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26 February 2015

KAZ MINERALS PLC AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

- **Restructuring completed 31 October 2014**
  - Disposal Assets transferred to Cuprum Holding
  - Company re-named KAZ Minerals PLC
  - Repositioned as a low cost, high growth copper miner

- **Operational highlights – continuing operations**
  - Copper cathode production +9% to 83.5 kt, upper end of guidance (2013: 76.8 kt)
  - Silver and zinc by-products in line or ahead of guidance
  - First shipment of concentrate from Bozymchak copper-gold project

- **Financial highlights – continuing operations**
  - EBITDA from continuing operations (excluding special items) $355 million (2013: $359 million), with cost measures offsetting lower revenues
  - H2 2014 net cash cost of 107 USc/lb benefiting from the tenge devaluation, strong cost management and zinc by-product credits

- **Balance sheet**
  - Received $1.25 billion proceeds from sale of stake in Ekibastuz GRES-1
  - Refinanced PXF facility, fully drawn at $349 million
  - Year end net debt $962 million
  - Undrawn facilities of $798 million and gross funds of $2,130 million as at 31 December 2014

- **Major growth projects on track**
  - Bozshakol expected to commence commissioning with limited production in the fourth quarter of 2015
    - Capital expenditure in 2014 $0.5 billion, remaining $0.9 billion to be spent in 2015
  - Aktogay oxide on course for production in the fourth quarter of 2015, sulphide in 2017
    - Capital expenditure $0.4 billion in 2014, expenditure in 2015 expected to be $0.5-$0.7 billion
  - Acquired Koksay, our third major growth project for total consideration of $260 million including $35 million deferred to 2015

- **2015 outlook**
  - 2015 copper cathode production guidance for East Region and Bozymchak 80-85 kt
  - By-product grades expected to be temporarily lower in East Region
  - 2015 gross cash cost guidance of 280–300 USc/lb for operating mines

$ million (unless otherwise stated)	**2014**	2013
Continuing operations		
Revenues	**846**	931
EBITDA (excluding special items)	**355**	359
Underlying Profit	**86**	102
EPS - based on Underlying Profit[1] ($)	**0.19**	0.20
Gross cash cost[2,4] (USc/lb)	**257**	278
Net cash cost[3,4] (USc/lb)	**85**	87
Discontinued operations		
EBITDA (excluding special items)[5]	**201**	790
EPS - based on Underlying Profit[1] ($)	**(0.18)**	0.17
Group		
EBITDA (excluding special items)[6]	**556**	1,149
Free Cash Flow[7]	**(31)**	(171)
EPS - basic and diluted[8] ($)	**(5.28)**	(3.96)
EPS - based on Underlying Profit[1] ($)	**0.01**	0.37

1 Reconciliation of EPS based on Underlying Profit is found in note 11(b).
2 Continuing operations cash operating costs excluding mineral extraction tax, divided by copper cathode sales volumes.
3 Continuing operations cash operating costs excluding mineral extraction tax less by-product revenues, divided by copper cathode sales volumes.
4 The East Region's full year unit cash costs as reported include the operations prior to their economic separation, a period in which only directly attributable costs are accounted for. In the second half of 2014, the most representative period of the performance of the East Region as a stand-alone business, gross cash costs for continuing operations were 277 USc/lb and net cash costs were 107 USc/lb.
5 EBITDA (excluding special items) from discontinued operations comprises Disposal Assets only in 2014 and in 2013 comprises EBITDA from Disposal Assets of $363 million, MKM EBITDA loss of $2 million, Ekibastuz GRES-1 EBITDA of $153 million, and share of EBITDA from ENRC of $276 million.
6 Group EBITDA (excluding special items) comprises EBITDA (excluding special items) from continuing operations and EBITDA (excluding special items) from discontinued operations.
7 Net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects, less sustaining capital expenditure on tangible and intangible assets.
8 Group basic and diluted EPS includes net loss on divestment of the Disposal Assets ($2.3 billion) and profit on disposal of Ekibastuz GRES-1 ($0.2 billion).

Oleg Novachuk, CEO said: "2014 was a year of transformational change for the Group. We successfully completed our Restructuring in October 2014 and this has repositioned KAZ Minerals on the global cost curve, retaining a portfolio of first and second quartile operating and development assets. We are excited to be entering the final stages of the construction of Bozshakol, the first of our major growth projects, and continuing the development of Aktogay. We anticipate the copper market will return to deficit as we ramp up output from our major growth projects."

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NOTES TO EDITORS

KAZ Minerals PLC ("KAZ Minerals") is a high growth copper company focused on large scale, low cost, open-pit mining in Kazakhstan. It is a leading copper producer in Kazakhstan with five operating mines and four concentrators. In 2014, total copper cathode output from continuing operations was 84 kt. The Group's continuing operations also produced 121 kt of zinc in concentrate, 3,435 koz of silver and 35 koz of gold in 2014.

The Group has two major copper projects under construction, Bozshakol and Aktogay, and a third, Koksay, at scoping stage. These projects are expected to deliver one of the highest growth rates in the industry and transform KAZ Minerals into a company dominated by world class open-pit copper mines.

KAZ Minerals PLC is listed on the London Stock Exchange, the Kazakhstan Stock Exchange and the Hong Kong Stock Exchange and employs around 10,000 people, principally in Kazakhstan.

FORWARD-LOOKING STATEMENTS

Certain statements included in these results contain forward-looking information concerning KAZ Minerals' strategy, business, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which KAZ Minerals 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 KAZ Minerals' control or can be predicted by KAZ Minerals.

Although KAZ Minerals 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 KAZ Minerals 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, KAZ Minerals undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

ANNUAL GENERAL MEETING

The 2015 Annual General Meeting will be held at 12.15pm on Thursday 7 May 2015 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED, United Kingdom.

The 2014 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.kazminerals.com) in early April 2015.

CHAIRMAN'S STATEMENT

Continuing our transformation

In 2014 we successfully completed a major restructuring of our operations which has accelerated the transformation of our business into a high growth miner focused on large scale, low cost, open-pit copper extraction in Kazakhstan. Following the disposal of non-core assets of ENRC PLC and MKM in 2013, the sale of our 50% holding in Ekibastuz GRES-1 and the Restructuring in 2014, KAZ Minerals has retained a portfolio of highly competitive assets and is well positioned to deliver one of the highest growth profiles in the industry.

Restructuring

Over the past few years, a combination of declining grades, cost inflation and lower commodity prices had put significant pressure on the Group's profitability and cash generation. An optimisation programme and asset review was undertaken in response to these pressures which achieved cost savings and reductions in sustaining capital expenditure. However, it became clear that a number of the Group's mature assets in the Zhezkazgan and Central Regions would struggle to meet their own ongoing investment needs and return to making a positive overall contribution to Group cash flow. These mature assets required significant further investment to extend their operational lives. Such investment was incompatible with the Group's existing spending commitments on the major growth projects.

A restructuring proposal was developed with the objective of achieving sustainable positive cash flow from existing operations whilst supporting the development of the major growth projects. Under the proposal, the Zhezkazgan and Central Region assets, which included relatively mature underground mines, concentrators, power plants and copper smelters, would be separated from the Group and divested to Cuprum Holding, a vehicle owned by the Company's major shareholder and non-executive Director, Vladimir Kim and the Company's then executive Director Eduard Ogay. Vladimir Kim and Eduard Ogay's knowledge of the assets, understanding of the operating environment and standing in Kazakhstan made a disposal to Cuprum Holding the most attractive and feasible route for the Group to exit from these operations.

The restructuring proposal was put to shareholders in a circular dated 23 July 2014, with a unanimous recommendation from the independent Directors of the Company who had received a fairness opinion from two investment banks. The Restructuring was overwhelmingly approved on 15 August 2014 by independent shareholders and under the terms of the Restructuring the Disposal Assets were economically separated from the continuing operations from 1 August 2014.

In light of the past performance and future outlook of the Disposal Assets, the Restructuring included a cash payment from the Group to Cuprum Holding to cover the working capital requirements of the Disposal Assets. On 31 October 2014, the Disposal Assets left the Group with net funds of $188 million.

A transaction of this scale, separating a previously integrated business, has been complex, however we were able to complete the Restructuring ahead of our expectations. I am very grateful for the hard work and commitment of staff involved on both sides of the transaction which made this possible. The Company has been renamed "KAZ Minerals PLC" and the assets transferred to Cuprum Holding will continue to operate under the trading name of "Kazakhmys".

A key objective of the Restructuring was to create two separate, independent businesses with no shared management. However, there are certain services which Cuprum Holding will continue to provide where it is in the interests of KAZ Minerals. These services, which are subject to the UK Listing Authority regulations on related party transactions, are provided on an arm's length basis and were approved by independent shareholders on 15 August 2014. The most significant service is for Cuprum Holding to smelt and refine concentrate from the mines in the East Region and Bozymchak at the Balkhash smelter under a tolling agreement.

The Disposal Assets are now under an ownership structure which is better positioned to address the specific challenges that they face. We wish Vladimir Kim, Eduard Ogay and all of our former colleagues every success in the future.

Following the Restructuring, KAZ Minerals retains four mines and associated concentrators in the East Region, the Bozymchak copper and gold mine and concentrator in Kyrgyzstan and the major growth projects of Bozshakol, Aktogay and Koksay.

Board changes

There have been two changes to the Board of Directors of the Company in 2014. At the end of October 2014, Eduard Ogay, the Chief Executive Officer of Kazakhmys Corporation LLC and a Director of Kazakhmys PLC, left the Company to assume a new position at Cuprum Holding managing the Disposal Assets, and is no longer an employee or Director of KAZ Minerals PLC. The Group's Chief Financial Officer, Andrew Southam, joined the Board of Directors on 1 November 2014. I would like to take the opportunity to wish both of them the very best of luck in their new roles and to thank Eduard for his contribution over his 13 years of service including eight years as Chief Executive Officer of Kazakhmys Corporation LLC. The Board continues to be compliant with the UK Corporate Governance Code's independence recommendations with a total of nine directors, of whom five are independent.

Lord Renwick of Clifton has indicated his intention to step down as a Director of the Group with effect from the Annual General Meeting on 7 May 2015. I would like to thank Robin on behalf of the Board and all of our colleagues in KAZ Minerals for the immense contribution he has made to the Group since 2005. Robin was one of the first independent non-executive Directors to join the Board and was instrumental to the Group's Listing in 2005. His trusted counsel in the fields of diplomacy, mining and capital markets has been invaluable to the Group, coupled with his understanding of the economic and cultural aspects of operating in Kazakhstan. He will be greatly missed.

I am also pleased to report the appointment of John MacKenzie, who will be joining the Board as a non-executive Director with effect from 1 March 2015. As the former CEO of Copper for Anglo American, John brings extensive experience of the copper mining industry and we look forward to him joining us.

Health, safety and environment

We continue to be committed to improving our health and safety performance, both in our producing assets and at the major growth projects. It is with deep regret that I must report a total of 13 fatalities across the Group in the year to 31 December 2014. Seven of these fatalities occurred at the Disposal Assets between 1 January and 31 October, whilst six occurred at the continuing operations in the 12 months to 31 December 2014. The number of fatalities has fallen significantly over the past few years, however, we view every fatality as avoidable and unacceptable and the Board continues to work towards our target of zero fatalities. The reduction in scale of the Group's operating assets following the Restructuring and the start-up of the major growth projects provides the opportunity for more rapid improvements to our safety culture and working practices.

Following the Restructuring, we no longer own or operate smelting or power generation assets, which reduces the Group's direct CO_2 emissions and other harmful emissions to air. Energy consumption, water usage and waste generation have also reduced as a result of the Restructuring, but will continue to be high priority areas for our East Region environmental programme. There are a number of ongoing initiatives to address water usage and tailings management. We are committed to managing our direct environmental impacts carefully and continue to seek to ensure our operations and those of our partners minimise harm to the environment and the communities around us. The Corporate Responsibility section of this report and our website contain more details on our approach and performance.

Operational and financial performance in 2014

Copper prices during the year came under pressure due to markets anticipating a global supply surplus in 2014 and the near-term, although a consensus is emerging that the market may return to deficit from 2017 as mines mature and average grades reduce across the industry.

The continuing operations produced 83.5 kt of copper cathode in 2014, generating revenues of $846 million and EBITDA (excluding special items) of $355 million.

As a result of the completion of the Restructuring, the Group recognised an accounting charge of $2.3 billion in 2014 in respect of the Disposal Assets, which includes $0.7 billion for the recycling of historic foreign exchange losses.

Major growth projects

I am pleased to report continued progress at Bozshakol, the first of our major growth projects, and that it is on schedule to commence commissioning in the fourth quarter of 2015. We began training production personnel, as planned, in December 2014 in advance of pre-production mining commencing in the first half of 2015. The final phase of construction and equipment installation works can now be accelerated as we emerge from the winter period.

Our second project, Aktogay, is also in the construction phase and works are proceeding on schedule. Production from the oxide ore at Aktogay is expected in the fourth quarter of 2015 and output from the main sulphide ore body will begin in 2017.

In 2014 we added a third project to our portfolio with the acquisition of Koksay for a total consideration of $260 million, of which $35 million is deferred to 2015 dependent on drilling results. Koksay has the potential to be another large scale, low cost, open-pit copper mine in Kazakhstan, similar to the Bozshakol and Aktogay projects, providing additional growth in the longer-term.

Dividends

Our dividend policy, established at the time of Listing, is for the Board to consider the cash generation and financing requirements of the business and then recommend a suitable dividend. This maintains flexibility which is appropriate given the underlying cyclicality of a commodity business. Given the financing requirements of the major growth projects during their construction, the Board does not recommend a dividend at this time. It is however the Board’s intention that the Group resumes dividend payments in the future. The Group has a strong record of payments to shareholders with returns of $2,095 million in ordinary dividends, buybacks and special dividends since its Listing in 2005.

