	–	(5)
Dividends paid by the Company	12	–	–	–	(129)	(129)	–	(129)
At 31 December 2011		**200**	**2,650**	**(840)**	**6,815**	**8,825**	**7**	**8,832**

[1] Refer to note 15(c) for an analysis of 'Capital reserves'.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 December 2011

1. Corporate information

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

2. Basis of preparation

The financial information for the year ended 31 December 2011 does not constitute statutory accounts as defined in Sections 435(1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2010 have been delivered to the Registrar of Companies and those for 2011 will be delivered following the Company's annual general meeting convened for 11 May 2012. The auditor has reported on these accounts; their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis of matter and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

(a) Going concern

The Group's business activities, together with the factors likely to impact its future growth and operating performance are set out in the Business Review section of the Annual Report and Accounts. The financial position of the Group, its cash flows, financial risk management policies and available debt facilities are described in the Financial Review section of the Annual Report and Accounts. In addition, the Group's objectives, policies and processes for managing its capital structure, liquidity position and financial risks arising from exposures to commodity prices, interest rates and foreign exchange are set out in the Notes to the Financial Statements in the Annual Report and Accounts.

Despite the decline in copper prices in the second half of 2011, the average realised prices for all of the Group's major products in 2011 were higher than the prior year resulting in the business generating strong cash flows during the year. Furthermore, the Group continued to draw down under its major borrowing facility of $2.7 billion put in place at the end of 2009 for the funding of the Group's major development project at Bozshakol and certain mid-sized projects. Offsetting these draw downs, the Group continued to repay $44 million per month under the $2.1 billion PXF facility which will be fully repaid by February 2013. Taking these factors together which have the most significant impact on the Group's liquidity position, the Group has a strong liquidity position with available funds of $1,912 million at 31 December 2011 (including approximately $900 million of funds committed to the development of the Group's major projects), and a net funds position from continuing operations of $19 million. The maturity profile of the Group's debt is long dated with $1,281 million of the total drawn down balance of $1,893 million repayable in maturities extending out for 15 years. The Group also has undrawn credit facilities totalling $1,700 million available at 31 December 2011. The Directors have considered the Group's financial position, the available borrowing facilities, the planned capital expenditure programme and the outlook for the Group's products, and believe there is sufficient cover to meet the Group's anticipated cash flow requirements.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(b) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment which have been revalued at 1 January 2002 to determine deemed cost as part of the first-time adoption of International Financial Reporting Standards (IFRSs) at that date and derivative financial instruments which have been measured at fair value. The 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.

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2011 and the Group's financial performance for the year ended 31 December 2011.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This treatment may mean that amounts previously recognised in other comprehensive income are recycled through the income statement.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Non-controlling interests primarily represent the interests in Kazakhmys LLC not held by the Company. The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRSs as 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 (EU), and in accordance with the provisions of the Companies Act 2006.

3. Loss of control of subsidiary

On 26 February 2010, the Group completed the disposal of 50% of Ekibastuz GRES-1 LLP, a 100% owned subsidiary within Kazakhmys Power. In accounting for the transaction, the Group applied IAS 27 'Consolidated and separate financial statements' (Revised) for the first time. Accordingly, the loss of control of Ekibastuz GRES-1 LLP was accounted for as: (a) a disposal of the 50% interest in Ekibastuz GRES-1 LLP, whilst accounted for as a subsidiary and (b) the recognition of the retained 50% interest as an investment in a joint venture.

(a) Disposal of 50% interest in Ekibastuz GRES-1 LLP

In December 2009 it was announced that the Group had agreed to dispose of 50% of Ekibastuz GRES-1 LLP to Samruk-Kazyna for a consideration of $681 million. The transaction completed on 26 February 2010 resulting in the Group losing control of the subsidiary and recording a profit on disposal in the income statement for the period.

The results of the transaction are presented as follows:

$ million	26 February 2010
Assets	
Goodwill arising on acquisition	443
Property, plant and equipment	783
Inventories	4
Trade and other receivables	38
Cash and cash equivalents	107
Liabilities	
Borrowings	(68)
Deferred tax liability	(106)
Trade and other payables	(27)
Net identifiable assets	1,174
Share sold	50%
Share of net identifiable assets disposed of	587
Recycling of foreign currency translation reserve	196
Consideration received [1]	(681)
Remeasurement of the retained non-controlling interest	(116)
Gain on disposal of share in subsidiary	(14)

[1] The consideration of $681 million was received in advance of the transaction completing on 26 February 2010 and was included in the balance sheet as at 31 December 2009. As the consideration was received in the previous period, the cash flow statement for the period ended 31 December 2010 includes a cash outflow of $107 million within investing activities relating to the cash included on the completion balance sheet of Ekibastuz GRES-1 LLP at the date of the disposal.

The results for the period ended 26 February 2010 of Ekibastuz GRES-1 LLP are included in the income statement within the profit for the period from discontinued operations. The results of the period from 27 February 2010 to 31 December 2010, and for the period ended 31 December 2011 are included within continuing operations as the share of profits from joint venture (see note 13).

(b) Recognition of the retained 50% interest in Ekibastuz GRES-1 LLP

The disposal of 50% of Ekibastuz GRES-1 LLP resulted in the loss of control of the entity and the Group's remaining interest now represents an investment in a joint venture. The investment in the joint venture has been recorded at its fair value at the date of acquisition with the excess over the previous carrying value recognised in the income statement as a gain on remeasurement of the non-controlling interest held by the Group.

$ million	26 February 2010
Carrying value of the retained percentage of Ekibastuz GRES-1 LLP (50% of $1,174 million)	587
Remeasurement of the retained non-controlling interest	116
Fair value of the retained non-controlling interest	703

The fair value of the 50% retained non-controlling interest in Ekibastuz GRES-1 LLP was determined using a discounted cash flow analysis.

A summary of the financial performance of the joint venture for the period since acquisition and its financial position as at 31 December 2011 is disclosed in note 13.

4. Disposal of subsidiaries

The results of the disposal transactions are presented below:

$ million	Maikuben West coal mine	Kazakhmys Petroleum	Total
Assets			
Intangible assets	–	7	7
Property, plant and equipment	24	122	146
Inventories	3	1	4
Prepayments and other current assets	10	9	19
Trade and other receivables	8	–	8
Cash and cash equivalents	5	6	11
Liabilities			
Deferred tax (liability)/asset	(3)	5	2
Provisions	(2)	(23)	(25)
Trade and other payables	(31)	(8)	(39)
Net identifiable assets	14	119	133
Recycling of foreign currency translation reserve	9	24	33
Consideration received [1]	(3)	(119)	(122)
Loss on disposal of subsidiaries	20	24	44

[1] Of the total consideration of $119 million related to the disposal of Kazakhmys Petroleum, $19 million represents the completion adjustment which is expected to be received within three months from the date the completion balance sheet is agreed. This amount is included within 'trade and other receivables'. The $111 million reflected as proceeds from disposal of subsidiaries in the consolidated cash flow statement represents the total consideration receivable of $122 million net of the cash held on the respective balance sheets of these companies at their dates of disposal of $11 million.

(a) Maikuben West coal mine

On 17 May 2011, the Group completed the disposal of the Maikuben West coal mine, an entity within the Kazakhmys Power segment. The results of the prior year and the period ended 17 May 2011 of the Maikuben West coal mine are included within profit from discontinued operations (see note 5 (b)).

(b) Kazakhmys Petroleum

On 23 December 2011, the Group completed the disposal of Kazakhmys Petroleum for a total consideration of $119 million plus contingent consideration in the form of potential royalties of up to $476 million, dependent on future oil revenues. In determining the consideration receivable, no value has been assigned to the contingent consideration given the inherent uncertainties in oil exploration and the adverse drilling results which led to the asset's impairment. The consideration also includes $19 million, included within trade and other receivables, related to a completion price adjustment which will be paid within three months from the date the completion balance sheet is agreed. The results of the prior year and the period ended 23 December 2011 of Kazakhmys Petroleum are included within profit from discontinued operations (see note 5 (c)).

5. Discontinued operations and assets held-for-sale

Discontinued operations consist of MKM (see note 5(a)), the Ekibastuz GRES-1 coal-fired power plant (for the period up to 26 February 2010) and the Maikuben West coal mine (for the period up to 17 May 2011) within the Kazakhmys Power Division (see note 5(b)) and Kazakhmys Petroleum (for the period up to 23 December 2011, see note 5(c)).

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

$ million	**2011**	2010
Revenues	**1,690**	1,510
Cost of sales	**(1,583)**	(1,285)
Operating costs	**(74)**	(87)
Net finance costs	**(11)**	(9)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**(453)**	(70)
(Loss)/profit before tax from discontinued operations	**(431)**	59
Income taxes:		
Related to current year loss before taxation (current and deferred taxes)	**1**	(24)

Related to remeasurement to fair value less costs to sell (deferred tax)	**2**	12
	(428)	47
Loss on disposal of subsidiaries (see note 4)	**(44)**	–
Gain on disposal of share in subsidiary (see note 3)	**–**	14
	(44)	14
(Loss)/profit for the year from discontinued operations	**(472)**	61
Analysed as:		
MKM	**12**	15
Kazakhmys Power	**(13)**	47
Kazakhmys Petroleum	**(471)**	(1)

As the Ekibastuz GRES-1 coal-fired power plant, the Maikuben West coal mine and Kazakhmys Petroleum were sold prior to 31 December 2011, assets classified as held for sale and liabilities directly associated with those assets at 31 December 2011 relate solely to MKM.

The balance sheets of the discontinued operations are shown below:

$ million	2011	2010
Assets		
Property, plant and equipment	**14**	21
Inventories	**95**	202
Prepayments and other current assets	**–**	5
Trade and other receivables	**114**	141
Cash and cash equivalents	**9**	13
Assets classified as held for sale	**232**	382
Liabilities		
Borrowings	**(121)**	(191)
Deferred tax liability	**–**	(7)
Employee benefits and provisions	**(6)**	(8)
Trade and other payables	**(18)**	(84)
Income taxes payable	**(9)**	(10)
Liabilities directly associated with assets classified as held for sale	**(154)**	(300)
Net assets directly associated with disposal groups	**78**	82

The analysis of total assets and liabilities directly associated with the disposal groups are shown below:

$ million	2011	2010
Assets classified as held for sale:		
MKM	**232**	343
Kazakhmys Power	**–**	39
	232	382
Liabilities directly associated with assets classified as held for sale:		
MKM	**(154)**	(264)
Kazakhmys Power	**–**	(36)
	(154)	(300)

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

$ million	2011	2010
Operating activities	**105**	42
Investing activities	**(51)**	(174)
Financing activities	**(82)**	116
Net cash outflow	**(28)**	(16)

(a) MKM

During 2009 the Directors decided to dispose of MKM given the Group's strategy is to focus on natural resource opportunities in the Central Asian region. The business was classified as an asset held for sale at 31 December 2009, and correspondingly as a discontinued operation in the consolidated income statement for the 2009 financial year. This classification was made as the Group believed that a sale was highly probable to take place within 12 months from the date the business was first classified as held-for-sale. The sale of MKM has not completed within the envisaged 12 month period, as negotiations with potential acquirers have taken longer than was originally anticipated, principally due to challenges faced by potential interested parties in raising the finance necessary to complete the transaction. The failure of the potential acquirers to secure the level of funding required to meet MKM's working capital requirements is a factor that was neither anticipated nor within management's control. As a result of the prolonged sales process, should a private sale not complete in the near future, management will appoint an investment bank to market the MKM business more internationally which would represent a change in the sales strategy as the previously internally managed disposal process focussed on targeting potential European acquirers only. In addition, the Group's strategic objective of disposing of MKM remains the same, and discussions continue with a number of interested parties at a price consistent with previous expectations. The Directors, however, consider that MKM still meets the criteria to be classified as held for sale at the balance sheet date for the following reasons:

- MKM is available for immediate sale and can be sold to a potential buyer in its current condition;
- the Group's strategic objective of disposing of MKM remains the same and the Directors remain committed to the sales process;
- an active marketing programme continues, with discussions being held with a number of interested parties for the purchase of the business at a price consistent with previous expectations, of which some of these parties have provided expressions of interest and have undertaken due diligence on MKM; and
- a disposal within 12 months is considered to be highly probable.

(i) Results of discontinued operation

The results of MKM for the year are presented below:

$ million	**2011**	2010
Revenues	**1,665**	1,387
Cost of sales	**(1,579)**	(1,253)
Operating costs	**(60)**	(53)
Net finance costs	**(8)**	(7)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**(9)**	(58)
Profit before tax from discontinued operation	**9**	16
Income taxes:		
Related to current year profit before taxation	**1**	(13)
Related to remeasurement to fair value less costs to sell (deferred tax)	**2**	12
Profit for the year from discontinued operation	**12**	15

At 31 December 2011, the carrying value of MKM has been written down to its fair value less costs to sell with the result that an impairment charge of $9 million (2010: $58 million) has been recognised for the year. The positive operating and financial performance of MKM resulted in an increase in its carrying value during the year, which exceeded its fair value less costs to sell as previously recorded.

(ii) Balance sheet

The major classes of assets and liabilities of MKM classified as held for sale as at 31 December are as follows:

$ million	**2011**	**2010**
Assets		
Property, plant and equipment	**14**	–
Inventories	**95**	200
Trade and other receivables	**114**	137
Cash and cash equivalents	**9**	6
Assets classified as held for sale	**232**	343
Liabilities		
Borrowings	**(121)**	(191)
Deferred tax liability	**–**	(4)
Employee benefits and provisions	**(6)**	(5)
Trade and other payables	**(18)**	(54)
Income taxes payable	**(9)**	(10)
Liabilities directly associated with assets classified as held for sale	**(154)**	(264)
Net assets directly associated with disposal group	**78**	79

During 2011, the Group refinanced the previous €170 million three year revolving trade finance facility which attracted interest at a rate of EURIBOR + 3.00%, with a new €220 million revolving trade finance facility with a syndicate of banks for a four year loan with a final maturity in July 2015. Interest is payable on the drawn balance of the new facility at a rate of EURIBOR + 2.25%. The loan, consistent with the previous loan, is secured over the inventories and receivables of MKM.

The amount of inventories held as security for MKM borrowings is $95 million (2010: $200 million).

The amount of trade receivables held as security for MKM borrowings is $114 million (2010: $137 million).

(iii) Cash flows

The net cash flows incurred by MKM are as follows:

$ million	**2011**	2010
Operating activities	**101**	(15)
Investing activities	**(16)**	(14)
Financing activities	**(82)**	35
Net cash inflow	**3**	6

(b) Kazakhmys Power

(i) Results of discontinued operations

The Kazakhmys Power Division comprised two distinct businesses: the Ekibastuz GRES-1 power plant and the Maikuben West coal mine.

Ekibastuz GRES-1 power plant

On 26 February 2010 the Group sold 50% of its interest in Ekibastuz GRES-1 LLP, a 100% owned subsidiary within the Kazakhmys Power Division, to Samruk-Kazyna for a consideration of $681 million. The Group has retained a non-controlling interest of 50% in the entity which is accounted as a joint venture after the date of completion. Consequently, the results of discontinued operations only include the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010.

Maikuben West coal mine

On 17 May 2011 the Group sold the Maikuben West coal mine for a consideration of $3 million. Consequently, the results of discontinued operations include the results of Maikuben West coal mine for the prior year and the period ended 17 May 2011.

The results of the discontinued operations within Kazakhmys Power for the year are presented below:

$ million	**2011**	2010
Revenues	**25**	123
Cost of sales	**(4)**	(32)
Operating costs	**(13)**	(33)
Net finance costs	**–**	(1)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**–**	(12)
Profit before tax from discontinued operation	**8**	45
Income taxes:		
Related to current year profit before taxation	**(1)**	(12)
	7	33
Loss on disposal of subsidiary (see note 4)	**(20)**	–
Gain on disposal of share in subsidiary (see note 3)	**–**	14
	(20)	14
(Loss)/profit for the year from discontinued operations	**(13)**	47

During 2010, when a sale and purchase agreement was signed with a prospective buyer for Maikuben West coal mine, the carrying value of the business was written down to its fair value less costs to sell, and an impairment charge of $12 million was recognised in the year ended 31 December 2010.

(ii) Balance sheet

As the business was sold on 17 May 2011, there are no assets and liabilities of the Maikuben West coal mine classified as held for sale as at 31 December 2011.

(iii) Cash flows

The net cash flows incurred by the discontinued operations within Kazakhmys Power are as follows:

$ million	**2011**	2010
Operating activities	**–**	58
Investing activities [1]	**(7)**	(123)
Financing activities	**–**	30
Net cash outflow	**(7)**	(35)

[1] The cash flows from investing activities included $107 million for the year ended 31 December 2010 related to the cash disposed in relation to the sale of 50% of Ekibastuz GRES-1 (see note 3) and $5 million for the year ended 31 December 2011 related to the cash disposed in relation to the sale of the Maikuben West coal mine (see note 4).

(c) Kazakhmys Petroleum

The sale of Kazakhmys Petroleum completed on 23 December 2011 and is therefore classified as a discontinued operation for the prior year and the period up to 23 December 2011.

(i) Results of discontinued operation

The results of Kazakhmys Petroleum for the year are presented below:

$ million	**2011**	2010
Operating costs	**(1)**	(1)
Net finance costs	**(3)**	(1)
Impairment loss recognised on the remeasurement to fair value less costs to sell	**(444)**	–
Loss before tax from discontinued operation	**(448)**	(2)
Income taxes:		
Related to current year loss before taxation	**1**	1
	(447)	(1)
Loss on disposal of subsidiary (see note 4)	**(24)**	–
	(24)	–
Loss for the year from discontinued operation	**(471)**	(1)

During 2011, the carrying value of Kazakhmys Petroleum has been written down to its fair value less costs to sell resulting in an impairment charge of $444 million being recognised in the year (note 4). No impairment losses were recognised in relation to Kazakhmys Petroleum during 2010.

(ii) Balance sheet

As the business was sold on 23 December 2011, there are no assets and liabilities of Kazakhmys Petroleum classified as held for sale as at 31 December 2011.

(iii) Cash flows

The net cash flows incurred by the discontinued operations within Kazakhmys Petroleum are as follows:

$ million	**2011**	2010
Operating activities	**4**	(1)
Investing activities	**(28)**	(37)
Financing activities	**–**	51
Net cash outflow	**(24)**	13

6. Segment information

Information provided to the Group's Board of Directors for the purposes of resource allocation and the assessment of segmental performance is prepared in accordance with the management and operational structure of the Group. For management and operational purposes, the Group is organised into four separate business units, as described 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’.

Following the restructuring undertaken by the Group during 2011, the Group’s operating segments have changed from those previously reported at 31 December 2010. Comparatives have been reclassified to align with the presentation for the period ending 31 December 2011. The operating segments of the Group are:

Kazakhmys Mining (previously Kazakhmys Copper)

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 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 function is principally the development of metal production related assets on behalf of the Mining segment involving the evaluation and development of the Group’s mining projects; and
- the Group’s technical and ancillary services which provide technical, logistics and other services principally to the Mining segment and which are managed as an extension of the Mining segment.