Outlook

2015 will be an important year for KAZ Minerals as we will commence the commissioning of Bozshakol, the first of our major growth projects, in the fourth quarter. By 2018, we expect to be producing around 300 kt of copper in concentrate, with 80% of Group production coming from new, large scale, low cost, open-pit mines. I look forward to updating shareholders as we continue the transformation of the Group.

CHIEF EXECUTIVE'S REVIEW

Restructured operations

The Group underwent significant change in 2014. We announced in February 2014 that we were assessing the feasibility of separating the Zhezkazgan and Central Region assets with a view to a potential disposal, a transaction we successfully completed in October 2014. The transfer of the relatively mature Zhezkazgan and Central Region to Cuprum Holding has repositioned KAZ Minerals on the cost curve as we have retained a portfolio of first and second quartile operating and development assets. The reduction in operating mines from 16 to five, the disposal of four concentrators, the captive power stations and smelting operations leaves KAZ Minerals a more cash generative and leaner business with a workforce of less than 10,000, a reduction from 53,000 at the start of 2014.

Restructuring

The financial implications of the separation for KAZ Minerals are substantial. The producing assets we have retained in the East Region accounted for over half of the Group's EBITDA prior to the Restructuring, but less than one third of the Group's copper production. The average copper grade mined by the continuing operations in 2014 was 2.35% compared to 0.83% in the Disposal Assets, with much lower sustaining capital expenditure requirements.

The separation of a vertically integrated business was complex and involved the appointment of a new management team to oversee the East Region assets, changes to business processes, the establishment of standalone IT systems as well as extensive legal and regulatory work. Throughout this period, great importance was placed on maintaining effective communication with key stakeholders including our employees and the Government of Kazakhstan. I am pleased to report that the teams on both sides of the transaction were able to work efficiently and diligently to complete the transaction on 31 October 2014, ahead of our initial expectation. I extend my personal thanks for their response to this challenge.

Health and safety

Health and safety performance remained an absolute priority for management throughout the year. Regretfully, we reported 13 fatalities at our operations, seven of which were at assets subsequently disposed of in the Restructuring. No fatality is ever acceptable and we still require significant progress in this critical area. I will continue to work closely with our site management to deliver on our zero fatality commitment.

As the construction of Bozshakol intensifies, a particular challenge is ensuring that contractors operate in accordance with the safety standards required by KAZ Minerals at its sites. Unfortunately, two contractor fatalities occurred at the project early in 2014. However, the project subsequently completed three million man hours, over 176 days, without a lost-time injury.

We have a number of health and safety initiatives underway in the East Region including a comprehensive external review of our underground mining operations. The hiring, training and operating procedures at the major growth projects have been designed to ensure that a strong health and safety culture is present from the start. We intend for the major growth projects to be safety ambassadors within the Group and they will share best practice with East Region and Bozymchak management.

Review of operations – continuing operations

We produced 83.5 kt of copper cathode from continuing operations in 2014, an increase of 9% year on year and at the upper range of our guidance of 80-85 kt. Copper in concentrate production was 4% higher compared to 2013, supported by a modernisation programme at the Nikolayevsky concentrator which has increased recovery rates. Bozymchak, our new copper-gold project in Kyrgyzstan, made its first shipment of concentrate in December 2014.

Following the Restructuring, copper concentrate is smelted under a tolling arrangement with Cuprum Holding at the Balkhash smelter. Balkhash remains the most attractive option for the smelting of concentrate from the East Region and Bozymchak mining operations.

By-product output from continuing operations declined in 2014 with zinc, silver and gold production falling due to lower metal grades in the East Region. In 2015 we expect by-product output in the East Region to reduce further as mining temporarily moves to lower by-product grade areas.

Copper cathode production guidance for the East Region and Bozymchak in 2015 is 80-85 kt. Zinc in concentrate output will decline to 90-95 kt and silver output is expected to be between 2,250-2,500 koz. Gold output is anticipated to increase to 42-47 koz in 2015, assisted by the ramp up of Bozymchak.

Review of operations – Disposal Assets

The Group owned and operated the Disposal Assets for the first 10 months of the year before completion of the Restructuring on 31 October 2014. In the 10 months to 31 October 2014, the Disposal Assets produced 171 kt of copper cathode equivalent. Further details of the Disposal Assets' performance until the date of disposal can be found in the Operating Review.

Financial performance

KAZ Minerals' revenues from continuing operations declined from $931 million in 2013 to $846 million in 2014, as a result of lower metals pricing and metals sales in 2014. Copper cathode sales volumes of 78.2 kt were below production volumes of 83.5 kt due to movements in finished goods inventory.

The cash costs of the Group have been significantly reduced as a result of the divestment of the higher cost Disposal Assets. The East Region's full year unit cash costs as reported include the operations prior to their separation, a period in which only directly attributable costs are accounted for. In the second half of 2014, the most representative period of the performance of the East Region as a stand-alone business, gross cash costs for continuing operations were 277 USc/lb and net cash costs were 107 USc/lb. The second half net cash cost compares favourably with the guidance of 120-140 USc/lb for the East Region as a stand-alone business, as management were successful in mitigating inflationary pressures and due to strong zinc by-product credits. In 2015, gross cash costs are expected to be between 280 and 300 USc/lb for operating mines.

EBITDA (excluding special items) from continuing operations was broadly unchanged at $355 million in 2014 as lower costs offset the 9% fall in revenues.

Sustaining capital expenditure for continuing operations was $53 million in 2014, slightly below the anticipated spend as some investments have been carried forward into 2015. Sustaining capital expenditure in 2015 for the East Region is expected to be $80-$100 million. The Bozymchak mine is forecast to require around $25 million of capital expenditure in 2015 and the Group may invest up to $20 million to develop a new section of the Artemyevsky mine.

The Group has recognised a loss on disposal on completion of the Restructuring of $2.3 billion, which includes $0.7 billion from the recycling of foreign exchange reserves and a net gain of $207 million following the completion of the sale of Ekibastuz GRES-1.

Bozshakol

Bozshakol will be the first of our major growth projects to enter production. In 2014, we completed the construction of the main concentrator building which was enclosed for internal equipment installation to continue during the winter period. The permanent camp was completed and is now housing workers. The primary crusher structural works have been completed and the conveyor steelwork has been assembled. A rail link to the national Kazakhstan network is in place and mining equipment has been delivered to the site and is assembled for use. Capital expenditure in 2014 was $0.5 billion, taking the total capital expenditure on the project as at 31 December 2014 to $1.3 billion.

The project is scheduled to commence commissioning in the fourth quarter of 2015. Training for mining operational teams commenced in December 2014 and will continue in 2015, with pre-production mining scheduled to start in the first half of 2015. We expect limited production from Bozshakol in the fourth quarter with ramp-up occurring in 2016. In 2015, we will invest the remaining $0.9 billion of the $2.2 billion capital expenditure budget for the project.

Aktogay

The Aktogay project is proceeding to plan and will be the second of our major growth projects to commence production. In 2014, excavations and earthworks were undertaken on the site of the main sulphide concentrator building and leach pads were prepared for the oxide phase of the production. Construction commenced on two SX/EW buildings which will process the leached ore. Non Ferrous China was appointed as the lead contractor for the construction of the sulphide processing plant and more than 25 smaller local contractors were appointed to conduct other works. Following the award of the largest construction contract to Non Ferrous China, the capital cost of the Aktogay project was confirmed at $2.3 billion. Capital expenditure in 2014 amounted to $0.4 billion, taking total spend on the project as at 31 December 2014 to $0.9 billion. Capital expenditure in 2015 is expected to be $0.5-$0.7 billion.

In 2015 pre-stripping of the oxide ore cap will continue and the first production from oxide ore is expected to commence in the fourth quarter. Output from oxide is expected to be around 15 kt per annum. Earthworks and construction of the oxide and sulphide processing buildings will continue in 2015. Production from the main sulphide ore body is scheduled to commence in 2017.

Koksay

In 2014, we acquired the licence for a third major growth project at Koksay and a confirmatory drilling programme was undertaken to gather more information on the ore body. Further drilling and studies will be performed in 2015. Capital expenditure at Koksay in 2014 was $4 million and in 2015 is not expected to exceed $15 million.

Financial position

As at 31 December 2014 the Group's net debt position was $962 million, consisting of $2,130 million of gross funds and $3,092 million of borrowings. Undrawn debt facilities of $798 million were available as at 31 December 2014. The major growth projects are securely funded by our long-term debt facilities and funds on hand.

Outlook

Looking forward, we are excited to be entering the final stages of the construction of Bozshakol and continuing the development of Aktogay. We are confident in the outlook for copper and expect the market to return to deficit as we ramp up output from our major growth projects.

OPERATING REVIEW

REVIEW OF MINING OPERATIONS

Following the completion of the Restructuring, the Group has disposed of 12 copper mines, four concentrators, two smelters and two coal mines based in the Zhezkazgan and Central Regions. The operational and financial performance of these mining Disposal Assets was previously reported within the Mining Division. As the Disposal Assets have been treated as a discontinued operation in the Group's financial statements, the operational and financial performance of the mining Disposal Assets have been reported separately from the continuing operations.

The continuing operations incorporate the Group's mining, concentrating and auxiliary operations in the East Region, the Bozymchak mine, the major growth projects, and the sales operation in the United Kingdom.

East Region and Bozymchak Production Summary

Copper

kt (unless otherwise stated)	**2014**	2013
Ore output[1]	**4,628**	4,350
Copper grade (%)	**2.35**	2.41
Copper in ore mined	**108.7**	104.7
Copper in concentrate[1]	**89.9**	86.8
Copper cathode production[1]	**83.5**	76.8

[1] Includes output from the commissioning of Bozymchak in 2014.

Ore extraction from the East Region and Bozymchak increased to 4,628 kt in 2014, 6% above the prior year. The increase was primarily due to additional output from the commissioning of Bozymchak during 2014. Ore production from the mature Yubileyno-Snegirikhinsky mine was lower in 2014 with the mine expected to cease operation within the next two years. Ore output from the Orlovsky and Artemyevsky mines was consistent with the prior year and they produced 74% of the continuing operations' copper in ore in 2014.

The average copper grade of 2.35% was below the prior year, reflecting the additional output from Bozymchak at a grade of 1.00% and the declining grades at Yubileyno-Snegirikhinsky as the mine matures. Copper in ore output benefited from the mining of copper rich sections at Orlovsky in the first half of 2014 with grades exceeding 3.80% before reducing to just above 3% by the end of the year. The average copper grade at Artemyevsky was also higher at an average of 1.78% compared to 1.68% in the prior year.

The continuing operations extracted 108.7 kt of copper in ore in 2014 which was 4% above the prior year with the additional output from Bozymchak and the higher copper grades at Orlovsky and Artemyevsky.

The volume of copper in ore processed at the concentrators of 102.1 kt in 2014 was similar to the prior year despite the 4 kt increase in copper in ore extracted. This was due to the build up in ore stockpiles at the Bozymchak concentrator during its commissioning and the modernisation works at the Nikolayevsky concentrator which restricted the capacity of the processing plant during the first half of 2014. Compared to the prior year, the volume of ore processed at the Nikolayevsky concentrator increased in 2014 with a reduction in ore processed externally.

kt	**2014**	2013
Orlovsky concentrator	**50.7**	47.6
Nikolayevsky concentrator	**27.8**	14.5
Other[1]	**10.7**	24.7
Bozymchak concentrator	**0.7**	–
Copper in concentrate production	**89.9**	86.8

[1] Includes third party processing.

Copper in concentrate production in 2014 was 3.1 kt above the prior year reflecting the improvement in recovery rates at the Nikolayevsky concentrator as a result of modernisation work and initial output from Bozymchak of 0.7 kt.

Copper cathode production increased by 6.7 kt to 83.5 kt in 2014 with the additional copper in concentrate output of 3.1 kt and as cathode production in the prior year was also negatively impacted by the build up of work in progress.

Copper cathode production from the East Region and Bozymchak is anticipated to be between 80 kt and 85 kt in 2015. Ore extraction and grades at Orlovsky and Yubileyno-Snegirikhinsky are expected to be below the level in 2014 but this will be offset by higher copper output from Bozymchak.

Zinc

kt (unless otherwise stated)	2014	2013
Zinc bearing ore mined	**4,202**	4,350
Zinc grade (%)	**4.07**	4.16
Zinc in ore mined	**171.1**	180.7
Zinc in concentrate	**121.4**	133.8

The East Region extracted 171.1 kt of zinc in ore in 2014, a decrease of 9.6 kt when compared to the prior year. The decline in the zinc in ore mined was driven by the lower volume of ore extracted along with the decline in zinc grades at all the mines, except Orlovsky where zinc rich zones were exploited in 2014.

Zinc in concentrate production of 121.4 kt in 2014 was 12.4 kt below the prior year reflecting the lower volume of zinc in ore mined and the stockpiling of ore while modernisation works took place at the Nikolayevsky concentrator.

Zinc in concentrate production from the East Region is expected to be between 90 kt and 95 kt in 2015, as zinc grades at Artemyevsky and Orlovsky decrease from the level achieved in 2014 as production temporarily moves to lower grade areas.

Silver

koz (unless otherwise stated)	2014	2013
Silver bearing ore mined (kt)	**4,628**	4,350
Silver grade (g/t)	**54.54**	63.87
Silver in ore mined	**8,117**	8,933
Silver in concentrate	**3,862**	5,164
Silver granule	**3,435**	4,685

The continuing operations mined 8,117 koz of silver in ore in 2014. This was 816 koz below the prior year with the fall in silver grades at Artemyevsky which more than offset the higher grades at Orlovsky. The average silver grade of 54.54 g/t was also below the prior year as a result of the additional ore output from Bozymchak at a below average silver grade of 10.07 g/t.

The continuing operations produced 3,435 koz of silver granule in 2014 which was 1,250 koz below the prior year due to the lower volume of silver in ore mined and a decrease in recovery rates at the concentrators with the processing of lower grade material.

Silver granule production from the East Region and Bozymchak is expected to be between 2,250 koz and 2,500 koz in 2015. The decline in silver production is principally due to the anticipated fall in grades at Orlovsky and Artemyevsky where mining is temporarily moving to lower grade zones.

Gold

koz (unless otherwise stated)	2014	2013
Gold bearing ore mined (kt)	**4,628**	4,350
Gold grade (g/t)	**0.91**	0.86
Gold in ore mined	**135.4**	120.5
Gold in concentrate	**39.5**	46.9
Gold bar	**34.6**	48.6

The continuing operations produced 135.4 koz of gold in ore in 2014. The gold in ore extracted was 14.9 koz above the prior year as the 25 koz of additional gold output from Bozymchak was partially offset by a decrease in gold grades at Artemyevsky and declining ore output from Yubileyno-Snegirikhinsky.

Gold bar production of 34.6 koz in 2014 was 14.0 koz below the prior year as the higher volume of gold in ore extracted was offset by the build up of ore stockpiled at Bozymchak during the commissioning of the concentrator in 2014. Gold bar production in 2013 also benefited from the release of gold work in progress at processing facilities.

Gold bar production for the East Region and Bozymchak is expected to be between 42 koz and 47 koz in 2015. This is above the levels in 2014 as higher production from Bozymchak offsets the decline in grades at Orlovsky and Artemyevsky.

East Region Financial Summary

$ million (unless otherwise stated)	2014	2013
Sales revenues:	**846**	931
Copper cathode	**550**	589
Zinc concentrate	**144**	143
Silver granule	**78**	106
Gold bar	**44**	63
Other	**30**	30
Average realised price of copper cathode ($/t)	**7,040**	7,231
EBITDA (excluding special items)	**403**	432
Gross cash costs (USc/lb)	**257**	278
Net cash costs (USc/lb)	**85**	87
Capital expenditure	**55**	75
Sustaining	**53**	72
Expansionary	**2**	3

Revenues

The revenues generated by the East Region decreased by 9% or $85 million in 2014 to $846 million. The 9% fall in revenues primarily reflected the weaker pricing environment on the LME and LBMA markets for copper, gold and silver products and lower copper cathode and precious metal sales volumes in 2014.

Revenue from copper cathode sales fell by 7% to $550 million in 2014, driven by a 3% decrease in realised prices and a 4% decline in sales volumes. The average realised price for copper cathode sales reduced to $7,040 per tonne with the lower average LME copper price during 2014. The realised copper cathode price was above the average LME copper price of $6,862 per tonne in 2014 mainly due to the timing of the sales and the premium received on the sale of copper cathode to reflect the terms of trade.

The East Region sold 78.2 kt of copper cathode in 2014 which was 4% below the levels in the prior year and 5.3 kt less than the volume produced in 2014. Sales volumes in 2014 were negatively impacted by the build-up of finished goods due to the low inventory levels at the start of 2014 and delays to shipments across the Chinese border at the end of the year.

Revenue from the sale of zinc concentrate was consistent with the prior year as higher prices offset the decline in sales volumes. The realised price for zinc concentrate sales rose by 13% to $1,185 per tonne of contained zinc content in 2014, mirroring the rise in the average LME zinc price to $2,164 per tonne. Zinc concentrate sales are priced by reference to the LME zinc price less processing charges. Zinc concentrate sales fell by 11% to 121.9 kt, mainly due to the 9% decline in production in 2014.

Silver granule revenues fell by $28 million to $78 million in 2014 principally due to the 23% reduction in the average realised price for silver in 2014. Sales of silver granule were 4% below the prior year at 4,224 koz with the 27% decline in production offset by the release of inventory in 2014.

Gold bar revenues of $44 million in 2014 were negatively impacted by both lower sales volumes and prices. Gold bar sales of 35.7 koz were 13.3 koz below the prior year with the reduction in production in 2014. The realised price for gold bar declined by 5% to $1,226 per ounce due to the weaker LBMA prices in the year.

Other revenue includes income from the sale of lead by-products along with sulphuric acid. The East Region acquires sulphuric acid as a by-product of the smelting of copper in concentrate at the Balkhash smelter. Other revenue also included non-recurring income of $10 million from the sale of by-product stock during 2014.

EBITDA (excluding special items)

EBITDA was $29 million below the prior year as the $85 million decline in revenues was partially offset by a reduction in total cash operating costs.

Total cash operating costs reduced by 11% principally due to the devaluation of the tenge in February 2014 and the cost control measures undertaken. The reduction in total cash operating costs improved the EBITDA margin to 48% in 2014 compared to 46% in the prior year.

Total cash operating costs benefited from the devaluation of the tenge, which traded at an average rate of 179.19 KZT/$ in 2014, compared to 152.13 KZT/$ in the prior year. The 18% decline in the average value of the tenge against the US dollar reduced tenge denominated costs such as salaries, ore transportation, repair services, and electricity charges when stated in US dollars. Tenge denominated costs are estimated to have made up around 55% of the East Region's cash operating costs during the year.

The devaluation did have an inflationary impact on cash operating costs in the second half of 2014 with suppliers renegotiating tariffs for external services such as transportation and repair services, although management ensured that the increases were limited. Pay awards of 10% were made to operational employees in April 2014 to provide some compensation for the tenge devaluation. Employee costs increased due to the introduction of a 5% compulsory pension contribution on salaries at the start of 2014.

The cost of electricity supplied fell in US dollar terms as the tenge devaluation offset the 8% rise in electricity tariffs, from 5.10 KZT/kWh in the prior year to 5.50 KZT/kWh in 2014. The ceiling tariff applicable to the power stations which supply electricity to the East Region in 2014 increased to 6.00 KZT/kWh in 2015.

The cost of external ore processing services reduced from the prior year as the volume of ore processed by a third party in the East Region fell significantly in 2014 due to the increased capacity of the Nikolayevsky concentrator in the second half of the year. In 2015, the ore extracted in the East Region is expected to be processed internally at the three concentrators in the region.

From the date of the economic separation of the East Region from the mining Disposal Assets the copper concentrate produced from the East Region in 2014 was processed at the Balkhash smelter under the terms of the contract with Cuprum Holding. Under the agreement, a copper treatment and refining charge of $124 per tonne and 12 USc/lb respectively has been applied. This contributed to an increase in operating costs in the second half of 2014 as prior to the economic separation smelting charges were incurred at cost.

A number of cost control measures introduced by management benefited cash operating costs during 2014. The measures included the suspension of the Berezovsky concentrator at the end of 2013 to raise the utilisation of the three remaining concentrators and reduce costs within the business. Overhead costs were reduced with the combination of the administration departments at the Yubileyno-Snegirikhinsky and the Artemyevsky mines.

The East Region's administration function has been strengthened in the second half of 2014 following the region's separation from the mining Disposal Assets to incorporate the services previously performed centrally for the Mining Division. Social responsibility costs were consistent with the prior year as the Group continued to support the local communities in which it operates.

Cash costs

The gross and net cash cost of copper cathode sold is a measure of the cost efficiency of the East Region's operations. The gross cash cost declined by 8% or 21 USc/lb to 257 USc/lb in 2014, reflecting the beneficial impact of the tenge devaluation and the cost control measures undertaken in the East Region. These factors offset the 4% reduction in copper cathode sales volumes which negatively affected cash costs on a per unit basis compared to the prior year.

The net cash cost decreased by 2% or 2 USc/lb to 85 USc/lb in 2014 with the fall in gross cash costs offset by the reduction in by-product credits, due to the lower commodity prices for gold and silver and a decline in by-product sales volumes.

The gross cash cost for 2014 includes only the operational cash costs directly attributable to the East Region prior to their economic separation from the mining Disposal Assets on 1 August 2014. The East Region's operating cash costs in the period before the economic separation therefore do not fully reflect the cost of services which were provided centrally for the Mining Division and does not include the costs of services such as smelting and maintenance services on the terms agreed with Cuprum Holding. The second half gross cash cost of 277 USc/lb on copper cathode sales of 39 kt is therefore considered more representative of the performance of the East Region as a stand-alone business. The net cash cost in the second half of 2014 was 107 USc/lb.

The East Region and Bozymchak's gross cash cost of copper sold is expected to be between 280 USc/lb and 300 USc/lb in 2015. Gross cash costs are forecast to be slightly above the level in the second half of 2014 with muted inflation anticipated, particularly with the decline in commodity prices and as the smelting and refining charges at the Balkhash smelter will remain at 2014 levels. The gross cash cost guidance includes the full year effect of the separation of the business and the Bozymchak mine which will be ramping up operations in 2015. Bozymchak will have a gross cash cost that is above the East Region operations, although the mine's net cash costs will benefit from strong gold by-products. The net cash cost in 2015 is expected to rise mainly due to the lower by-product production volumes with the decline in metal grades at Orlovsky and Artemyevsky.

Capital expenditure

Sustaining

Sustaining capital expenditure totalled $53 million in 2014, which was $19 million below the prior year mainly due to the additional spend in 2013 on infrastructure and the modernisation of the Nikolayevsky concentrator.

During 2014, capital expenditure covered the replacement of mining equipment along with spend to maintain output at mines and concentrators. Funding was allocated for shafting and development works at a number of mines to provide access to new sections and improve ventilation systems. The East Region also maintains transportation, heating and electricity infrastructure for its operations and the local community which required investment during the year.

A number of projects were implemented to improve the efficiency of the operations. These projects have included the upgrade of information systems at mines to reduce downtime and operating costs and spend to improve the logistics arrangements.

The modernisation work to increase the capacity and recovery rates achieved at the Nikolayevsky concentrator advanced during 2014. The majority of the modernisation project has now completed with improvements to the grinding, flotation and reagent sections delivered. This has resulted in a 38% increase in the volume of ore processed in the second half of 2014 at the concentrator when compared to the first half of the year and a significant improvement in recovery rates above the levels in the prior year. The final stages of the project which include the upgrade of the thickening and filtration sections are planned to be completed by the middle of 2015.

In 2015, the East Region's sustaining capital expenditure requirements are expected to be between $80 million and $100 million. The sustaining capital expenditure in 2015 will include around $25 million on work to optimise the transportation of ore between Artemyevsky and the Nikolayevsky concentrator along with final spend on the modernisation of the Nikolayevsky concentrator.

Expansionary

The study work on the extension of the operational life of the existing Artemyevsky mine continued during 2014. The project is currently at the feasibility stage which is expected to complete in the second half of 2015. The mine extension at Artemyevsky is anticipated to commence output in 2017 and operate for 12 years at an eventual capacity of 1.5 MT of ore per annum. The average copper grade at the mine is expected to be around 1.50% with strong by-products of zinc, gold and silver.

The mine will utilise the existing infrastructure and ore will continue to be processed at the Nikolayevsky concentrator. During 2015, a further $20 million is expected to be invested in the project to complete the feasibility study and, subject to confirmation of the study results, some initial development of shafts at the mine in late 2015.

Bozymchak Financial Summary

$ million	**2014**	2013
EBITDA (excluding special items)	**(4)**	(3)
Capital expenditure (expansionary)	**37**	75

The Bozymchak copper-gold mine and concentrator is located in Kyrgyzstan. During 2014, the key components of the project were completed with the permanent shift camp, auxiliary support facilities, concentrator and tailing dams now operational.

Ore output of 426 kt was produced from the open-pit mine in 2014 and the concentrator is progressing through the commissioning phase. During commissioning, the concentrator produced 0.7 kt of copper in concentrate and 4.0 koz of gold in concentrate. Output from the concentrator will ramp up in 2015 and, following further optimisation, is expected to reach design capacity during 2016.

The negative EBITDA reported in 2013 and 2014 represents the operational readiness costs incurred in preparing the project for commercial production.

The expansionary capital expenditure of $37 million in 2014 includes production costs of $3 million which have been capitalised while Bozymchak ramps up to commercial production levels. The mine is expected to reach commercial production levels during the first half of 2015, with net revenues set off against capital expenditure until this is achieved.

Copper concentrate produced from Bozymchak is processed with concentrate from the East Region at the Balkhash smelter into copper cathode and gold bar for sale to third parties. The mine is expected to produce average annual output of 6 kt of copper cathode and 28 koz of gold bar over the 18 year operational life of the deposit.

The project is forecast to require capital expenditure excluding capitalised revenues and operating expenditure of around $25 million in 2015. The capital expenditure will include the completion of commissioning works, ongoing mine stripping costs and maintenance expenditure.

Mining Projects Financial Summary

The Mining Projects segment includes the Group's project companies, whose responsibility is the development of Bozshakol, Aktogay and Koksay.

The negative EBITDA from Mining Projects in 2013 and 2014 represents the overhead costs incurred in preparing the major growth projects for commercial production. These costs were previously included within the Mining Division.

$ million	**2014**	2013
EBITDA (excluding special items)	**(14)**	(11)
Capital expenditure (expansionary)	**1,096**	660

Bozshakol

The Bozshakol sulphide ore deposit is located in the north of Kazakhstan. The deposit has a JORC resource of 1,170 MT of ore with 4.2 MT of contained copper at a grade of 0.36%. The Bozshakol mine and concentrator will have a production life of over 40 years, including the processing of stockpiled ore for four years. The deposit also contains by-products of gold, silver and molybdenum and has an estimated life of mine strip ratio of 0.7:1.

Significant progress has been made on the project during 2014 with a number of key milestones completed. During 2014, capital expenditure on the project, excluding capitalised interest on debt facilities, was $0.5 billion with around $1.3 billion having been spent in total on the fully funded project.

The mining equipment to develop the open-pit mine is on site and has been assembled with pre-production mining planned to commence in the first half of 2015. The recruitment of operational personnel has commenced and the permanent camp, which will house around 1,200 workers, was commissioned at the end of 2014. The training of the operational workers will include an extensive three month induction course focusing on safe operations. Overall, once operational, Bozshakol is anticipated to employ around 1,500 workers.

Work has progressed on the 220 kV transmission line from Ekibastuz GRES-1 to the site, the on-site 6.6 kV distribution system and the associated control systems which will support mining and processing activities. The mine and concentrator are expected to require 214 MW of electricity and the transmission line has been connected ahead of the commencement of pre-production mining.