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

Under the revised management and operating structure of the Group, Kazakhmys Gold, which was previously a separate segment, is now included within the Kazakhmys Mining segment. The Group’s captive power stations, which supply power to the Kazakhmys Mining segment and also externally to domestic customers, have been transferred to the Kazakhmys Power segment as these are now under the management of Kazakhmys Power and are reported to the Board of Directors as part of the Kazakhmys Power segment.

MKM

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

As stated in note 5(a), the Directors have decided to dispose of MKM. As a result, at 31 December 2011 and 2010, MKM has been classified as a disposal group held for sale and as a discontinued operation.

Kazakhmys Power

Kazakhmys Power operates in Kazakhstan, and consists of the Group’s captive power stations, the Ekibastuz GRES-1 coal-fired power station joint venture and the Maikuben West coal mine (up to the period ended 17 May 2011). The principal activity of the Kazakhmys Power operating segment is the sale of electricity and coal to external customers and internally to the Kazakhmys Mining segment. The captive power stations and the Group’s 50% interest in the Ekibastuz GRES-1 coal-fired power station are managed by the same management team and produce discrete financial and operating information that is used by the Board of Directors for operational and resource allocation decisions.

Kazakhmys Petroleum

The Kazakhmys Petroleum business held a licence to conduct oil and gas exploration and development activity in the East Akzhar Exploration Block in western Kazakhstan.

As stated in note 5(c), the Group disposed of Kazakhmys Petroleum in December 2011, and as a result, it has been classified as a discontinued operation, and the comparative segment information has been restated accordingly.

Managing and measuring operating segments

The key performance measure of the operating segments is EBITDA (excluding special items). Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business (note 8).

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, which are transacted at cost, include power sales from Kazakhmys Power to Kazakhmys Mining from the Group's captive power stations, and coal sales from Kazakhmys Mining to the captive power stations within Kazakhmys Power from the Borly coal mine.

Segmental information is also provided in respect of revenues, by destination and by product.

(a) Operating segments

(i) Income statement information

									Year ended 31 December 2011
							Continuing operations		
$ million	Kazakhmys Mining	MKM [1]	Kazakhmys Power [2]	Kazakhmys Petroleum [3]	Corporate Services	Total	Income statement	Joint venture [4]	Discontinued operations [1-3]
Revenues									
Segment sales	3,548	1,665	426	–	–	5,639			
Inter-segment sales	(49)	–	(104)	–	–	(153)			
Sales to external customers	3,499	1,665	322	–	–	5,486	3,563	233	1,690
Gross profit	1,929	86	178	–	–	2,193	1,944	142	107
Operating costs	(738)	(60)	(46)	(1)	(55)	(900)	(810)	(16)	(74)
Impairment losses	(9)	(9)	–	(444)	–	(462)	(9)	–	(453)
Share of profits from joint venture [5]	–	–	–	–	–	–	100	(100)	–
Segmental operating results	1,182	17	132	(445)	(55)	831	1,225	26	(420)
Loss on disposal of subsidiary	–	–	(20)	(24)	–	(44)	–	–	(44)
Segmental results	1,182	17	112	(469)	(55)	787	1,225	26	(464)
Share of profits from associate [5]						466	466	–	–
Net finance costs						(79)	(68)	–	(11)
Income tax expense						(244)	(221)	(26)	3
Profit for the year						930	1,402	–	(472)

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
2 Kazakhmys Power includes the results of the Group's captive power stations (previously included within the Kazakhmys Copper segment), 50% of the results of Ekibastuz GRES-1 LLP as an equity accounted joint venture and the results of the Maikuben West coal mine for the period ended 17 May 2011 which was classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
3 Kazakhmys Petroleum was sold in December 2011 and is therefore included within discontinued operations (see note 5(c)).
4 For segment reporting, the Group includes its 50% share of the income statement line items that relate to Ekibastuz GRES-1 LLP on a line-by-line basis, whereas in the Group's income statement, the financial results of Ekibastuz GRES-1 LLP are included within 'share of profits from joint venture'. Note 13 provides further detail on the financial results of the joint venture.
5 Share of profits is net of tax.

$ million	Kazakhmys Mining	MKM [1]	Kazakhmys Power [2]	Kazakhmys Petroleum [3]	Corporate Services	Total	Year ended 31 December 2010 Continuing operations Income statement	Joint venture [4]	Discontinued operations [1-3]
Revenues									
Segment sales	3,228	1,387	402	–	–	5,017			
Inter-segment sales	(37)	–	(95)	–	–	(132)			
Sales to external customers	3,191	1,387	307	–	–	4,885	3,237	138	1,510
Gross profit	1,816	134	170	–	–	2,120	1,818	77	225
Operating costs	(652)	(53)	(56)	(1)	(41)	(803)	(705)	(11)	(87)
Impairment losses	(14)	(58)	(12)	–	–	(84)	(14)	–	(70)
Share of profits from joint venture [5]	–	–	–	–	–	–	38	(38)	–
Segmental operating results	1,150	23	102	(1)	(41)	1,233	1,137	28	68
Gain on disposal of share in subsidiary	–	–	14	–	–	14	–	–	14
Segmental results	1,150	23	116	(1)	(41)	1,247	1,137	28	82
Share of profits from associate [5]						522	522	–	–
Net finance costs						(78)	(67)	(2)	(9)
Income tax expense						(241)	(203)	(26)	(12)
Profit for the year						1,450	1,389	–	61

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
2 Kazakhmys Power includes the results of the Group's captive power stations (previously included within the Kazakhmys Copper segment), 100% of the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 whilst the business was a subsidiary of the Group (which was classified as an asset held for sale and is included within discontinued operations), 50% of the results of Ekibastuz GRES-1 LLP from 27 February 2010 to 31 December 2010 as an equity accounted joint venture and the results of the Maikuben West coal mine for the year ended 31 December 2010 which was classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
3 Kazakhmys Petroleum was sold in December 2011 and is therefore included within discontinued operations (see note 5(c)).
4 For segment reporting, the Group includes its 50% share of the income statement line items that relate to Ekibastuz GRES-1 LLP on a line-by-line basis, whereas in the Group's income statement, the financial results of Ekibastuz GRES-1 LLP are included within 'share of profits from joint venture'. Note 13 provides further detail on the financial results of the joint venture.
5 Share of profits is net of tax.

(ii) Balance sheet information

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

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
2 Kazakhmys Power represents the Group's captive power stations (previously included within the Kazakhmys Copper segment).

[3] Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Mining, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany – MKM; and (iii) Kazakhmys Mining also includes $168 million in Kyrgyzstan and $nil in Tajikistan.
[4] Non-current investments include the Group's investment in Ekibastuz GRES-1 LLP within the Kazakhmys Power segment and the Group's investment in ENRC within Corporate Services.
[5] Operating assets include inventories, prepayments and other current assets and trade and other receivables.
[6] Operating liabilities include trade and other payables and dividends payable by subsidiaries.

$ million	Kazakhmys Mining	MKM [1]	Kazakhmys Power [2]	Kazakhmys Petroleum	Corporate Services	Total	Continuing operations	Discontinued operations [1,2]
							At 31 December 2010	
Assets								
Tangible and intangible assets [3]	2,276	–	122	564	38	3,000	2,979	21
Intragroup investments	–	–	–	–	5,835	5,835	5,835	–
Non-current investments [4]	9	–	742	–	4,356	5,107	5,107	–
Operating assets [5]	952	337	47	6	102	1,444	1,096	348
Current investments	56	–	–	–	300	356	356	–
Cash and cash equivalents	228	6	10	24	858	1,126	1,113	13
Segment assets	3,521	343	921	594	11,489	16,868	16,486	382
Deferred tax asset						9	9	–
Income taxes reclaimable						45	45	–
Assets classified as held for sale						–	382	(382)
Elimination						(5,927)	(5,927)	–
Total assets						10,995	10,995	–
Liabilities								
Employee benefits and provisions	172	5	4	30	–	211	203	8
Operating liabilities [6]	464	54	30	2	31	581	497	84
Segment liabilities	636	59	34	32	31	792	700	92
Borrowings						2,010	1,819	191
Deferred tax liability						23	16	7
Income taxes payable						43	33	10
Liabilities directly associated with assets classified as held for sale						–	300	(300)
Elimination						(92)	(92)	–
Total liabilities						2,776	2,776	–

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[2] Kazakhmys Power includes the Group's captive power stations (previously included within the Kazakhmys Copper segment) and the Maikuben West coal mine which was classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
[3] Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Mining, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany – MKM; and (iii) Kazakhmys Mining also includes $124 million in Kyrgyzstan and $2 million in Tajikistan.
[4] Non-current investments include the Group's investment in Ekibastuz GRES-1 LLP within the Kazakhmys Power segment and the Group's investment in ENRC within Corporate Services.
[5] Operating assets include inventories, prepayments and other current assets and trade and other receivables.
[6] Operating liabilities include trade and other payables and dividends payable by subsidiaries.