The concrete and structural steel works have been completed for the primary crusher which has a processing capacity of 25 MT of ore per annum. The gyratory crusher is on site and the mechanical and electrical works required for the operation of the crusher have commenced. The processing of ore at the primary crusher is expected to commence in the second half of 2015.

The concrete work for the 3.8 km long conveyor system which was designed and supplied by FLSmidth has been completed. The conveyor will deliver ore from the primary crusher to the concentrator. The structural steel, mechanical and electrical works on the conveyor system will be finished during 2015.

The sulphide ore extracted from the open-pit mine will be processed by a 25 MT of ore per annum concentrator, producing 84 kt of copper in concentrate per annum for the first 10 years with gold, silver and molybdenum as by-products. The building housing the concentrator has been erected and insulated. The focus of the contractors is now on the installation of the SAG mill and two ball mills along with the fit out of the floatation and copper concentrate thickening sections of the concentrator.

A 5 MT per annum clay plant will also operate in addition to the sulphide concentrator, contributing a further 16 kt of copper in concentrate per annum in the initial years of its operation. The clay plant will be converted to process sulphide ore once the clay sections are exhausted after 15 years of operation. Construction works are progressing on the clay plant which is expected to start operation in the first half of 2016.

The limited copper concentrate expected from Bozshakol in the fourth quarter of 2015 will be exported to China using the existing national rail link. The revenue derived from the sale of copper concentrate will be determined after the deduction of the smelting and refining charges. The mine is expected to have an average copper cathode equivalent output of 100 kt and a net cash cost for copper cathode equivalent sales of 80 USc/lb to 100 USc/lb (in 2014 terms) for the first 10 years after the concentrator has been commissioned.

Final development capital spend of around $0.9 billion is anticipated in 2015 which will bring the total cost of the development of the mine, concentrator and infrastructure to $2.2 billion. In addition to the capital expenditure in 2015, there will be some build-up of working capital related to the stockpiling of ore and the purchase of materials for the operation of the mine and concentrator. Revenues and operating costs will be set off against capital expenditure until commercial production levels are achieved.

Aktogay

The Aktogay project is located in the East of Kazakhstan and comprises a measured and indicated oxide ore resource of 121 MT with a copper grade of 0.37%, and a sulphide ore resource of 1,597 MT at a copper grade of 0.33%. The deposit also contains some molybdenum by-product. The project will include an open-pit mine and concentrator and has a production life of over 50 years.

During 2014 capital expenditure on the project, excluding capitalised interest on debt facilities, was $364 million. This spend included funding of site preparation works, with bulk earth works commencing and the development of infrastructure at the site, including electricity and water supply.

The Aktogay project will initially develop the deposit’s oxide resource which is located above the sulphide ore body. The assembly of mining equipment has commenced to enable mining works to build up oxide ore stockpiles in 2015 for placement on the leaching pads.

The solution containing copper from the leaching pads will be processed at the SX/EW plant which will comprise two SX buildings and one EW building. The detailed engineering on the SX/EW plant has been completed and steelworks have commenced. Copper cathode output from the oxide deposit which is expected to operate for 11 years will average around 15 kt per annum.

The sulphide resource extracted from the Aktogay mine will be processed by a 25 MT of ore per annum concentrator based on the engineering used at Bozshakol. As previously announced, a number of contractors have been appointed to focus on separate aspects of the project. Non Ferrous China have been awarded the contract for the construction of the sulphide concentrator.

The first output from the sulphide processing plant is planned for 2017. Copper cathode equivalent production from sulphide ore will average 90 kt in the first 10 years of the concentrator’s operation. Aktogay is expected to have a net cash cost for copper cathode equivalent sales of 110 USc/lb to 130 USc/lb (in 2014 terms) in the first 10 years after the commencement of the sulphide concentrator.

As at 31 December 2014, approximately $850 million of capital expenditure had been spent over the life of the project. The total capital cost for the Aktogay project is expected to be in the region of $2.3 billion with the development being primarily funded by a $1.5 billion project specific financing facility signed with CDB.

The project is forecast to require capital expenditure of between $0.5 billion and $0.7 billion in 2015. Limited copper cathode output is expected during the commissioning of the oxide operations in the fourth quarter of 2015. The SX/EW plant is anticipated to reach commercial production levels during the first half of 2016, with net revenues set off against capital expenditure until this is achieved.

Koksay

In June 2014, KAZ Minerals acquired a third major growth project, Koksay, for a purchase price of $260 million. The Koksay deposit is located in south eastern Kazakhstan around 230 km from Almaty and is well supported by existing transportation infrastructure.

Capital expenditure on the project totalled $229 million with payments made for the acquisition of the licence in 2014 and spend on exploratory drilling to verify the previous drilling results and to provide initial geological, geotechnical and hydrogeological data on the deposit.

The project is estimated to have a production life of over 20 years with average annual production of around 80 kt of copper cathode equivalent along with gold, silver and molybdenum by-products. The deposit has a measured and indicated mineral resource of 701 MT as at 31 December 2014 with a copper grade of 0.44%.

The project is forecast to require capital expenditure of up to $15 million in 2015 to complete initial exploration works and commence basic mine and concentrator design works. Final deferred consideration for the purchase of the licence of $35 million is also payable on 31 July 2015, subject to the confirmation of reserves. The timing of future capital expenditure on the project will be assessed based on the financial position of the Group.

REVIEW OF MINING DISPOSAL ASSETS

The mining Disposal Assets include the copper mines, processing facilities and auxiliary operations that are predominantly based in the Zhezkazgan and Central Regions. The operational and financial results for the mining Disposal Assets in 2014 cover the 10 month period to the completion of the Restructuring on 31 October 2014 and are classified as a discontinued operation in the Group's financial statements.

Mining Disposal Assets Production Summary

Copper

kt (unless otherwise stated)	2014	2013
Ore output	**27,119**	34,841
Copper grade (%)	**0.83**	0.81
Copper in ore mined	**224.5**	281.9
Copper in concentrate	**186.6**	227.8
Copper cathode equivalent production[1]	**171.3**	217.2
Cathode	**89.5**	185.7
Concentrate[2]	**81.8**	31.5
Copper rod production	**9.0**	12.1

[1] Includes cathode converted into rod.
[2] Copper cathode equivalent of copper in concentrate sold.

Ore output from the Disposal Assets' operating mines in the 10 months to 31 October 2014 totalled 27,119 kt. Ore extraction was 7% below the comparative 10 month period in 2013 with reduced mining at some high cost areas in the Zhezkazgan Region and with stripping work limiting production at the North mine. Ore output in the Central Region was also restricted due to equipment downtimes at Sayak and the suspension of output at the open-pit Abyz mine.

The average copper grade of 0.83% was marginally above the prior year, due to the mining of copper rich sections at Akbastau and Nurkazgan West while grades in the Zhezkazgan Region were consistent with the prior year.

The mining Disposal Assets produced 224.5 kt of copper in ore in the first 10 months of 2014 which was 4% below the comparative period in 2013. The decline in copper in ore output was driven by the 7% decrease in ore extraction, partially offset by higher grades in the Central Region.

Copper in concentrate production of 186.6 kt in the first 10 months of 2014 was 3% below output in the comparative period in 2013 with the fall in copper in ore output partially offset by higher concentrator recovery rates.

Copper cathode equivalent production of 171.3 kt was 6% below the comparable 10 month period in 2013, mainly due to the decline in copper in concentrate output and 21% below the prior year due to the shorter operational period reported in 2014.

Silver and Gold

koz (unless otherwise stated)	2014	2013
Silver grade (g/t)	**8.87**	9.56
Silver granule equivalent production	**6,039**	9,663
Silver granule[1]	**2,431**	8,272
Silver granule equivalent in copper concentrate sold	**3,608**	1,391
Gold grade (g/t)	**0.42**	0.48
Gold bar[1]	**53.5**	58.9

[1] Includes slimes from purchased concentrate and output from the former Kazakhmys Gold's mines.

Silver in ore mined in the first 10 months of 2014 was 12% below the comparative period in 2013 at 7,730 koz due to the decline in ore output and silver grade in the Zhezkazgan Region.

Silver granule equivalent production of 6,039 koz was 17% below the comparative 10 month period in 2013. The decline in production was due to the lower volume of silver in ore extracted and the release of work in progress at the Balkhash processing facilities in the first 10 months of 2013.

The gold in ore extracted in the first 10 months of 2014 of 83.9 koz was 6% below the comparative period in 2013 with the suspension of operations at the gold rich Abyz mine pending a study on the potential development of an underground mine. Gold production of 53.5 koz was 7% above the comparative 10 month period in 2013 mainly due to the processing of stockpiled ore in 2014.

Mining Disposal Assets Financial Summary

$ million	2014	2013
Sales revenues	**1,455**	2,055
EBITDA (excluding special items)	**159**	315
Capital expenditure	**234**	369
Sustaining	**232**	350
Expansionary	**2**	19

Revenues

The mining Disposal Assets' revenues totalled $1,455 million in the first 10 months of 2014, a decline on the comparative 10 month period in 2013 due to the lower copper product sales volumes and the lower realised prices for copper, gold and silver. Revenues were also below the $2,055 million for the full year in 2013 due to the fewer number of operational months included in 2014.

EBITDA (excluding special items)

The mining Disposal Assets' EBITDA was $159 million in the first 10 months of 2014. The EBITDA margin of 11% was below the 15% achieved in the prior year as the decline in revenues was only partially offset by relatively lower cash operating costs.

The cash operating costs at the mining Disposal Assets benefited from the devaluation of the tenge. The 18% decline in the average value of the tenge against the US dollar reduced tenge denominated costs such as salaries, ore transportation, repair services, and utility charges when stated in US dollars.

Salary costs were lower due to the tenge devaluation and the initiatives introduced to increase labour productivity within the business. The reduction in salary costs achieved by the above measures were partially offset by the 10% increase in salaries for operational staff in Kazakhstan from April 2014 in order to protect workers from some of the impact of the devaluation and the introduction of a 5% compulsory pension contribution on salaries.

Management also took a number of cost control measures in the first 10 months of 2014 which included the reduction in mining volumes at higher cost extraction zones in the Zhezkazgan Region. The suspension of operations at the Satpayev concentrator has also improved utilisation levels and reduced operating costs.

Capital expenditure

The mining Disposal Assets' capital expenditure totalled $234 million in the first 10 months of 2014. Spend in the period covered the replacement of mining equipment and works to maintain output at concentrators, smelters, auxiliary workshops and the transport network. Capital expenditure was postponed during the first 10 months of 2014 to improve the cash flows of the Disposal Assets. Capital expenditure on mine and concentrator upgrade projects was also below the levels seen in the prior year.

REVIEW OF POWER DISPOSAL ASSETS

The Disposal Assets include the three captive heat and power stations that are located in Karaganda, Balkhash and Zhezkazgan. The operational and financial results for the captive heat and power stations in 2014 cover the 10 month period to the completion of the Restructuring on 31 October 2014 and are classified as a discontinued operation in the Group's financial statements.

Production Summary

	2014	2013
Net power generated (GWh)[1]	**4,129**	5,723
Net dependable capacity (MW)[2]	**832**	843

1 Electricity generated and sold to customers less internal consumption and transformer losses in power stations.
2 The net dependable capacity is the maximum capacity a unit can sustain over a specified period of time modified for seasonal limitations and reduced by the capacity required for the station's operation.

The captive heat and power stations' net power generation totalled 4,129 GWh in the 10 months to 31 October 2014, a 12% decline from the 4,717 GWh of power produced in the comparative 10 month period in 2013. The lower generation in 2014 was mainly driven by a reduction in internal demand for electricity with the suspension of the Zhezkazgan smelter in the second half of 2013 and also a decrease in sales volumes to third parties with increased competition for customers in the market.

The average net dependable capacity of the captive power stations decreased by 1% to 832 MW in 2014 due to the decommissioning of ageing turbines at the Balkhash and Zhezkazgan heat and power stations.

Financial Summary

$ million	**2014**	2013
Sales revenues	**154**	223
EBITDA (excluding special items)	**42**	48
Capital expenditure (sustaining)	**16**	65

Revenues

The captive power stations' revenues in the 10 months to 31 October 2014 were $154 million which was below the comparative 10 month period in 2013. The decline in revenues in 2014 was due to a 12% decrease in sales volumes with lower demand and the reduction in the realised electricity tariffs in US dollar terms due to the devaluation of the tenge in February 2014. The underlying electricity tariffs rose by 8% in tenge terms from 5.10 KZT/kWh to 5.50 KZT/kWh due to the higher ceiling tariffs applicable in 2014.

EBITDA (excluding special items)

The captive power stations reported an EBITDA of $42 million in the 10 months to 31 October 2014, which was below the comparative 10 month period in 2013 and $6 million below the contribution for the full year in 2013.

The relative decline in EBITDA reflects the fall in revenues partially offset by the lower cash operating costs in 2014. The devaluation of the tenge against the US dollar reduced tenge denominated costs such as coal, salaries and repair services when stated in US dollars. Operating cash costs were also lower with the reduction in generation volumes and the introduction of efficiency improvements to reduce the usage of input materials.

The average cash cost for electricity generation from the captive power stations rose by 6% to 3.80 KZT/kWh compared to 3.57 KZT/kWh in 2013. The rise in the average cost of electricity generation was driven by cost inflation in tenge terms for key inputs in the generation process such as coal and fuel, along with employee costs. The average cash cost also rose as fixed costs were allocated over lower generation volumes in 2014.

Capital expenditure

Investments at the captive power stations were made to improve their operational efficiency and for the replacement of obsolete equipment.

OTHER BUSINESSES

REVIEW OF EKIBASTUZ GRES-1

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

$ million	**2014**	2013
EBITDA (excluding special items)[1]	**–**	153

[1] Represents KAZ Minerals' 50% share of Ekibastuz GRES-1's results for the period until 5 December 2013.

In the period to 5 December 2013, Ekibastuz GRES-1's net power generation volumes totalled 12,785 GWh with output limited by the increased competition in the domestic electricity market during the year.

The power station contributed EBITDA (excluding special items) of $153 million in 2013 with the results negatively affected by the challenging trading environment. Revenues of $248 million were impacted by the lower generation volumes and operating costs rose on the back of strong domestic inflation in the electricity industry. In the period until its divestment in April 2014, Ekibastuz GRES-1 reported net power generation volumes of 3,072 GWh.

REVIEW OF MKM

The Group disposed of its 100% holding in MKM, which is based in Germany and produces copper and copper alloy semi-finished products, on 28 May 2013. The consideration received for the disposal of MKM totalled €42 million, including €12 million on a deferred basis. Before the divestment of the Group's holding, MKM paid a dividend of €10 million in April 2013. In December 2014 KAZ Minerals received the deferred consideration of €12 million.

$ million	2014	2013
EBITDA (excluding special items)[1]	–	(2)
Capital expenditure (sustaining)[1]	–	9

[1] The results for MKM in 2013 are shown for the period until the date of MKM's disposal on 28 May 2013.

MKM is treated as a discontinued operation in the Group's financial statements in 2013. EBITDA was negative $2 million for the five month period to 28 May 2013. Due to the copper price movements in the five month period the EBITDA was negatively impacted by an IFRS inventory adjustment. Capital expenditure in the period to 28 May 2013 totalled $9 million as MKM invested mainly to maintain production equipment.

REVIEW OF ENRC

The Group disposed of its 26% interest in ENRC, a diversified natural resources group, on 8 November 2013. As consideration for its holding in ENRC, the Group received net cash proceeds of $875 million and approximately 77 million shares in the Company which were subsequently cancelled.

$ million	2014	2013
EBITDA (excluding special items)[1]	–	276

[1] KAZ Minerals' share of EBITDA (excluding special items) of ENRC is for the period to 24 June 2013.

ENRC is treated as a discontinued operation in the Group's financial statements in 2013. In the period to 24 June 2013, KAZ Minerals' share of ENRC's EBITDA (excluding special items) was $276 million.

ENRC's revenues in the six month period to 24 June 2013 were impacted by the lower realised prices obtained for key products such as ferroalloys, partially offset by higher sales volumes across most of the divisions, including the Iron Ore Division.

CORPORATE RESPONSIBILITY

Responsible behaviour supports our business strategy by helping us to manage reputational and regulatory risks.

The Restructuring has changed some of our Corporate Responsibility (CR) impacts. Where data is presented for the Group, this includes data for the Disposal Assets up to the date of completion of the Restructuring, as well as first quarter data for Ekibastuz GRES-1 power station, in which the Group held a 50% stake until its disposal on 1 April 2014. Where appropriate, we have presented performance data for the continuing operations only to provide a better context for the Group CR impacts going forward.

Health and safety

Safety remains our absolute priority and we report with deep regret that nine employees and four contractors died at our operations in 2014; of those, three employees and three contractors died at sites which remain part of KAZ Minerals' continuing operations. This compares to 15 employees and three contractor fatalities at the Group's operations in 2013. Whilst the number of fatalities has reduced, we still view this performance as unacceptable and recognise only one goal in this area – zero work-related fatalities.

In future, as our major growth projects ramp up, KAZ Minerals' overall safety risk profile will improve and we will continue to focus on changing the existing safety culture at our producing assets, where we currently face some historical challenges.

Lost-time injury frequency rate (LTIFR) for the Group was 1.36, while the LTIFR for the continuing operations was 1.91 (both excluding contractors).

There were 100 lost-time injuries across our operations in 2014, including 24 at the continuing operations. This compares to 172 injuries amongst our employees last year. The reduction was in part driven by the completion of the Restructuring in October 2014, which resulted in the divestment of 12 of the 16 mines and four of the eight concentrators within the Group's portfolio. Further improvements were also attributable to stricter controls and safety compliance checks at sites, which helped raise risk awareness at some of the most challenging sites at the Disposal Assets thus improving overall safety performance.

We monitor injury statistics of our contractors where possible. In 2014, we received reports of 26 lost-time injuries from our contractors, including 18 injuries at the Disposal Assets prior to completion of the Restructuring on 31 October, and eight injuries at our continuing operations during the 12 months of 2014.

We continue to develop our internal reporting systems, to ensure all incidents are captured. This will require additional effort to address under-reporting amongst both our employees and contractors. In 2015, we will introduce a new incident reporting system to record and report a Total Recordable Injury Frequency Rate as the Group moves to the ICMM guidelines for health and safety reporting.

Further details on the measures we are taking to address this critical area will be provided in our Annual Report and Accounts as well as on the corporate website after its publication.

Environment

Environmental management remains a key priority for KAZ Minerals. The Restructuring saw the disposal of the smelting and power generating facilities, along with a number of mature mines and concentrators, resulting in a change to our environmental impact. CO_2 and air emissions are lower at the continuing operations than at the Disposal Assets, but our overall impact on the environment will continue to be significant given the nature of our operations. Our main focus and priorities going forward will shift to waste, including tailings management, as well as water and energy use from copper mining and processing.

Energy use

In 2014, our Group-wide energy use was 3,962 GWh, 32% lower than in 2013. Of this total, continuing operations' energy use was 716 GWh. The lower electricity and heat consumption in 2014 is attributable to the closure of the Zhezkazgan smelter, Satpayev concentrator and Berezovsky concentrator in 2013, the disposal of the Ekibastuz GRES-1 power station on 1 April 2014 and divestment of 12 mines, four concentrators and two smelters as part of the Restructuring completed in October 2014. Reduced output in the Power Division prior to completion of the Restructuring has also led to lower energy use. Further reductions are attributable to energy-saving initiatives conducted across our operations.

Greenhouse gas emissions

In 2014 the Group's carbon dioxide equivalent output (CO_2e) totalled 12.1 million tonnes, 53% less than in 2013. Of this, 328,000 tonnes is attributable to the continuing operations. The reduction in carbon emissions is largely driven by closure of the Zhezkazgan smelter in 2013, the disposal of power generating facilities as part of the Restructuring, as well as the disposal of the Ekibastuz GRES-1 power station, which alone accounted for over 50% of total Group carbon output in 2013. Additional carbon reductions were achieved as a result of the modernisation programme at the captive power plants, which included installation of battery emulsifiers.

We were previously unable to normalise our CO_2e emissions to copper output due to the very different nature of the Mining and Power Divisions. The Group is now a focused copper producer and the CO_2e intensity at the continuing operations in 2014 was 3.93 tonnes of CO_2e per tonne of copper cathode equivalent.

Emissions to air

Prior to the Restructuring, the Group's operations produced a substantial amount of sulphur dioxide (SO_2), nitrogen oxides (NO_x), ash, and low levels of airborne dust, which contained traces of arsenic. These emissions were largely derived from the smelting operations and the power division, and impacted the local communities surrounding those operations. The disposal of the power generating and smelting facilities significantly reduced KAZ Minerals' emissions.

SO_2 emissions for the Group totalled 127,688 tonnes, compared with 214,123 tonnes in 2013. Smelting and power assets are the main sources of SO_2 emissions. We disposed of all power and smelting facilities as part of the Restructuring in October 2014. Prior to that, we also disposed of our 50% stake in the Ekibastuz GRES-1 power station, which significantly reduced the Group SO_2 output. Further reductions are attributable to the reduced power generation at the captive power stations. At 69,118 tonnes, SO_2 output of the Disposal Assets' Mining Division during the 10 months of 2014 was higher than during the comparative period in the prior year due to greater sulphur content in the ore processed in 2014, as well as repair works at sections of the Balkhash sulphuric acid plant.

Going forward SO_2 emissions will no longer be a material issue for the Group as we no longer own or operate power generation or smelting facilities. The Group continues to use the smelter in Balkhash to process its concentrate on a tolling basis. The smelter maintains low levels of SO_2 emissions by capturing emissions and transforming them into sulphuric acid.

NO_x emissions for the Group decreased by 63% from 53,931 tonnes in 2013 to 20,188 tonnes in 2014. Total ash emissions fell to 38,537 tonnes in 2014, a reduction of 54% from the previous year. NO_x and ash emissions decreased largely due to the closure of smelting and processing assets mentioned above as well as the Restructuring. The Power Division also achieved reductions due to the on-going modernisation programme and the installation of two battery emulsifiers.

Emission levels at the continuing operations are low compared to the levels achieved at the Group prior to the Restructuring: NO_x emissions in 2014 amounted to 300 tonnes, ash emissions to 0.017 tonnes.

Water

Copper processing requires careful management of water withdrawal and discharge, and our operations recycle approximately two thirds of withdrawn water. We seek to ensure that our operational use does not affect communal water supplies and we use different water sources for production purposes to those used by local communities.

The Group's total water consumption decreased from 3.3 million megalitres in 2013 to 1.5 million megalitres in 2014. Of this total consumption, 0.8 million megalitres was recycled water. A further 0.6 million megalitres was surface water that we draw directly from lakes, rivers and reservoirs. The reduction in water consumption between 2013 and 2014 is largely due to the structural changes within the Group, including the disposal of Ekibastuz GRES-1 power station, which previously accounted for over 50% of total Group water use, as well as the captive power stations as part of the Restructuring. 24,250 megalitres of water was consumed by the continuing operations in 2014, 77% of which was recycled process water, which is captured and reused multiple times.

Waste

In 2014, the Group produced 72.8 million tonnes of waste, 42% less than in 2013. 4.2 million tonnes was attributable to continuing operations. The majority of our waste volume is represented by overburden and total Group waste volumes are therefore largely driven by mining activities. The closure of the Zhezkazgan smelter, Satpayev and Berezovsky concentrators, as well as the decreased electricity output from the captive power plants have also contributed to waste reduction.

31.1 million tonnes (43%) of the Group's total waste production was reused or recycled, an increase of 8% from the previous year. This includes overburden which is used to backfill completed mining sections. At the continuing operations, the recycling and re-use rate was 33% in 2014.

Tailings management is a major focus in waste management and presents a significant environmental risk. Tailings are regulated by the Government's sub-soil use law and the Environmental Code. The Group currently operates four tailings facilities for each of its operational concentrators. The facilities are subject to rigorous internal monitoring and risk assessment as well as regular inspections by the regulatory authorities. Tailings volumes are forecast as part of annual production planning with specific capital expenditure provisions for repairs, maintenance and extensions. In 2014, the Group produced 29 million tonnes of tailings, with 2.8 million tonnes attributable to the continuing operations.

Employees and Communities

Provision of stable employment and social security in the remote and economically un-diverse regions where our Disposal Assets are located was one of the key considerations during the execution of the Restructuring. As a result, the Restructuring proceeded without causing any significant reductions in employee numbers at either the Disposal Assets or continuing operations. Prior to the Restructuring, the Group employed 53,000 people, KAZ Minerals now employs less than 10,000 people.

Our producing assets are located in economically more diverse regions and our employee turnover is therefore likely to increase following the Restructuring. We aim to address the challenge of attracting and retaining skilled staff by offering safe working conditions with fair remuneration and social benefits packages for employees and their families.

Our goal is to employ a skilled workforce that reflects the demographic of the regions in which we operate. We aim to develop the expertise required for our operations from our existing workforce, recruiting locally where possible. Our operations are located in Kazakhstan and Kyrgyzstan and in 2014, 99% of the Group employees were Kazakh or Kyrgyz nationals.

Gender balance at our operations is relatively strong compared to the global mining industry. Women represent 31% of the entire workforce, with 29% at senior management level and 11% at Board level (one Board member).

In 2014, social investment for the Group amounted $60 million, this included sponsorship, support and donations for community projects in the primary regions of our operations as well as projects on a national level prior to and following the Restructuring. We expect this commitment to reduce as the number of our assets and the size of our workforce has decreased as a result of the Restructuring. We will continue to work with the regional authorities in identifying projects that are relevant to our business while benefiting the communities to the greatest possible extent in the long term. Our main focus areas include healthcare, infrastructure development, childcare, education and sport.

FINANCIAL REVIEW

Basis of preparation

The financial information has been prepared in accordance with IFRSs, as adopted by the EU, using accounting policies consistent with those adopted in the consolidated financial statements for the year ended 31 December 2013, except for the first-time adoption of: IFRS 10 'Consolidated Financial Statements'; IFRS 11 'Joint Arrangements': and IFRS 12 'Disclosure of Interests in Other Entities', with effect from 1 January 2014. These standards have not had a material impact on the financial position or performance of the Group. Consequently, no adjustment has been made to the comparative financial information as at 31 December 2013.

The independent shareholders approved the divestment of certain of the Group's subsidiaries owning relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the "Disposal Assets") on 15 August 2014. Following shareholder approval, the Disposal Assets were classified as assets held for sale and treated as a discontinued operation in the financial statements from the beginning of the year until their disposal on 31 October 2014. Given the reclassification of the Disposal Assets as a discontinued operation, the comparative financial information has been restated in accordance with the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The Group's investment in the Ekibastuz GRES-1 joint venture, which represented a separate business line of the Group has also been treated as a discontinued operation for the period up to its disposal on 1 April 2014.

The consolidated income statement and the related notes for the prior year have been restated to conform with this presentation for all businesses that met the asset held for sale criteria during 2014.

The following businesses were treated as discontinued operations for the year ended 31 December 2013: MKM, to the date of its disposal on 28 May 2013; the joint venture investment in Ekibastuz GRES-1, to the date the Group accepted an offer for its sale on 5 December 2013; and the investment in ENRC, to the date the Group accepted an offer for its sale on 24 June 2013.

The Restructuring undertaken in 2014 resulted in a change to the Group's operating segments. As the Disposal Assets were classified as a discontinued operation at 15 August 2014, with the comparatives restated to conform with this presentation, the operating segment disclosures for the year ended 31 December 2013 have also been restated to reflect the new operating segments which are:

East Region operations, which comprises the Group's main operating entity, Vostoktsvetmet LLC ('VCM'), whose principal activity is the mining and processing of copper and other metals which are produced as by-products; and the Group's UK trading function, KAZ Minerals Sales Limited, which is responsible for the purchase of exported products from VCM and subsequently applies an appropriate mark-up prior to onward sale to third parties.