(iii) Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding special items [1]

$ million	Kazakhmys Mining	MKM [2]	Kazakhmys Power [3]	Kazakhmys Petroleum [4]	Corporate Services	Total	Subsidiaries	Joint venture [3,5]	Discontinued operations [2-4]
									Year ended 31 December 2011
							Continuing operations		
Operating profit/(loss) per income statement [5]	**1,182**	**17**	**106**	**(445)**	**(55)**	**805**	**1,125**	**100**	**(420)**
Interest and taxation of joint venture	**–**	**–**	**26**	**–**	**–**	**26**	**–**	**26**	**–**
Segmental operating profit/(loss) [5]	**1,182**	**17**	**132**	**(445)**	**(55)**	**831**	**1,125**	**126**	**(420)**
Special items:									
Add: additional disability benefit obligation charge – Kazakhmys Mining	**146**	**–**	**–**	**–**	**–**	**146**	**146**	**–**	**–**
Add: impairment charge against intangible assets – Kazakhmys Petroleum	**–**	**–**	**–**	**444**	**–**	**444**	**–**	**–**	**444**
Add: impairment charge against property, plant and equipment	**11**	**1**	**–**	**–**	**–**	**12**	**11**	**–**	**1**
Add: impairment reversal against mining assets	**(7)**	**–**	**–**	**–**	**–**	**(7)**	**(7)**	**–**	**–**
Add: impairment (reversal)/charge against inventories	**(19)**	**8**	**–**	**–**	**–**	**(11)**	**(19)**	**–**	**8**
Profit/(loss) before finance items and taxation (excluding special items)	**1,313**	**26**	**132**	**(1)**	**(55)**	**1,415**	**1,256**	**126**	**33**
Add: depreciation and depletion	**212**	**–**	**44**	**–**	**5**	**261**	**233**	**28**	**–**
Add: amortisation	**3**	**–**	**–**	**–**	**–**	**3**	**3**	**–**	**–**
Add: mineral extraction tax [6]	**280**	**–**	**–**	**–**	**–**	**280**	**280**	**–**	**–**
Segment EBITDA (excluding special items)	**1,808**	**26**	**176**	**(1)**	**(50)**	**1,959**	**1,772**	**154**	**33**
Share of EBITDA of associate [7]	**–**	**–**	**–**	**–**	**966**	**966**	**–**	**–**	**–**
Group EBITDA (excluding special items)	**1,808**	**26**	**176**	**(1)**	**916**	**2,925**	**1,772**	**154**	**33**

[1] EBITDA excluding special items is defined as profit before interest, taxation, depreciation, depletion, amortisation and mineral extraction tax, as adjusted for special items. Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business.
[2] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[3] Kazakhmys Power includes the Group's captive power stations (previously included within the Kazakhmys Copper segment), 50% of the results of Ekibastuz GRES-1 LLP as an equity accounted joint venture and the results of the Maikuben West coal mine for the period to 17 May 2011 which is included within discontinued operations (see note 5(b)).
[4] Kazakhmys Petroleum was sold in December 2011 and is therefore included within discontinued operations (see note 5(c)).
[5] As the operating profit in the consolidated income statement includes the equity accounted profit from the joint venture, Ekibastuz GRES-1, on a post-interest and tax basis, the joint venture's interest and taxation expenses are added back to calculate the operating profit from continuing operations of the Group on a consistent pre-interest and tax basis.
[6] 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.
[7] The share of EBITDA of the associate excludes MET of the associate.

$ million	Kazakhmys Mining	MKM [1]	Kazakhmys Power [2]	Kazakhmys Petroleum [3]	Corporate Services	Total	Subsidiaries	Joint venture [2,7]	Discontinued operations [1-3]
									Year ended 31 December 2010
							Continuing operations		
Operating profit/(loss) per income statement [4]	1,150	23	74	(1)	(41)	1,205	1,099	38	68
Interest and taxation of joint venture	–	–	28	–	–	28	–	28	–
Segmental operating profit/(loss) [4]	1,150	23	102	(1)	(41)	1,233	1,099	66	68
Special items:									
Add: impairment of property, plant and equipment	13	14	12	–	–	39	13	–	26
(Less)/add: impairment	(18)	44	–	–	–	26	(18)	–	44

(reversal)/charge against inventories									
Add: major social projects	130	–	–	–	–	130	130	–	–
Profit/(loss) before finance items and taxation (excluding special items)	1,275	81	114	(1)	(41)	1,428	1,224	66	138
Add: depreciation and depletion	222	–	38	–	5	265	245	20	–
Add: amortisation	3	–	–	–	–	3	3	–	–
Add: mineral extraction tax [5]	236	–	–	–	–	236	236	–	–
Segment EBITDA (excluding special items)	1,736	81	152	(1)	(36)	1,932	1,708	86	138
Share of EBITDA of associate [6]	–	–	–	–	903	903	–	–	–
Group EBITDA (excluding special items)	1,736	81	152	(1)	867	2,835	1,708	86	138

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 6(a)).
2 Kazakhmys Power includes the results of the Group's captive power stations (previously included within the Kazakhmys Copper segment), 100% of the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 whilst the business was a subsidiary of the Group, 50% of the results of Ekibastuz GRES-1 LLP from 27 February 2010 to 31 December 2010 as an equity accounted joint venture and the results of the Maikuben West coal mine for the year ended 31 December 2010 whilst it was classified as an asset held for sale and included within discontinued operations (see note 5(b)).
3 Kazakhmys Petroleum was sold in December 2011 and is therefore included within discontinued operations (see note 5(c)).
4 As the operating profit in the consolidated income statement includes the equity accounted profit from the joint venture, Ekibastuz GRES-1, on a post-interest and tax basis, the joint venture's interest and taxation expenses are added back to calculate the operating profit from continuing operations of the Group on a consistent pre-interest and tax basis.
5 Mineral extraction tax has been excluded from the key financial indicator of EBITDA as its exclusion provides a more informed measure of the operational performance of the Group as the Directors believe that MET is a substitute for a tax on profits.
6 The share of EBITDA of the associate excludes MET of the associate.

(iv) Net liquid funds/(debt)

	At 31 December 2011							
$ million	**Kazakhmys Mining**	**MKM [1]**	**Kazakhmys Power [2]**	**Kazakhmys Petroleum**	**Corporate Services**	**Total**	**Continuing operations**	**Discontinued operations [1,2]**
Cash and cash equivalents	**262**	**9**	**4**	**–**	**836**	**1,111**	**1,102**	**9**
Current investments	**60**	**–**	**–**	**–**	**750**	**810**	**810**	**–**
Borrowings [3]	**(392)**	**(121)**	**–**	**–**	**(1,893)**	**(2,406)**	**(2,285)**	**(121)**
Inter-segment borrowings [4]	**392**	**–**	**–**	**–**	**–**	**392**	**392**	**–**
Net liquid funds/(debt)	**322**	**(112)**	**4**	**–**	**(307)**	**(93)**	**19**	**(112)**

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
2 Kazakhmys Power represents the Group's captive power stations (previously included within the Kazakhmys Copper segment).
3 Borrowings of Corporate Services are presented net of capitalised arrangement fees of $21 million.
4 Borrowings of Corporate Services include amounts lent to the Kazakhmys Mining segment.

	At 31 December 2010							
$ million	Kazakhmys Mining	MKM [1]	Kazakhmys Power [2]	Kazakhmys Petroleum	Corporate Services	**Total**	Continuing operations	Discontinued operations [1,2]
Cash and cash equivalents	228	6	10	24	858	1,126	1,113	13
Current investments	56	–	–	–	300	356	356	–
Borrowings [3]	(147)	(191)	–	–	(1,819)	(2,157)	(1,966)	(191)
Inter-segment borrowings [4]	147	–	–	–	–	147	147	–
Net liquid funds/(debt)	284	(185)	10	24	(661)	(528)	(350)	(178)

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
2 Kazakhmys Power includes the Group's captive power stations (previously included within the Kazakhmys Copper segment) and the Maikuben West coal mine which was classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
3 Borrowings of Corporate Services are presented net of capitalised arrangement fees of $18 million.
4 Borrowings of Corporate Services include amounts lent to the Kazakhmys Mining segment.

(v) Capital expenditure, depreciation and impairment losses

	Year ended 31 December 2011							
$ million	**Kazakhmys Mining**	**MKM [1]**	**Kazakhmys Power [2]**	**Kazakhmys Petroleum [3]**	**Corporate Services**	**Total**	**Continuing operations**	**Discontinued operations [1-3]**
Property, plant and equipment	**550**	**16**	**40**	**20**	**1**	**627**	**588**	**39**
Mining assets	**121**	**–**	**–**	**–**	**–**	**121**	**121**	**–**
Intangible assets	**8**	**–**	**–**	**–**	**–**	**8**	**8**	**–**
Capital expenditure [4]	**679**	**16**	**40**	**20**	**1**	**756**	**717**	**39**
Depreciation and depletion	**212**	**–**	**16**	**–**	**5**	**233**	**233**	**–**

Amortisation	**3**	**–**	**–**	**–**	**–**	**3**	**3**	**–**
Depreciation, depletion and amortisation	**215**	**–**	**16**	**–**	**5**	**236**	**236**	**–**
Impairment losses	**9**	**9**	**–**	**444**	**–**	**462**	**9**	**453**

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).

[2] Kazakhmys Power includes the Group's captive power stations (previously included in the Kazakhmys Copper segment) and the results of the Maikuben West coal mine for the period ended 17 May 2011 which is included within discontinued operations (see note 5(b)).

[3] Kazakhmys Petroleum was sold in December 2011 and is therefore included within discontinued operations (see note 5(c)).

[4] Capital expenditure within the Kazakhmys Mining segment includes capitalised depreciation of $6 million and $3 million for property, plant and equipment and mining assets, respectively. In addition during the year, Kazakhmys Mining capitalised borrowing costs of $28 million to property, plant and equipment. Also during the year, the site restoration and clean up provisions within Kazakhmys Mining were reassessed and as a result, an additional $4 million has been recognised with a corresponding adjustment to property, plant and equipment. These amounts are non-cash items and are recorded within site restoration and clean up provisions.