The Bozymchak copper-gold deposit, which is located in Kyrgyzstan, is in the commissioning phase.

Mining Projects which comprises the Group's project companies, whose responsibility is the development of the major growth projects (Aktogay, Bozshakol and Koksay).

Corporate Services which comprises the Group's head office costs.

Income statement

An analysis of the consolidated income statement is shown below:

$ million (unless otherwise stated)	2014	2013
Continuing operations		
Revenues	**846**	931
Operating costs (excluding non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, MET and special items)	**(491)**	(572)
EBITDA (excluding special items) from continuing operations	**355**	**359**
Special items:		
Less: additional disability benefits obligation related to previously insured employees	**–**	(3)
Less: impairment charges	**(132)**	(13)
Less: MET	**(86)**	(94)
Less: non-cash component of the disability benefits obligation	**(1)**	(1)
Less: depreciation, depletion and amortisation	**(42)**	(57)
Operating profit	**94**	191
Net finance costs (excluding net foreign exchange loss from the devaluation of the tenge)	**(82)**	(53)
Net foreign exchange loss arising on the devaluation of the tenge	**(181)**	–
(Loss)/profit before taxation	**(169)**	138
Income tax expense	**(65)**	(48)
(Loss)/profit for the year from continuing operations	**(234)**	90
Discontinued operations		
Loss for the year from discontinued operations	**(2,128)**	(2,122)
Loss for the year	**(2,362)**	(2,032)
Non-controlling interests	**–**	2
Loss attributable to equity holders of the Company	**(2,362)**	(2,030)
EPS – basic and diluted ($)		
From continuing operations	**(0.52)**	0.18
From discontinued operations	**(4.76)**	(4.14)
	(5.28)	(3.96)
EPS based on Underlying Profit ($)		
From continuing operations	**0.19**	0.20
From discontinued operations	**(0.18)**	0.17
	0.01	0.37

Revenues

The Group's revenues from continuing operations decreased by 9% from $931 million in 2013 to $846 million, principally as a result of lower commodity prices. Copper revenues were $550 million in 2014, 7% below 2013 as sales volumes fell by 4% and the average realised price for copper decreased by 3% to $7,040 per tonne compared to $7,231 per tonne in 2013. Revenues from by-products were $296 million, $46 million lower than in 2013. Zinc revenues remained unchanged compared to 2013, as lower sales volumes were offset by a higher realised price while gold and silver revenues declined by 30% and 26% respectively, as a result of a fall in both commodity prices and sales volumes in 2014.

EBITDA (excluding special items) by operating segment

EBITDA (excluding special items) has been chosen as the key measure in assessing the underlying trading performance of the Group. This performance measure removes the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, MET and those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the Group. The Directors believe that the exclusion of MET provides a more informed measure of the operational profitability of the Group given the nature of the tax as further explained in the 'Taxation' section.

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

A reconciliation of Group EBITDA (excluding special items) by operating segment and the EBITDA (excluding special items) attributed to the discontinued operations is shown below:

$ million	**2014**	2013
Continuing operations		
East Region operations	**403**	432
Bozymchak	**(4)**	(3)
Mining Projects	**(14)**	(11)
Corporate Services[1]	**(30)**	(59)
Total continuing operations	**355**	359
Discontinued operations		
Disposal Assets[2]	**201**	363
MKM	**–**	(2)
Share of EBITDA of joint venture	**–**	153
Share of EBITDA of ENRC	**–**	276
Total discontinued operations	**201**	790
Group EBITDA (excluding special items)	**556**	1,149

1 Following the restatement of the Group's 2013 income statement to reflect the Disposal Assets as discontinued operations, inter-segment rechargeable costs of $30 million were reallocated from the previous Kazakhmys Mining segment within the Disposal Assets, to Corporate Services within the continuing operations.

2 The Disposal Assets comprise the Zhezkazgan and Central Region operations which were previously reported within Kazakhmys Mining and the captive power stations which were previously reported within Kazakhmys Power in the prior year.

EBITDA (excluding special items) from continuing operations of $355 million was consistent with 2013, as cost reductions offset the lower revenues.

The East Region's EBITDA of $403 million was 7% lower than the prior year, as the impact of lower pricing on revenues was largely offset by reduced costs due to the Group's optimisation programme and the favourable impact of the devaluation of the tenge. The impact of the tenge devaluation was partly reduced by the inflationary pressures in Kazakhstan, including a 10% increase in wages in April 2014.

The negative EBITDA from Mining Projects and Bozymchak of $18 million represents costs incurred in preparing the Group's major growth projects for commercial production which are not considered directly attributable to the construction of the assets and therefore expensed. These costs were previously included within the Kazakhmys Mining segment.

Corporate costs of $30 million were in line with the prior year of $29 million, when adjusted to exclude the intersegment costs reflected within the continuing operations as noted in the table footnote.

EBITDA (excluding special items) from discontinued operations represents the results of the Disposal Assets up to 31 October 2014. In the prior year, EBITDA (excluding special items) from discontinued items included the results of ENRC, Ekibastuz GRES-1, and MKM for the period until their respective disposals. Refer to the discontinued operations section for more detail.

Special items

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

Special items within operating profit from continuing operations:

2014

Impairment charges

The Bozymchak copper and gold development project has been subject to an impairment review following the identification of impairment indicators. The indicators identified were lower assumed copper prices for 2015, ongoing optimisation work to be performed during 2015 thereby delaying the ramp up of the concentrator and changes to the mine plan. As a result, the Group has recognised a total impairment of $128 million. The impairment charge has been recognised as $107 million against property, plant and equipment, $18 million against mining assets and $3 million against other non-current assets of the Bozymchak project. The impairment charge reduces the carrying value of the Bozymchak project to its recoverable amount of $100 million, determined as its value-in-use on a discounted cash flow basis, as at 31 December 2014. The cash flow forecasts were discounted at a post-tax discount rate of 11% (pre-tax rate of 12%).

Impairment charges were also recognised within East Region operations against property, plant and equipment of $4 million, principally relating to unusable items.

2013

Disability benefits obligation

In accordance with Kazakhstan law, the Group obtained insurance cover from 2005 for the disability payments to employees for illness and disability sustained at the Group's continuing operations. During 2013, as a result of financial difficulties, the insurance companies ceased making their obligated payments to the employees covered by insurance contracts. The Group assumed the liability for future disability benefit payments to these employees and the related $3 million charge in respect of the East Region operations was treated as a special item in the income statement.

Impairment charges

Impairment charges of $8 million were recognised principally from the impairment of Berezovsky concentrator in the East Region following its suspension in the second half of 2013. Other impairment charges of $5 million related to assets no longer in use.

Other items outside of EBITDA (excluding special items) from continuing operations

Depreciation, depletion and amortisation

The Group's depreciation, depletion and amortisation charge from continuing operations for 2014 of $42 million is $15 million below the charge in the prior year, principally due to the impact of the tenge devaluation.

MET

The MET charge for the East Region operations of $86 million for 2014 was below the $94 million recognised in 2013, principally reflecting lower commodity prices.

Net finance costs

Net finance costs, which include finance costs incurred on borrowings, net foreign exchange losses and interest on the employee benefits obligation, have increased significantly from $53 million in 2013 to $263 million in 2014, principally due to the impact of the tenge devaluation.

On 11 February 2014, the National Bank of Kazakhstan announced it would seek to support the tenge at around 185 KZT to the US dollar, with the tenge swiftly devaluing to trade at this level. The KZT/$ exchange rate at 31 December 2014 was KZT 182.35 compared to KZT 153.61 at 31 December 2013, a 19% devaluation. The average KZT/$ exchange rate for 2014 was KZT 179.19 compared to KZT 152.13 in 2013, a change of 18%.

The net exchange losses of $235 million were higher than the $7 million in 2013 largely as a result of the tenge devaluation. Exchange losses of $361 million arose mainly from the translation of tenge-denominated intercompany monetary assets and liabilities, while US dollar denominated monetary assets and liabilities in Kazakhstan, principally accounts receivable and cash balances, gave rise to exchange gains of $126 million. Of this net exchange loss, $181 million arising from the devaluation at 11 February 2014 is treated as a special item and is excluded from Underlying Profit from continuing operations. The remaining net exchange losses arose largely from the depreciation of the Kyrgyz som on the translation of intercompany monetary liabilities relating to the financing of the Bozymchak project. These losses are largely offset by corresponding translation gains on consolidation, which are recognised directly in equity.

The interest costs incurred on borrowings decreased to $35 million from $51 million in 2013, principally due to lower interest charges in the year arising from a reduced weighted average interest rate and a lower average level of borrowings during 2014, being partially offset by $10 million of pre-export finance facility unamortised fees being expensed following the Group's amendment to the pre-export finance facility in October 2014. Interest charges capitalised to the Bozshakol, Aktogay and Bozymchak projects amounted to $124 million (2013: $126 million).

Other finance costs included $2 million (2013: $2 million) and $1 million (2013: $2 million) of unwinding of the discount on the Group's employee benefit obligations and long-term provisions, respectively.

In addition, the Group earned $10 million of interest income on cash deposits compared to $9 million in 2013.

Taxation

The table below shows the Group's effective tax rate from continuing operations 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.

$ million (unless otherwise stated)	2014	2013
(Loss)/profit before taxation from continuing operations	**(169)**	138
Add: MET	**86**	94
Add: special items within operating profit	**132**	16
Add: net foreign exchange loss arising on the devaluation of the tenge	**181**	–
Adjusted profit before taxation from continuing operations	**230**	248
Income tax expense	**65**	48
Add: MET	**86**	94
Add: deferred tax asset on additional disability benefits obligation related to previously insured employees	**–**	1
Add: recognition of a deferred tax asset resulting from impairment charges	**1**	3
Less: tax effect on foreign exchange gain arising on the devaluation of the tenge	**(8)**	–
Adjusted tax expense from continuing operations	**144**	146
Effective tax rate (%)	**(38)**	35
All-in effective tax rate[1] (%)	**63**	59

[1] The all-in effective tax rate is calculated as the income tax expense plus MET less 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. The all-in effective tax rate is considered to be a more representative tax rate on the recurring profits of the Group.

Effective tax rate

Despite making a loss before taxation from continuing operations of $169 million, the Group has incurred a tax charge of $65 million, principally as a result of the net foreign exchange losses arising from the tenge devaluation in February 2014 of $181 million, which includes $223 million of foreign exchange losses not deductible for tax purposes. The tax impact of the non-deductible exchange loss amounted to $48 million. In addition, the tax impact of the Bozymchak impairments of $13 million also had upward pressure on the effective tax rate.

As a result, the effective tax rate from continuing operations was (38)% compared to 35% in 2013. The restatement of the Group's income statement following the reclassification of the Disposal Assets as a discontinued operation has led to a restatement of the effective tax rate for 2013. Prior to this reclassification the prior year effective tax rate was (19)%.

All-in effective tax rate

The all-in effective tax rate increased from 59% in 2013 to 63% in 2014 as the adjusted tax expense remained constant while the adjusted profit decreased in 2014. MET, which is revenue-based and independent of the profitability of the operations, was 9% lower than in 2013, following lower prices. In both years MET represented more than 100% of the income expense, whilst the non-deductible items in 2014 were higher and therefore placed upward pressure on the all-in effective tax rate.

Non-deductible items

The tax impact of non-deductible items was $84 million in 2014 (2013: $21 million), mainly relating to the non-deductibility of unrealised exchange losses which arose from the tenge devaluation of $48 million, with $36 million relating principally to the Bozymchak impairment and ongoing non-deductible business expenses.

Unrecognised tax losses

In 2013, the Group incurred tax losses during the year, primarily related to certain subsoil use contracts, which were not expected to generate sufficient taxable profits for these losses to be utilised in the foreseeable future. As a result, deferred tax assets of $8 million in respect of these losses were not recognised.

Taxation related special items:

2014

In 2014, the principal taxation related special items related to the deferred tax asset that arose on the impairment of assets at the East Region operations ($1 million) and the current tax charge on the exchange gains on US dollar denominated monetary assets in Kazakhstan arising from the tenge devaluation of $8 million.

2013

The taxation related special items in 2013 related to deferred tax assets recognised in respect of certain impairment charges, treated as special items, where future tax benefits are expected. The resulting tax credits were treated as a taxation related special item. The additional disability benefits obligation special item of $3 million was deductible against taxable profits in the future when the disability payments are made. As a result, a deferred tax asset was recognised during the year in respect of the obligation, with $1 million in respect of the $3 million charge treated as a taxation related special item.

Future tax rates

Future tax rates are materially affected by the application of corporate income tax ("CIT") and MET. The CIT rate in Kazakhstan is 20% on assessable profits whilst MET is revenue-based and dependent on commodity prices.

Discontinued operations

$ million	2014	2013
Disposal Assets		
Revenues	**1,534**	2,168
EBITDA (excluding special items)	**201**	363
Less: special items, non-cash items and MET	**(267)**	(1,156)
Operating loss	**(66)**	(793)
Net finance costs	**–**	(26)
Taxation credit/(charge)	**4**	(79)
Loss for the year	**(62)**	(898)
Loss on disposal	**(2,273)**	–
Total loss	**(2,335)**	(898)
Ekibastuz GRES-1		
Share of profits from joint venture	**–**	89
Gain on disposal	**207**	–
Profit for the year	**207**	89
MKM		
Revenues	**–**	595
EBITDA (excluding special items)	**–**	(2)
Less: special items	**–**	(22)
Operating loss	**–**	(24)
Net finance costs	**–**	(1)
Taxation charge	**–**	(1)
Loss for the year	**–**	(26)
Loss on disposal	**–**	(1)
Total loss	**–**	(27)
ENRC		
Share of profits from associate	**–**	65
Impairment charge against investment in associate	**–**	(823)
Loss on disposal	**–**	(528)
Loss for the year	**–**	(1,286)
Loss for the year from discontinued operations	**(2,128)**	(2,122)

Disposal Assets

On 31 October 2014, the Disposal Assets, which include a number of the Group's relatively mature assets, primarily located in the Zhezkazgan and Central Regions within the Kazakhmys Mining and Kazakhmys Power operating segments, were sold to Cuprum Holding (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company). The Disposal Assets were classified as a discontinued operation for the years ended 31 December 2014 (until the date of their disposal on 31 October 2014) and 31 December 2013.