								Year ended 31 December 2010
$ million	Kazakhmys Mining	MKM [1]	Kazakhmys Power [2]	Kazakhmys Petroleum [3]	Corporate Services	Total	Continuing operations	Discontinued operations [1-3]
Property, plant and equipment	505	14	35	33	24	611	548	63
Mining assets	141	–	–	–	–	141	141	–
Intangible assets	4	–	–	4	–	8	4	4
Capital expenditure [4]	650	14	35	37	24	760	693	67
Depreciation and depletion	222	–	18	–	5	245	245	–
Amortisation	3	–	–	–	–	3	3	–
Depreciation, depletion and amortisation	225	–	18	–	5	248	248	–
Impairment losses	14	58	12	–	–	84	14	70

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).

[2] Kazakhmys Power includes the results of the Group's captive power stations (previously included within the Kazakhmys Copper segment), 100% of the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 whilst the business was a subsidiary of the Group (which was classified as an asset held for sale and is included within discontinued operations), and the results of the Maikuben West coal mine for the year ended 31 December 2010 which was classified as an asset held for sale and is included within discontinued operations (see note 5(b)).

[3] Kazakhmys Petroleum was sold in December 2011 and is therefore included within discontinued operations (see note 5(c)).

[4] Capital expenditure within the Kazakhmys Mining segment includes capitalised depreciation of $10 million and $3 million for property, plant and equipment and mining assets, respectively. In addition during the year, Kazakhmys Mining capitalised borrowing costs of $6 million to mining assets. Capital expenditure on intangible assets within the Kazakhmys Petroleum segment includes $4 million capitalised in respect of contractual reimbursements to the Government for geological information and social commitments. Also during the year, the site restoration and clean up provisions within Kazakhmys Mining were reassessed and as a result an additional $11 million has been recognised with a corresponding adjustment to property, plant and equipment. These amounts are non-cash items and are recorded within site restoration and clean up provisions.

(b) Segmental information in respect of revenues

Revenues by product are as follows:

$ million	2011	2010
Kazakhmys Mining		
Copper cathodes	**2,318**	2,110
Copper rods	**252**	274
Total copper products	**2,570**	2,384
Silver	**479**	271
Gold bullion	**79**	164
Gold doré	**54**	55
Zinc metal in concentrate	**177**	193
Other by-products	**93**	82
Other revenue	**47**	42
	3,499	3,191
MKM		
Wire	**577**	500
Sheets and strips	**695**	560
Tubes and bars	**360**	293
Metal trade	**33**	34
	1,665	1,387
Kazakhmys Power [1]		
Electricity generation	**297**	248
Coal	**25**	59
	322	307
Total revenues	**5,486**	4,885
Continuing operations	**3,563**	3,237

Discontinued operations	**1,690**	1,510
Share of joint venture's revenues – Kazakhmys Power	**233**	138
Total revenues	**5,486**	4,885

[1] Kazakhmys Power revenues include 100% of the revenues of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 whilst the business was a subsidiary of the Group. For the period from 27 February 2010 to 31 December 2010 and for the year ended 31 December 2011, 50% of the revenues of Ekibastuz GRES-1 LLP are included in the share of joint venture's revenues. In addition, Kazakhmys Power revenues include the external revenues of the Group's captive power stations for the years ended 31 December 2011 and 2010. The revenues of the Maikuben West coal mine are included for the period ended 17 May 2011.

Revenues by destination to third parties are as follows:

$ million	2011	2010
Continuing operations		
Europe	**1,454**	1,330
China	**1,698**	1,567
Kazakhstan	**343**	329
Other	**68**	11
	3,563	3,237
Discontinued operations		
Europe	**1,325**	1,138
China	**16**	9
Kazakhstan	**25**	123
Other	**324**	240
	1,690	1,510
Share of joint venture's revenues		
Kazakhstan	**210**	116
Other	**23**	22
	233	138
Total revenues	**5,486**	4,885

Year ended 31 December 2011

Four customers, three of which are collectively under common control, within the Kazakhmys Mining segment represent 45% of total Group revenue for the year from continuing operations. The total revenue from these customers is $1,600 million. The revenue from the three customers under common control of $1,207 million represents 34% of the total Group revenue from continuing operations. Revenues from the fourth major customer of $393 million represent 11% of total Group revenue from continuing operations.

Year ended 31 December 2010

Three customers collectively under common control within the Kazakhmys Mining segment represent 27% of total Group revenue for the year from continuing operations. The total revenue from these customers is $890 million. The revenue from one of these customers individually represents 14% of total Group revenue from continuing operations.

7. Impairment losses

$ million	2011	2010
Impairment charge against property, plant and equipment – note 7(a)	**11**	13
Impairment reversal against mining assets – note 7(b)	**(7)**	–
Provisions released against inventories – notes 7(c) and 7(f)	**(1)**	(3)
Provisions released against prepayments and other current assets	**–**	(3)
Provisions raised against trade and other receivables – note 7(d)	**6**	7
Continuing operations	**9**	14
Discontinued operations – note 7(e)	**453**	70
	462	84

Year ended 31 December 2011

(a) Kazakhmys Mining property, plant and equipment

In 2011, the impairment charge mainly relates to an impairment provision of $12 million which has been recognised to write down administrative land and buildings held for disposal to fair value less costs to sell.

(b) Kazakhmys Mining mining assets

The $7 million credit in 2011 mainly relates to a reversal of impairment provisions held against certain mining assets which were considered to be uneconomical in prior years and which are now being actively prepared for future extraction due to higher commodity prices.

(c) Kazakhmys Mining inventories

Included within the provisions against inventories is an impairment charge of $18 million relating to general slow moving and obsolete inventory, which has been offset by the reversal of a previous impairment provision of $19 million held against certain by-products for which sales contracts have been agreed at prices greater than the previously recognised net realisable value.

(d) Kazakhmys Mining trade and other receivables

Provisions against trade and other receivables include an amount of $6 million (2010: $7 million) within Kazakhmys Mining in respect of trust activities. Under the terms of its subsoil licences, Kazakhmys LLC is required to provide certain social services to the communities in which its mining activities operate. These trust activities are provided by municipal authority companies under trust management agreements. For most receivable balances due from municipal authorities, full provision is recognised in light of their past payment histories.

(e) Discontinued operations

Impairment losses within discontinued operations relate to the impairment of MKM of $9 million (2010: $58 million), the Maikuben West coal mine of $nil (2010: $12 million) and Kazakhmys Petroleum of $444 million (2010: $nil) – see notes 5(a), 5(b) and 5(c) respectively.

Year ended 31 December 2010

(f) Kazakhmys Mining inventories

Included within the provisions against inventories is an impairment charge of $15 million relating to general slow moving inventory, and the reversal of a previous impairment provision held against certain stockpiled ore of $18 million. In 2008, it was envisaged that the stockpiled ore would not be processed in the future as this would have been uneconomic at the prevailing commodity prices, however during 2010 certain of these stockpiles were processed and the previous impairment reversed.

8. 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	2011	2010
Continuing operations		
Special items within operating profit:		
Additional death and disability benefits obligation charges arising from new legislation enacted in Kazakhstan [1]	**146**	–
Impairment charge against property, plant and equipment	**11**	13
Impairment reversal against mining assets	**(7)**	–
Provisions released against inventories	**(19)**	(18)
Major social projects [2]	**–**	130
	131	125
Special items within Underlying Profit:		
Subsidiary businesses		
Change in deferred tax liabilities:		
Deferred tax asset on additional death and disability benefits obligation	**(29)**	–
Deferred tax asset on major social projects	**(26)**	–
Release of deferred withholding tax liability	**–**	(98)
Change in tax rates in Kazakhstan	**–**	16
Associate		
Gain on acquisition of joint venture by associate	**–**	(77)
Acquisition related transaction (credit)/costs	**(1)**	19

Change in tax rates in Kazakhstan	**–**	12
	(56)	(128)
Discontinued operations		
Special items within operating profit:		
Impairment charge against intangible assets – Kazakhmys Petroleum	**444**	–
Impairment charge against property, plant and equipment – MKM	**1**	26
Provisions against inventories – MKM	**8**	44
Special items within Underlying Profit:		
Loss on disposal of subsidiaries – note 4	**44**	–
Gain on disposal of share in subsidiary – note 3	**–**	(14)
Release of deferred tax liabilities resulting from the impairment of MKM	**(2)**	(12)
	495	44

[1] During 2011, new legislation was enacted in Kazakhstan which increased the level of death and disability benefits payable to former and current disabled employees of the Group. The enhancement in the level of death and disability benefits payable has resulted in an additional provision being recognised in the Group's defined benefit obligation.
[2] In 2010, the Group committed to construct and develop major social projects at a cost of $130 million in Kazakhstan. The charge represents the full cost of the projects, with construction expected to take up to two years.

9. Finance income and finance costs

$ million	2011	2010
Finance income		
Interest income	**8**	8
Foreign exchange gains	**61**	82
Finance income attributable to continuing operations	**69**	90
Interest income	**–**	1
Foreign exchange gains	**14**	16
Finance income attributable to discontinued operations	**14**	17
	83	107
Finance costs		
Interest expense	**(42)**	(47)
Interest on employee obligations	**(14)**	(4)
Unwinding of discount on provisions	**(7)**	(6)
Finance costs before foreign exchange losses	**(63)**	(57)
Foreign exchange losses	**(74)**	(100)
Finance costs attributable to continuing operations	**(137)**	(157)
Interest expense	**(9)**	(9)
Unwinding of discount on provisions	**(1)**	(2)
Foreign exchange losses	**(15)**	(15)
Finance costs attributable to discontinued operations	**(25)**	(26)
	(162)	(183)

10. Income taxes

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

$ million	2011	2010
Current income tax		
Corporate income tax – current period (UK)	**21**	26
Corporate income tax – current period (overseas)	**298**	292
Corporate income tax – prior periods	**(10)**	(25)
Excess profits tax – prior periods	**(21)**	–
Deferred income tax		
Corporate income tax – current period temporary differences	**(67)**	(90)
Income tax expense attributable to continuing operations	**221**	203
Current income tax attributable to discontinued operations	**3**	9
Deferred income tax attributable to discontinued operations	**(6)**	3
Income tax (credit)/expense attributable to discontinued operations	**(3)**	12
Total income tax expense	**218**	215

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	2011	2010
Profit before taxation from continuing operations	**1,623**	1,592
At UK statutory income tax rate of 26.5% (2010: 28.0%) [1]	**430**	446
Tax effect of share of profits from joint venture	**(27)**	(11)
Tax effect of share of profits from associate	**(123)**	(146)
Overprovided in previous years – current income tax	**(10)**	(25)
Unrecognised tax losses	**–**	(5)
Effect of domestic tax rates applicable to individual Group entities	**(66)**	(76)
Effect of changes in future tax rates	**–**	16
Reversal of withholding tax on unremitted overseas earnings	**–**	(98)
Release of excess profits tax provision	**(21)**	–
Deferred tax asset recognised on major social projects	**(26)**	–
Non deductible items:		
Transfer pricing	**26**	22
Non deductible interest	**–**	6
Other non deductible expenses	**38**	74
Income tax expense attributable to continuing operations	**221**	203
Income tax attributable to discontinued operations	**(3)**	12
Total income tax expense	**218**	215

[1] The UK statutory income tax rate for January to March 2011 was 28.0% and for April to December 2011 was 26.0%, giving a weighted average full year rate of 26.5%.

Corporate income tax is calculated at 26.5% (2010: 28.0%) of the assessable profit for the year for the Company and its UK subsidiaries and 20.0% for the operating subsidiaries in Kazakhstan (2010: 20.0%). MKM, which is included as part of discontinued operations, has a tax rate of 28.5% (2010: 28.5%) which relates to German corporate income tax and trade tax.

The effective tax rate for continuing operations for 2011 is 13.6% (2010: 12.8%).

Kazakhstan corporate income tax ('CIT')

In 2010, new tax legislation was implemented such that the phased reduction in CIT, enacted in 2009, was removed and a flat rate of 20% would be maintained for future years.

Future tax charges are affected by the mix of profits and tax jurisdictions in which the Group operates. The lower CIT rate in Kazakhstan and the recognition of equity accounted earnings of ENRC and Ekibastuz GRES-1 on a post-tax basis will have the effect of significantly lowering the Group's overall future effective tax rate below the UK statutory corporate tax rate of 26%.

The following factors impact the Group's effective tax rate for the year ended 31 December 2011:

Transfer pricing

In June 2010, amendments to Kazakhstan's transfer pricing legislation were passed into law and were made largely retrospective from 1 January 2009. Under the new legislation, there is greater certainty over the use of LME and LBMA prices as the basis of market prices, quotation periods to be used for the sale and purchase of traded commodities and the acceptability of discounts with reference to LME/LBMA prices when transacting in traded commodities. Following the amendments to the transfer pricing legislation, the Group amended the intercompany sale and purchase contracts between the UK and Kazakhstan to largely reflect the amended legislation. Notwithstanding the revised intercompany sale and purchase contracts that were put in place and the amendments to the transfer pricing legislation, inconsistency still arises between the transfer pricing requirements in Kazakhstan and the UK. Consequently, certain of the Group's profits are taxed in both jurisdictions which places upward pressure on the Group's effective tax rate.

In addition, during 2010 and 2011, certain sales contracts entered into by Kazakhmys LLC with European and Russian customers included discounts applied to LME prices and quotation periods that were not fully acceptable under the amended Kazakhstan transfer pricing legislation and consequently, a provision was recognised of $3 million based on this anticipated exposure at 31 December 2011 (2010: $9 million).

Non-deductible expenses

Included within non-deductible expenses are the additional tax assessments and related fines and penalties, resulting from the completion of the tax audit conducted at Kazakhmys LLC for the years 2006 to 2008 inclusive in

August 2011. As a result, the Directors have made a provision for these additional tax assessments, which represents the Directors' best estimate of the amounts that are expected to be paid to settle this potential liability. The reversal of the provision for fines and penalties of $28 million relating to the release of the provision for excess profits tax (refer below) is non-taxable and offsets the upward pressure on the Group's effective tax rate arising from the non-deductible items relating to the tax audit. Other non-deductible items relate to on-going business expenses and impairment losses at Kazakhmys Mining.

Excess profits taxation

In August 2011, the tax authorities completed the audit of Kazakhmys LLC for the years 2006 and 2008 inclusive, with no additional claims being raised in respect of excess profits taxation (EPT). Subsequently, in October 2011 the Supreme Court of Kazakhstan issued a ruling that Kazakhmys LLC should not have been liable for excess profits tax in the periods up to and including 2008. As a result of the completed tax audit, which confirmed the EPT methodology adopted by the company for the years 2006 to 2008, together with a previous tax audit (for the years 2003 to 2005), along with the Supreme Court's ruling, the Directors believe that no further obligations exist in respect of EPT for the years 2003 to 2008. As a result, the EPT provision of $21 million recognised in earlier years relating to the uncertainties over the judgements that were made in respect of Kazakhmys LLC's methodology of computing EPT in the periods up to and including 2008 has been released at 31 December 2011. The total EPT provision recognised as at 31 December 2010 was $49 million, including $28 million related to fines and penalties.

Deferred tax asset on major social projects

In 2011, the Group determined that the cost of constructing the major social projects in Kazakhstan will be deductible against taxable profits in the future as a result of amendments in the tax legislation which were introduced in January 2011. The introduction of these amendments has resulted in the recognition of a $26 million deferred tax asset at 31 December 2011.

Equity accounting

The Group's interest in the earnings of ENRC and Ekibastuz GRES-1 LLP is included, net of tax, in the consolidated income statement in arriving at profit before taxation, thereby reducing the Group's effective tax rate.

The following additional factors impacted the Group's effective tax rate for the year ended 31 December 2010 only:

Non-deductible expenses

Included within non-deductible expenses are amounts of $39 million in respect of social expenditure incurred within Kazakhmys LLC that were in excess of the threshold allowable for tax deductibility under Kazakhstan tax legislation.

Non-deductible interest

The non-deductible interest of $6 million relates to interest on intercompany borrowings between the UK and Kazakhstan which are not deductible under UK tax legislation.

Unremitted overseas earnings

Prior to August 2010, it was intended that unremitted earnings amounting to $1,463 million would be distributed from Kazakhmys LLC by way of dividend payments to settle an intercompany loan balance existing between Kazakhmys LLC and a UK subsidiary of the Group. Following the completion of an internal restructuring programme at the end of August 2010, it was no longer expected that unremitted earnings within Kazakhmys LLC would be distributed by way of dividend as the intercompany loan balance was settled by alternative consideration. Consequently, the withholding tax provision of $98 million previously recognised as at 31 December 2009 relating to the payment of dividends from Kazakhmys LLC, which were to be used as settlement of the intercompany loan, was released.

11. Earnings per share

(a) Basic and diluted EPS

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

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

$ million	2011	2010
Net profit attributable to equity shareholders of the Company from continuing operations	**1,402**	1,389
Net (loss)/profit attributable to equity shareholders of the Company from discontinued operations	**(472)**	61
	930	1,450

Number	2011	2010
Weighted average number of ordinary shares of 20 pence each for EPS calculation	**533,794,387**	534,730,387
EPS – basic and diluted ($)		
From continuing operations	**2.63**	2.60
From discontinued operations	**(0.88)**	0.11
	1.75	2.71

(b) EPS based on Underlying Profit

The Group's Underlying Profit is the 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 resultant tax and minority interest effects, as shown in the table below. EPS based on Underlying Profit is calculated by dividing Underlying Profit by the number of ordinary shares of 20 pence each outstanding during the year. The Directors believe EPS based on Underlying Profit provides a more consistent measure for comparing the underlying trading performance of the Group.

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

$ million	2011	2010
Net profit attributable to equity holders of the Company from continuing operations	**1,402**	1,389
Special items:		
Subsidiary businesses		
Additional death and disability benefits obligation charges arising from new legislation enacted in Kazakhstan	**146**	–
Impairment charge against property, plant and equipment	**11**	13
Impairment reversal against mining assets	**(7)**	–
Provisions released against inventories	**(19)**	(18)
Major social projects	**–**	130
Associate		
Gain related to acquisition of joint venture	**–**	(77)
Acquisition related transaction (credit)/costs	**(1)**	19
Tax effect of non-recurring items		
Subsidiary businesses	**(2)**	(2)
Associate	**–**	–
Change in current and deferred tax liabilities:		
Deferred tax asset on additional death and disability benefits obligation	**(29)**	–
Deferred tax asset on major social projects	**(26)**	–
Release of deferred withholding tax liability	**–**	(98)
Change in tax rates in Kazakhstan:		
Subsidiary businesses	**–**	16
Associate	**–**	12
Underlying Profit from continuing operations	**1,475**	1,384
Net (loss)/profit attributable to equity holders of the Company from discontinued operations	**(472)**	61
Special items:		
Impairment charge against intangible assets – Kazakhmys Petroleum	**444**	–
Impairment charge against property, plant and equipment – MKM	**1**	26
Provisions against inventories – MKM	**8**	44
Loss on disposal of subsidiaries	**44**	–
Gain on disposal of share in subsidiary	**–**	(14)
Release of deferred tax liabilities resulting from the impairment of MKM	**(2)**	(12)
Underlying Profit from discontinued operations	**23**	105
Total Underlying Profit	**1,498**	1,489

Number	2011	2010
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	**533,794,387**	534,730,387
EPS based on Underlying Profit – basic and diluted ($)		
From continuing operations	**2.76**	2.59
From discontinued operations	**0.04**	0.20
	2.80	2.79

12. Dividends paid and proposed

(a) Dividends paid

The dividends paid during the year ended 31 December 2010 and 2011 are as follows:

	Per share US cents	Amount $ million
Year ended 31 December 2011		
Final dividend in respect of year ended 31 December 2010	**16.0**	**86**
Interim dividend in respect of year ended 31 December 2011	**8.0**	**43**
	24.0	**129**
Year ended 31 December 2010		
Final dividend in respect of year ended 31 December 2009	9.0	48
Interim dividend in respect of year ended 31 December 2010	6.0	32
	15.0	80

(i) Year ended 31 December 2011

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

On 4 October 2011, the Company paid an interim dividend of $43 million in respect of the year ended 31 December 2011 to shareholders on the register as at 9 September 2011.