Performance

Revenues from the Disposal Assets for the 10 month period ended 31 October 2014 were impacted by the decline in commodity prices as well as lower sales volumes during 2014 as the current period includes 10 months of operations, compared to 12 months in the prior year. Copper revenues of $1,260 million were 25% below the $1,679 million in 2013 resulting from a reduction in the realised price and a 27% fall in sales volumes, principally from the shorter period in 2014. The by-product revenues from gold, silver and other products fell by 44% to $274 million in 2014. Gold revenues of $70 million, down from $89 million, were impacted by lower sales volumes as the current period includes 10 months of operations and lower realised prices, whilst silver revenues were down $147 million at $58 million impacted by lower prices and reduced sales volumes due to the shorter period.

The Disposal Assets EBITDA contribution fell from $363 million in 2013 to $201 million, principally as a result of the shortened period of inclusion in the Group's results and the fall in commodity prices, partly offset by cost control initiatives and the favourable impact of the tenge devaluation on the cost base.

Within the Disposal Assets, the following special items and other items are excluded from EBITDA (excluding special items).

Impairment charges

2014

A charge of $15 million was recognised in the year against property, plant and equipment and mining assets which were no longer in use.

2013

The impairment charges arose principally from the write down of the carrying value of the Zhezkazgan Region, a separate cash generating unit ('CGU') of the Group, which forms part of the Disposal Assets. The carrying value of the CGU was fully impaired. The impairment charge consisted of $477 million against total assets in the Region, comprising $325 million against property, plant and equipment, $139 million against mining assets and $13 million against long-term advances.

The asset review programme undertaken in 2013, also resulted in certain production assets and medium-sized projects being suspended or subject to a change in intended use. The additional impairments against specific assets were: $119 million against assets in the Zhezkazgan Region, comprising $115 million against property, plant and equipment, primarily relating to the Satpayev concentrator and the Zhezkazgan smelter, which were suspended during the year and $4 million against specialised consumables. In addition a $61 million charge was recognised against medium-sized projects which were suspended.

Loss on disposal of assets

During 2013, the Group disposed of various assets for proceeds of $38 million, on which a loss of $14 million was realised.

Disability benefits obligation

In accordance with Kazakhstan law, the Group obtained insurance cover from 2005 for the disability payments to employees for illness and disability sustained at the Group's operations. During 2013, as a result of financial difficulties, the insurance companies ceased making their obligated payments to the employees covered by insurance contracts. The Group assumed the liability for future disability benefit payments to these claimants and the related $81 million charge in respect of the Disposal Assets was treated as a special item in the income statement for the year ended 31 December 2013.

The non-cash component of the disability benefits obligation increased from $25 million in 2013 to $92 million in 2014 following a change in actuarial assumptions, with the new claimants in 2013 receiving payments for the 10 months in 2014 and the 10% increase in salaries being partially offset by the tenge devaluation. The actual payments (included within EBITDA) made in 2014 of $45 million were lower than the $65 million in the prior year with only 10 months of payments made in 2014.

MET

On 17 June 2014, the Government of Kazakhstan agreed to reduce the MET rates at some of the Disposal Assets incorporating certain deposits in the Zhezkazgan Region and the Konyrat mine. As a result of the lower MET rates, which were effective retrospectively from 1 January 2014, lower commodity prices and the shortened 10 months of operations led to the $83 million reduction in the MET charge from $148 million in 2013 to $65 million in 2014.

Loss on disposal

The Disposal Assets were classified as assets held for sale and shown within discontinued operations with effect from 15 August 2014, the date that the independent shareholders of the Group approved the sale. On reclassification, the Group recognised a charge of $1.6 billion from the remeasurement of these assets to fair value less costs to sell of nil (net of $12 million transaction costs). Upon completion, a charge of $690 million was recognised arising from the recycling to the income statement of the cumulative foreign exchange losses previously recognised in equity along with a credit of $42 million relating to the recycling of other reserves in equity. Consequently, on completion the total loss on disposal recognised on the divestment was $2.3 billion.

Other special items in respect of the Disposal Assets are as follows:

Following a favourable court ruling in Kazakhstan, the Group released a historic provision for corporate income tax of $7 million (treated as a taxation related special item) and other taxes, fines and penalties of $15 million.

Taxation related special items

As described above, $7 million of historic tax claims were reversed in 2014 and deferred tax assets of $3 million were recognised in respect of impairment charges. In addition, a $5 million current tax charge was recognised on the exchange gains from the tenge devaluation.

In 2013, the principal taxation related special items related to the impairment of previously recognised deferred tax assets in the Zhezkazgan Region of $98 million and the $16 million deferred tax assets recognised on the additional disability benefits obligation special item of $81 million.

Ekibastuz GRES-1

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

With the loss on divestment of the Disposal Assets of $2,273 million and the gain on the sale of Ekibastuz GRES-1 of $207 million, the total loss on disposal of subsidiaries and investments for the year was $2,066 million.

MKM

MKM was sold on 28 May 2013, for a consideration of €42 million ($55 million), comprising €30 million ($39 million) in cash and €12 million ($16 million) which was deferred. The results from MKM included its loss for the period until its disposal of $4 million, an impairment charge of $22 million to write MKM down to the net sales proceeds and a $1 million loss on its disposal. The loss on disposal of MKM arose from the recycling of the foreign currency translation losses recognised in the Group's equity on consolidation of MKM of $2 million. In the second half of 2014, the deferred consideration was settled and the Group received cash proceeds of $16 million.

ENRC

On 24 June 2013, the Group accepted the proposed offer from Eurasian Resources Group B.V. ('Eurasian Resources') for its 26% investment in ENRC, comprising $2.65 in cash plus approximately 0.23 Company shares per ENRC share, amounting in total to $1,194 million net of expenses. An impairment charge of $823 million was recognised to write the investment down to this value in the first half of 2013. On 8 November 2013, the transaction completed and the Group received the net proceeds of $1,194 million, comprising $875 million in cash and 77 million Company shares valued at $319 million. The Group recognised a loss on disposal of $528 million, mainly representing the recycling of the Group's share of ENRC's reserves which arose principally from the translation reserve. As well as the impairment charge of $823 million recognised to write ENRC down to its fair value less costs to sell and the loss on disposal, the Group's share of post-tax results of ENRC of $65 million up to 24 June 2013, the date on which equity accounting ceased, has been included in the 2013 consolidated income statement.

Underlying Profit

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

$ million	2014	2013
Net (loss)/profit attributable to equity shareholders of the Company from continuing operations	**(234)**	90
Special items within operating profit:		
Additional disability benefits obligation related to previously insured employees	**–**	3
Impairment charges	**132**	13
Net foreign exchange loss arising on the devaluation of the tenge	**181**	–
Taxation related special items:		
Recognition of a deferred tax asset on additional disability benefits obligation related to previously insured employees	**–**	(1)
Net foreign exchange gain arising on the devaluation of the tenge	**8**	–
Recognition of a deferred tax asset resulting from impairment charges	**(1)**	(3)
Underlying Profit from continuing operations	**86**	102
Net loss attributable to equity shareholders of the Company from discontinued operations	**(2,128)**	(2,120)
Special items within operating loss:		
Additional disability benefits obligation related to previously insured employees	**–**	81
Provisions released against historic tax claims	**(15)**	–
Impairment charges	**15**	679
Loss on disposal of property, plant and equipment	**–**	14
Special items within loss before finance items and taxation:		
Impairment charge recognised on remeasurement of the ENRC investment	**–**	823
Share of special items in the equity accounted investment in ENRC	**–**	30
Net loss on disposal of subsidiaries and investments	**2,066**	529
Net foreign exchange gain arising on the devaluation of the tenge	**(24)**	–
Taxation effect of special items:		
Provisions released against historic tax claims	**(7)**	–
Recognition of deferred tax assets resulting from impairment charges and other special items	**(3)**	(20)
Net foreign exchange gain arising on the devaluation of the tenge	**5**	–
Tax accruals arising from Kazakhstan legal demerger of Kazakhmys LLC	**10**	–
Recognition of a deferred tax asset on additional disability benefits obligation related to previously insured employees	**–**	(16)
Impairment of deferred tax assets recognised in the Disposal Assets	**–**	98
Release of deferred tax liabilities resulting from the remeasurement of MKM	**–**	4
Recognition of deferred tax assets on impairment charges recognised by ENRC	**–**	(14)
Underlying (Loss)/Profit from discontinued operations	**(81)**	88
Total Underlying Profit	**5**	190

The Group's net loss attributable to equity holders of the Company from continuing operations was $234 million for the year ended 31 December 2014, down from a profit of $90 million in the prior year. The fall in profits in 2014 arises principally from foreign exchange losses resulting from the devaluation of the tenge, the impairment recognised at Bozymchak and lower revenues partly offset by the benefits gained from the optimisation programme and the favourable impact of the tenge devaluation on operational costs. The depreciation of the Kyrgyz som gave rise to net foreign exchange losses at Bozymchak, reducing the Underlying Profit.

Underlying Profit from continuing operations for the year of $86 million was below the $102 million in the prior year, primarily due to lower revenues, partially offset by reduced costs arising from the optimisation programme and the favourable impact of the tenge devaluation on costs.

The Underlying Loss from discontinued operations in 2014 was $81 million compared to a profit of $88 million in 2013. This decline reflects the absence of the contributions to earnings from Ekibastuz GRES-1, sold in 2014, of $89 million and ENRC, sold in 2013, of $81 million in the 2014 results. In addition to the loss of earnings from these investments, the Disposal Assets' loss for the 10 months to 31 October 2014 was $1 million lower than the full year in 2013.

As a result of the above, total Underlying Profit for the year fell by $185 million to $5 million in 2014.

Earnings per share

$ million (unless otherwise stated)	2014	2013
Weighted average number of shares in issue (million)	**447**	513
EPS – basic and diluted ($)		
From continuing operations	**(0.52)**	0.18
From discontinued operations	**(4.76)**	(4.14)
	(5.28)	(3.96)
EPS based on Underlying Profit ($)		
From continuing operations	**0.19**	0.20
From discontinued operations	**(0.18)**	0.17
	0.01	0.37

Basic earnings per share from continuing and discontinued operations was a loss of $5.28 per share, compared to a loss of $3.96 in the prior year principally from the loss realised on divestment of the Disposal Assets partly offset by the reduction in the weighted average number of shares in issue in 2013 arising from the 77 million Company shares received as part of the consideration for the ENRC disposal, which were subsequently cancelled on 8 November 2013.

Key financial indicators

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

	2014	2013
Group EBITDA (excluding special items) ($ million)	**556**	1,149
EPS based on Underlying Profit ($)	**0.01**	0.37
Free Cash Flow ($ million)	**(31)**	(171)
Net cash cost of copper after by-product credits (USc/lb) – continuing operations only	**85**	87

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. In previous years, share buy-backs and special dividends have been used in addition to the ordinary dividend to return surplus funds to shareholders.

The Company paid dividends of 8.0 US cents per share ($42 million) during the first half of 2013, representing the final dividend from 2012. Taking into consideration the Group's anticipated increase in net debt during the construction phase of two of the major growth projects, the Directors did not declare an interim dividend and will not recommend a final dividend for 2014. The Board will continue to assess the Group's financial position, its cash flows and growth requirements in determining when to resume dividend payments in the future.

Cash flows

A summary of cash flows from continuing and discontinued operations is shown below:

$ million	2014	2013
EBITDA (excluding special items)	**556**	720
Provisions released against historic tax claims	**15**	–
Working capital movements[1]	**21**	69
Interest paid	**(150)**	(156)
MET paid	**(102)**	(259)
Income tax paid	**(55)**	(67)
Foreign exchange and other movements	**(15)**	18
Net cash flows from operating activities before other expenditure associated with major projects	**270**	325
Sustaining capital expenditure	**(301)**	(496)
Free Cash Flow	**(31)**	(171)
Expansionary and new project capital expenditure	**(912)**	(757)
Acquisition of Koksay licence	**(225)**	–
Non-current VAT receivable associated with major projects	**(68)**	(44)
Major social projects	**–**	(32)
Interest received	**12**	12
Proceeds from disposal of property, plant and equipment	**7**	38
Proceeds from disposal of associate	**–**	875
Proceeds from disposal of joint venture	**1,249**	–
Proceeds from disposal of long-term investments	**16**	–
Proceeds from disposal of subsidiaries, net of cash disposed[2]	**(170)**	27
Dividends paid	**–**	(42)
Other movements	**(6)**	(9)
Cash flow movement in net debt	**(128)**	(103)

[1] Working capital movements exclude any accruals relating to MET and the movement in non-current VAT receivable incurred on capital expenditure relating to the major growth projects.

[2] In addition to $158 million of cash, the Group also transferred $30 million of short-term investments to the Disposal Assets bringing the total cash given up at 31 October 2014 to $188 million. In the above cash flow statement, the $170 million reflects $12 million of costs incurred on the transaction by the Group. The $30 million short-term investments movement is reflected outside of the cash flow movement in net debt.

Summary of the year

Net cash flows from operating activities decreased as lower profitability from Group operations were only partly offset by lower MET and income tax payments and a lower positive working capital movement. The Group received $1,249 million from the sale of Ekibastuz GRES-1 in April 2014 and also disposed of $158 million of cash with the Disposal Assets in October 2014 and paid transaction costs of $12 million.