(ii) Year ended 31 December 2010

On 18 May 2010, the Company paid the final dividend of $48 million in respect of the year ended 31 December 2009 to shareholders on the register as at 23 April 2010.

On 5 October 2010, the Company paid an interim dividend of $32 million in respect of the year ended 31 December 2010 to shareholders on the register as at 8 September 2010.

(b) Dividends declared after the balance sheet date

	Per share US cents	Amount $ million
Proposed by the Directors on 29 February 2012 (not recognised as a liability as at 31 December 2011):		
Final dividend in respect of the year ended 31 December 2011	20.0	106

13. Investment in joint venture

$ million	2011	2010
At 1 January	**742**	–
Recognition at fair value [1]	**–**	703
Share of profits from joint venture [2,3]	**100**	38
Net share of (losses)/gains of joint venture recognised in other comprehensive income [3]	**(4)**	1
At 31 December	**838**	742

[1] Fair value was determined by reference to the enterprise value of Ekibastuz GRES-1 LLP using a discounted cash flow basis at the date of acquisition (see note 3).
[2] Share of profits from joint venture is net of tax.
[3] Based on the financial statements for the period ended 31 December 2011 of Ekibastuz GRES-1 LLP.

The investment in joint venture relates to the Group's 50% shareholding in Ekibastuz GRES-1 LLP. The details of the acquisition of the joint venture are described in note 3.

The following is a summary of the financial information of the Group's investment in joint venture based on Ekibastuz GRES-1 LLP's financial statements for the period ended 31 December 2010 and 2011:

$ million	2011	2010
Share of joint venture's assets and liabilities		
Non-current assets	**522**	447
Current assets	**91**	67
	613	514
Non-current liabilities	**(95)**	(86)
Current liabilities	**(18)**	(24)
	(113)	(110)
Net assets	**500**	404
Carrying amount of the investment	**838**	742

$ million	2011	2010
Share of joint venture's revenue and profit		
Revenue	**233**	138
Operating profit	**126**	66
Net finance costs	**–**	(2)
Income tax expense	**(26)**	(26)
Profit for the period	**100**	38

14. 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 2010 and 2011.

$ million	2011	2010
Investment in associate		
At 1 January	**4,356**	3,869
Share of profits from associate [1,2]	**466**	522
Net share of (losses)/gains of associate recognised in other comprehensive income	**(109)**	27
Dividends received	**(113)**	(62)
At 31 December	**4,600**	4,356

1 Share of profits from associate is net of tax.
2 Based on ENRC's unaudited preliminary financial statements for the year ended 31 December 2011 published on 21 March 2012.

At 31 December 2011, the Group's 26.0% investment in ENRC had a market value of $3,289 million (31 December 2010: $5,431 million) which was determined by reference to the published price quotation on the London Stock Exchange. The carrying value of the Group's equity investment in ENRC exceeded the market value by an amount that the Directors deemed as significant as envisaged by IAS 39 'Financial instruments; recognition and measurement'. As a result, an impairment review was performed in accordance with IAS 36 'Impairment of assets', which concluded that no impairment was necessary as the recoverable amount of the ENRC investment, being its value-in-use, exceeded the carrying value. In determining the value-in-use of the ENRC investment, the Directors made estimates of the future cash flows to be generated by ENRC using publically available information on ENRC's production volumes and capital expenditure, inflation, exchange rates and commodity price forecasts.

The accounting period end of ENRC is 31 December.

The following is a summary of the financial information of the Group's investment in ENRC based on ENRC's published unaudited results:

$ million	2011	2010
Share of associate's assets and liabilities		
Total assets	**4,034**	3,723
Total liabilities	**(1,113)**	(1,114)
Net assets	**2,921**	2,609
Carrying amount of the investment	**4,600**	4,356

$ million	2011	2010
Share of associate's revenue and profit		

Revenue	**2,003**	1,717
Operating profit	**700**	659
Gain arising related to the acquisition of joint venture	**–**	77
Profit before finance items, taxation and share of profits from joint ventures and associates	**700**	736
Net finance costs and share of loss of joint ventures and associates	**(31)**	(8)
Income tax expense and non-controlling interests	**(203)**	(206)
Profit for the period	**466**	522

15. Share capital and reserves

(a) Allotted share capital

	Number	£ million	$ million
Allotted and called up share capital – ordinary shares of 20 pence per share			
At 1 January 2011 and 2010	535,240,338	107	200
Issuance of Company's share capital pursuant to acquisition of non-controlling interest in subsidiary	**177,623**	**–**	**–**
At 31 December 2011	**535,417,961**	**107**	**200**

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

(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.

At 31 December 2011, the Group, through the Employee Benefit Trust, owned 848,309 shares in the Company (2010: 617,204) with a market value of $12 million and a cost of $16 million (2010: $15 million and $11 million respectively).

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

On 25 August 2011, the Group announced a share buy-back programme of up to $250 million, the completion of which was subject to market conditions. The buy-back programme commenced on 27 September 2011 following receipt of regulatory and shareholder approval and by 31 December 2011, the Group had purchased 5,559,710 shares at a cost of $78 million. The bought back shares are held in treasury and have been accounted for as own shares. The cost of the shares is charged against retained earnings and no dividends are declared on these shares.

(c) Capital reserves

$ million	Reserve fund	Net unrealised gains reserve	Currency translation reserve	Capital redemption reserve	Hedging reserve	Total
At 1 January 2010	42	–	(1,040)	6	(2)	(994)
Exchange differences on retranslation of foreign operations [1]	–	–	31	–	–	31
Recycling of exchange differences on disposal of share in subsidiary	–	–	196	–	–	196
Share of gains of joint venture recognised in other comprehensive income	–	–	1	–	–	1
Share of gains of associate recognised in other comprehensive income	–	2	25	–	–	27
At 31 December 2010	42	2	(787)	6	(2)	(739)
Exchange differences on retranslation of foreign operations [1]	**–**	**–**	**(21)**	**–**	**–**	**(21)**
Recycling of exchange differences on disposal of subsidiary	**–**	**–**	**33**	**–**	**–**	**33**
Share of losses of joint venture recognised in other comprehensive income	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Share of losses of associate recognised in other	**–**	**(45)**	**(64)**	**–**	**–**	**(109)**

comprehensive income						
At 31 December 2011	**42**	**(43)**	**(843)**	**6**	**(2)**	**(840)**

[1] Of the $21 million (2010: $31 million) of foreign exchange differences recognised in the currency translation reserve for the year, $3 million (2010: $1 million) relates to discontinued operations.

(i) Reserve fund

In accordance with legislation of the Republic of Kazakhstan the reserve fund comprises prescribed transfers from retained earnings amounting to 15% of Kazakhmys LLC's charter capital.

(ii) Net unrealised gains reserve

The net unrealised gains reserve is used to record the fair value movements of available for sale investments within the Group's associate, ENRC.

(iii) Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries whose functional currency is not the US dollar into the Group's presentation currency.

(iv) Capital redemption reserve

As a result of the share buy-back programme undertaken in 2008, transfers are made from share capital to the capital redemption reserve based on the nominal value of the shares cancelled.

(v) Hedging reserve

The hedging reserve is used to record the fair value movements of derivative financial instruments that have been designated as cash flow hedges within the Group's associate, ENRC.

16. Borrowings

	Maturity	Average interest rate during the year	Currency of denomination	Current $ million	Non-current $ million	Total $ million
31 December 2011						
CDB facility [1] – US$ LIBOR + 4.80%	2023	5.24%	US dollar	**–**	**1,281**	**1,281**
Pre-export finance facility [1] – US$ LIBOR + 1.25%	2013	1.48%	US dollar	**525**	**87**	**612**
Revolving trade finance facility [2] – EURIBOR + 2.25%	2015	3.83%	Euro	**–**	**121**	**121**
				525	**1,489**	**2,014**
31 December 2010						
CDB facility [1] – US$ LIBOR + 4.80%	2023	5.32%	US dollar	–	688	688
Pre-export finance facility [1] – US$ LIBOR + 1.25%	2013	1.52%	US dollar	519	612	1,131
Revolving trade finance facility [2] – EURIBOR + 3.00%	2012	3.55%	Euro	61	130	191
				580	1,430	2,010

[1] Relates to continuing operations.
[2] Relates to discontinued operations (see note 5(a)).

(a) Continuing operations

Pre-export finance facility

On 29 February 2008 Kazakhmys Finance PLC ("Kazakhmys Finance"), a wholly owned subsidiary of the Company, signed a five year pre-export finance facility for $2,100 million with a syndicate of banks to be used for general corporate purposes, including the acquisition of the Ekibastuz GRES-1 power plant and Maikuben West coal mine and incremental purchases of shares in ENRC. As at 31 December 2010 and 2011, the facility was fully drawn. The loan is secured on the value of copper sales contracts with certain designated customers. Monthly loan repayments commenced in March 2009 and will continue through to February 2013 following a one year availability period. Arrangement fees with an amortised cost as at 31 December 2011 of $2 million (2010: $6 million), gross cost before amortisation of $26 million (2010: $26 million), have been netted off against these borrowings in accordance with IAS 39. Interest is payable on the drawn balance at a rate of US$ LIBOR plus 1.25%. Kazakhmys PLC, Kazakhmys LLC and Kazakhmys Sales Limited act as guarantors of the loan.

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, with the balance of $400 million remaining available over the next three years. 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.

The funds are available for drawing any time within a three year period and once drawn will attract interest semi-annually at an annualised rate of US$ LIBOR plus 4.8%. The loans have a final maturity of between 12 and 15 years from the first draw down and repayment of principal commences from the end of the third year following the first draw down under each facility.

As part of the financing package, the Company and JSC Kazakhtelecom ('Kazakhtel'), a subsidiary of Samruk-Kazyna, have provided a guarantee to CDB for a maximum of $2.0 billion of the $3.0 billion of loans made by CDB to Samruk-Kazyna (the 'Guarantee'). The Company's liability under the Guarantee is capped at $1.7 billion of principal plus 85% of any interest and any other duly payable costs and expenses. Any payments under the Guarantee will be netted off against payments to be made by Kazakhmys Finance under the loan agreements between it and Samruk-Kazyna. As the Guarantee is several and covers the separate $300 million loan made by CDB to Samruk-Kazyna (but not lent on for the benefit of the Group), the Company will be liable as to 85% of that amount (i.e. up to $255 million) if Samruk-Kazyna fails to make a payment due under that loan to CDB. Furthermore, the Company has granted a separate $2.7 billion parent company guarantee to Samruk-Kazyna, pursuant to which the Company guarantees repayment of all amounts lent by Samruk-Kazyna to Kazakhmys Finance, as is typical in such corporate loan facilities.

The guarantees under this financing package took effect on 1 March 2010 following receipt of confirmation from the UK Listing Authority that shareholder approval for the transaction was not required.

As at 31 December 2011, $1,300 million (2010: $700 million) was drawn under the facility agreements signed to date. Arrangement fees with an amortised cost as at 31 December 2011 of $19 million (2010: $12 million), gross cost before amortisation of $22 million (2010: $14 million), have been netted off against these borrowings in accordance with IAS 39.

The fair value of the Guarantee has been determined using a discounted cash flow analysis. The probability of a default by Samruk-Kazyna in respect of its obligations under the $3.0 billion financing line between Samruk-Kazyna and the CDB, with the consequence that CDB calls on the Guarantee, has been determined using the historical default rate for entities with Kazakhstan's sovereign rating as provided by a recognised credit rating agency. The cash flows that would result from such a default by Samruk-Kazyna have been discounted using a risk-free discount rate. The right to net off payments made by the Company to the CDB under the Guarantee against the balance payable by Kazakhmys Finance to Samruk-Kazyna under the financing line between these parties is governed by English law and has been assumed to be effective in the event of such a default by Samruk-Kazyna. Using this valuation basis, the fair value of the Guarantee is less than $5 million, an immaterial figure in the context of a financing line available to the Group of $2.7 billion.

Related party transaction

Samruk-Kazyna is an entity wholly owned and controlled by the Government of Kazakhstan, the ultimate owner and controller of a 26% stake in the Company. The transaction therefore constitutes a "related party transaction" for the purposes of the Listing Rules. Due to the size of the $255 million guarantee liability, the UK Listing Authority confirmed on 1 March 2010 that the transaction falls within the modified requirements for a "smaller related party transaction" set out in Listing Rule 11.1.10 (see note 19).

Revolving credit facilities

The Group has available several revolving credit facilities entered into by Kazakhmys Finance, for general corporate purposes and to provide standby liquidity. At 31 December 2011, facilities amounting to $250 million had maturity dates in March 2013 and a $50 million facility had a maturity date in September 2013, all of which were undrawn.

Undrawn general and corporate purpose facilities

$ million	2011	2010
Revolving credit facilities (within Kazakhmys Finance PLC)	**300**	300
Letter of credit and bank guarantee facilities (within Kazakhmys LLC)	**56**	70
	356	370

(b) Discontinued operations

Revolving trade finance facility

In May 2006 MKM entered into a revolving trade finance facility with a syndicate of banks for a four year loan to finance the repayment of external borrowings and intercompany balances due to Kazakhmys LLC, and to fund working capital. In June 2009 the facility was refinanced with a new €170 million facility for three years with a final maturity in June 2012 which attracted interest at a rate of EURIBOR plus 3.00%. On 21 July 2011, the facility was refinanced for a further four years with a final maturity in July 2015. The facility was also increased from €170 million to €220 million, with interest now payable on the drawn balance at a rate of EURIBOR plus 2.25%. The loan is secured over the inventories and receivables of MKM.

Undrawn facilities

$ million	2011	2010
Revolving trade finance facility (within MKM)	**101**	33

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

$ million	2011	2010
Profit before taxation from continuing operations	**1,623**	1,592
(Loss)/profit before taxation from discontinued operations	**(431)**	59
Interest income	**(8)**	(9)
Interest expense	**51**	56
Share-based payment	**4**	3
Depreciation and depletion	**233**	245
Amortisation	**3**	3
Share of profits from joint venture	**(100)**	(38)
Share of profits from associate	**(466)**	(522)
Impairment losses	**462**	84
Unrealised foreign exchange loss	**(3)**	21
Operating cash flows before changes in working capital and provisions	**1,368**	1,494
Increase in inventories	**(67)**	(145)
(Increase)/decrease in prepayments and other current assets	**(77)**	66
Decrease/(increase) in trade and other receivables	**78**	(107)
Increase in employee benefits	**154**	8
Increase in provisions	**20**	28
Increase in trade and other payables	**62**	107
Cash flows from operations before interest, income taxes and dividends from associate	**1,538**	1,451

Non-cash transactions

There were the following non-cash transactions:

- As stated in note 6(a)(v) the Group capitalised depreciation of $9 million (2010: $13 million) for property, plant and equipment and mining assets.
- The Group capitalised to intangible assets an amount of $nil (2010: $4 million) and de-recognised $6 million (2010: $7 million) relating to provisions for contractual reimbursements payable to the Government for geological information and social commitments.
- The reassessment of the site restoration and clean up provisions during the year has resulted in the capitalisation of $4 million (2010: $11 million) to property, plant and equipment, with a corresponding increase in the site restoration and clean up provisions.

18. Movement in net liquid funds/(debt)

$ million	At 1 January 2011	Cash flow	Attributable to discontinued operations	Net exchange translation	At 31 December 2011
Cash and cash equivalents	1,113	**(20)**	**4**	**5**	**1,102**
Current investments	356	**454**	**–**	**–**	**810**
Borrowings	(1,819)	**3**	**(70)**	**(7)**	**(1,893)**
Net liquid funds/(debt)	(350)	**437**	**(66)**	**(2)**	**19**

$ million	At 1 January 2010	Cash flow	Attributable to discontinued operations	Net exchange translation	At 31 December 2010
Cash and cash equivalents	903	182	29	(1)	1,113
Current investments	58	298	–	–	356
Borrowings	(1,650)	(283)	102	12	(1,819)
Net debt	(689)	197	131	11	(350)

19. Related party disclosures

(a) Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial period:

$ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Companies under trust management [1]				
2011	**13**	**7**	**52**	**–**
2010	13	8	47	2
Other [1]				
2011	**2**	**25**	**10**	**1**
2010	3	23	7	2

[1] A provision of $53 million (2010: $47 million) has been set against the amounts owed by related parties. The bad debt expense in relation to related parties was $6 million for the period (2010: $4 million).

(i) Government

Share ownership in the Company

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

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

Following the purchase of 5,559,710 of the Company's shares under the share buy-back programme which commenced in September 2011, the Government's shareholding has increased to 26.3% as at 31 December 2011.

Sale of 50% of Ekibastuz GRES-1 LLP to Samruk-Kazyna

In December 2009 it was announced that the Group had agreed to dispose of 50% of Ekibastuz GRES-1 LLP, a 100% owned subsidiary within the Kazakhmys Power division, to Samruk-Kazyna, for consideration of $681 million. The transaction completed on 26 February 2010 (see note 3).

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

As explained in note 16, the Group secured a $2.7 billion financing line with Samruk-Kazyna and the CDB. The terms and conditions of the financing line, including a guarantee issued by the Group over the debt obligations of Samruk-Kazyna to the CDB under the financing line, are considered to be on an arm's length basis.

Other transactions

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

- they were done in the ordinary course of business of the Government department and/or company;
- there is no choice of suppliers; and
- they have terms and conditions (including prices, privileges, credit terms, regulations etc) that are consistently applied to all entities, public or private.

The Group did not have any material or significant non-arm's length or privileged transactions with entities controlled by the Government.

Dividend payment

The Government's share of the dividend paid by the Company in 2011 was $34 million (2010: $12 million).

(ii) ENRC

In 2011 the Group received dividends of $113 million from ENRC, the associated undertaking (2010: $62 million).

(iii) Companies under trust management agreements

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

(iv) 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.

20. Events after the balance sheet date

(a) Post year-end dividend

The Directors recommend a final ordinary dividend in respect of the year ended 31 December 2011 of 20.0 US cents per share. Subject to approval of shareholders at the Annual General Meeting to be held on 11 May 2012, this dividend shall be paid on 15 May 2012.