Working capital

The working capital movements resulting in the $21 million inflow in 2014 are explained below:

- inventory levels increased by $10 million, mainly as a result of increased copper cathode goods-in-transit;
- receivables decreased by $87 million due to the timing of cash receipts and lower sales volumes following the divestment of the Disposal Assets;
- prepayments and other current assets rose by $84 million as the Group's operating companies continued to accrue VAT in excess of refunds over the course of the year; and
- trade and other payables and provisions increased by $28 million in 2014, primarily driven by a rise in accruals for services across the Group.

In the prior year there was a working capital inflow of $69 million. Overall inventory levels fell by $145 million primarily resulting from the release of goods-in-transit and the impact of the optimisation programme on inventory management. MKM's reduction in inventory levels reflects the impact of lower commodity prices on their copper inventory. Receivables increased by $185 million due to the timing of cash receipts and changes in product mix. Copper concentrate sales, which commenced following the suspension of the Zhezkazgan smelter, are only settled in full following confirmation of content and quality. In addition, when comparing December 2013 with December 2012, a greater proportion of cathode sales were to China where payment terms under letters of credit are longer than for sales to Europe. Both these factors have contributed to the higher receivables balance at 31 December 2013. Prepayments and other current assets decreased by $31 million largely due to VAT refunds in the first half of the year. Trade and other payables and provisions increased by $78 million principally due to amounts owed to contractors in respect of the major growth projects.

Interest cash flows

Interest paid during the year was $150 million, comparable with the $156 million paid in the prior year. The marginal fall reflects the decreased level of debt outstanding during the year and a lower average effective interest rate on debt of 4.84% compared to 5.07% in 2013. Interest payments are made bi-annually in January and July under the CDB/Samruk-Kazyna facilities and monthly under the pre-export finance facility.

Income taxes and mineral extraction tax

Income tax payments of $55 million were lower than the $67 million in the prior year, reflecting the fall in the Group's profitability, principally relating to the Disposal Assets. At 31 December 2014 the Group's income tax payable was $20 million.

MET payments fell from $259 million to $102 million as a result of the lower MET rates granted to the Disposal Assets by the Government and the fall in commodity prices. At 31 December 2014, the Group's MET payable was $10 million.

Free Cash Flow

The Group's Free Cash Flow, which includes $150 million (2013: $156 million) of interest payments on borrowings specifically for the funding of capital expenditure at the major growth projects, was an outflow of $31 million compared to a $171 million outflow in 2013, as lower sustaining capital expenditure, MET and income tax payments were partially offset by a smaller working capital contribution.

Capital expenditure

Sustaining capital expenditure was reduced to $301 million from $496 million, and expansionary expenditure rose by $155 million as the Group invested in the Bozshakol, Aktogay and Bozymchak projects. Total capital expenditure in the year was $1,213 million, compared to $1,253 million for the year ended 31 December 2013.

Major social projects

In 2013, the Group spent $32 million as part of the Group's social development programme on major projects in Kazakhstan.

Other investing and financing cash flows

Investing cash flows in 2014 include $225 million for the purchase of the Koksay licence and the cash proceeds received from the sale of Ekibastuz GRES-1. In respect of the Disposal Assets, the Group transferred $158 million of cash and cash equivalents and $30 million in short-term investments and incurred $12 million of transaction costs.

In 2013, investing cash flows related to the proceeds received from the sale of the investment in ENRC of $875 million, the net cash proceeds from the disposal of MKM of $27 million, proceeds from the disposal of various other assets of $38 million and the payment of the Group's final dividend for 2012 of $42 million.

Balance sheet

The Group's capital employed position at 31 December 2014 is shown below:

$ million	2014	2013
Equity attributable to owners of the Company	**2,101**	4,217
Non-controlling interests	**3**	4
Borrowings	**3,092**	3,111
Capital employed	**5,196**	7,332

Summary of movements

The Group's attributable loss for the year, largely related to the loss on disposal of the Disposal Assets and a non-cash loss of $430 million arising on the tenge devaluation, mainly recognised in the foreign currency translation reserve during the year, led to a $2,116 million decrease in equity attributable to holders of the Company to $2,101 million at 31 December 2014. The significant non-cash foreign currency loss arises from the weakening of the tenge against the US dollar on the Kazakhstan entities' tenge denominated net assets. The tenge devaluation also reduced the carrying values of the tenge denominated assets and liabilities, including property, plant and equipment, mining assets and the disability benefits obligations in the Group's Kazakhstan entities when presented in US dollars.

Disability benefits obligation

The Group's disability benefits obligation, which is the largest portion of the overall employee benefits obligation, has grown substantially following changes in the legislation of Kazakhstan which significantly increased the level of disability payments to be made by companies to disabled employees.

The disability benefits obligation fell from $530 million at 31 December 2013 to $24 million at 31 December 2014 following the divestment of the Disposal Assets at 31 October 2014. On a continuing basis, the obligation of $26 million at 31 December 2013 is consistent with the obligation at 31 December 2014, with changes in the actuarial valuation assumptions, lower discount rate and higher near term inflation, being offset by the tenge devaluation. The cash payments made under the obligation were $3 million for the year ended 31 December 2014, compared to $4 million in the prior year.

Ekibastuz GRES-1

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

Net debt

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

$ million	**2014**	2013
Cash and cash equivalents	**1,730**	1,715
Current investments	**400**	625
Borrowings	**(3,092)**	(3,111)
Net debt	**(962)**	(771)

Cash and cash equivalents and current investments of the Group's continuing businesses as at 31 December 2014 were $2,130 million. Of the cash and cash equivalents and current investments, approximately $2 million relates to the CDB/Samruk-Kazyna financing facilities and $252 million relates to the CDB Aktogay finance facility. These facilities are intended to be used for the development of the Group's projects under the terms of the individual facility agreements. Current investments are cash deposits with a three to six month maturity profile.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The funds within the UK are held primarily with major European and US financial institutions and triple-'A' rated liquidity funds. At 31 December 2014, $2,090 million of cash and short-term deposits were held in the UK and $40 million in Kazakhstan.

Borrowings under the CDB/Samruk-Kazyna financing facilities were $2,568 million (net of fees) at 31 December 2013, compared to $2,056 million at 31 December 2014. Funds drawn under these facilities can only be used for development costs of the projects to which they relate. In January 2014, the Group repaid early $400 million under the CDB/Samruk-Kazyna financing facilities relating to the Akbastau-Kosmurun and Zhomart projects as development of these projects were not expected to commence in the near future.

Gross borrowings of the Group's continuing operations decreased from $3,111 million at 31 December 2013 to $3,092 million at 31 December 2014 reflecting the $507 million repayments under the CDB/Samruk-Kazyna financing facilities and the $166 million repayment under the PXF facility on the date that the terms were re-negotiated, offset by the draw down of $590 million under the CDB Aktogay US dollar facility, the $57 million draw down under the CDB Aktogay RMB facility and the $15 million draw down under the amended PXF terms.

On 30 December 2014, the Group announced an amendment to the CDB/Samruk-Kazyna financing facilities, which resulted in the facilities becoming bilateral between KAZ Minerals and CDB and a lowering of the interest rate from US$ LIBOR plus 4.80% to US$ LIBOR plus 4.50%. An arrangement fee of 0.5% was agreed, of which 60% was paid in December 2014 and 40% is payable in January 2016. Repayment of the previous facilities with CDB and Samruk-Kazyna and drawing of the new facilities directly from CDB is expected to occur during the first quarter of 2015. All other material terms of the facilities, including the final maturity of 2025, remain unchanged.

The CDB Aktogay finance facility consists of two separate agreements: the US dollar agreement for up to $1.3 billion and the RMB1.0 billion agreement (approximately $161 million equivalent at the RMB/$ exchange rate as at 31 December 2014). The US dollar agreement (which was drawn down for the first time in 2014) attracts interest at US$ LIBOR plus 4.2% and the RMB agreement attracts interest at the applicable benchmark lending rate published by the People's Bank of China. At 31 December 2014, the Group had drawn down $692 million (2013: $57 million), net of fees, under the CDB Aktogay facilities.

On 29 October 2014, the Group signed an amendment to the PXF debt facility. The amended facility restates the existing pre-export finance facility signed in December 2012 which contained certain disposal and other restrictions, meaning the facility could not continue after completion of the Restructuring. At signing, commitments from the existing syndicate of lending banks totalled $334 million and a net repayment of $166 million was paid to the exiting banks. The amended facility contains an accordion feature which will enable existing lenders to increase their commitments, or new lenders to join, up to a maximum total facility amount of $500 million. On 5 December 2014, the facility was increased to $349 million (2013: $500 million), which was fully drawn at 31 December 2014. Arrangement fees with an amortised cost as at 31 December 2014 of $5 million (2013: $14 million), (gross cost before amortisation of $5 million (2013: $18 million)), have been netted off against these borrowings in accordance with IAS 39. Following the amendment signed in October 2014, $10 million of previously unamortised costs were expensed in full.

As at 31 December 2013, the Group had a $100 million revolving credit facility available for standby liquidity and general corporate purposes. This facility was cancelled in October 2014.

PRINCIPAL RISKS

Managing our risks

The significant risks identified by KAZ Minerals are those that could materially affect the Group's financial condition, performance, strategy and prospects. There may be other risks unknown, or currently believed immaterial by the Group, which might become material. The Group's risk profile has changed following the completion of the Restructuring which is reflected in the commentary on the risks. The risks set out below are not in order of likelihood of occurrence or materiality and should be viewed, as with any forward looking statements in this document, with regard to the cautionary statement.

Operational risks

Health and safety

Description

Mining is a hazardous industry with inherent risks and the failure to adopt and embed health and safety management systems could result in harm to the Group's employees, contractors or local communities. Fatality levels within the Group are higher than at comparable internationally listed mining companies with 13 fatalities, including four contractors recorded for 2014 (2013: 18, including three contractors).

Impact

Health and safety incidents could lead to a number of adverse consequences, including harm to people, as well as production disruption, financial loss and reputational damage. Reputational damage could negatively impact the Group's ability to attract and retain employees, affect the Group's standing in the local community, relations with the Government, reduce the Group's access to finance and the attractiveness of the Group to investors.

Action

KAZ Minerals 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 goal is for zero fatalities and to minimise the number of incidents. 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. With the completion of the Restructuring, the reduced scale of the continuing operations creates the opportunity to increase the pace at which new practices and standards are introduced by the Group. The open-pit mines and modern processing facilities that the Group is developing at Bozshakol and Aktogay will also provide inherently safer operating environments for employees.

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.

Business interruption

Description

The Group's mining and processing operations are resource intensive and could be subject to 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 or services; and loss of key inputs including electricity and water, which could cause prolonged shutdowns or periods of reduced production from the Group's mines and concentrators.

Impact

Any disruption to operational activities could have a negative impact on the Group's profitability and cash flows, may require the Group to incur unplanned capital expenditure, may result in harm to people and may cause environmental damage. In addition to the aforementioned consequences, 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 risks. With the completion of the Restructuring, the Group is more reliant on a smaller number of operating assets, in particular the Orlovsky and Artemyevsky mines, increasing the relative impact of business disruption. The continuing operations' mines and concentrators are, however, geographically diversified, which potentially mitigates a single incident causing widespread disruption across the operations.

A combined property damage and business interruption catastrophic insurance programme is in place which can provide protection from some of the financial loss arising from a major incident at the Group's concentrating facilities or an incident at a facility of a key external supplier. Should a major outage occur at the Balkhash smelter where the Group's concentrate is currently processed into copper cathode, gold bar and silver granule, the Group believes it could sell concentrate directly to customers.

Political risk

Description

The Group's mining operations and development projects are all based in Kazakhstan, except the Bozymchak mine, which is located in Kyrgyzstan. The Group's operational and financial performance is impacted by the social, political, economic, legal and fiscal conditions prevailing in both countries.

Impact

Changes to foreign trade (export and import), foreign investments, property, tax, environmental and subsoil use regimes, social responsibility expectations or other changes that affect the business environment in Kazakhstan and Kyrgyzstan could negatively affect the Group's business, financial position and performance and decisions on future investments. The changes may also lead to reputational damage, in particular with investors, and potentially the loss of licences to operate assets within the Group.

Action

KAZ Minerals maintains a proactive dialogue with the Governments of both Kazakhstan and Kyrgyzstan across a range of issues, including subsoil use regulations, taxation, the environment and social responsibility and community relations. 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. Political, legal and regulatory developments affecting the Group's operations and development projects are monitored closely. 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.

New projects

Description

The development of new projects involves many risks including geological, engineering, procurement, staffing, 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 development costs. Regulatory risks include failures to obtain and maintain applicable permits, licences or approvals from the relevant authorities to perform certain development work.

Impact

Projects may fail to achieve the desired economic returns due to an inability to recover mineral resources as planned and where the capital and operating costs of the projects are higher than expected. Projects may also fail to complete or suffer delays which may reduce future production volumes affecting the Group's liquidity and financial performance. A reduction in future production volumes would also increase the cash cost on a per unit basis. A lack of available funding may also prevent or delay the completion of projects.

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 within the Group. The Group ensures that sufficient expertise, from both in-house and third-party specialists, is utilised on projects throughout their life cycle.

For the development of the major growth projects the Group is utilising the services of Non Ferrous China to provide additional resources primarily for the construction and commissioning of the Bozshakol sulphide and clay processing plants. Non Ferrous China are also constructing and commissioning the sulphide processing plant at Aktogay with the other sections of the project divided between several smaller contractors. The Projects Assurance Committee regularly assesses the operational and financial status of the projects to identify any material risks to their successful commissioning and start-up. In respect of project funding, committed financing is in place for Bozshakol and Aktogay. Details on the current status of the major growth projects is included in the Operating Review.

Change management

Description

The Group completed the Restructuring in 2014, which included the disposal of the mining, processing and captive power operations in the Zhezkazgan and Central Regions. As a result, KAZ Minerals has undergone significant changes to its operations, management structure, business processes and systems.

Impact

The significant changes arising from the Restructuring may adversely affect the operating and financial performance of the continuing operations, the implementation of other initiatives as well as labour, community and Government relations.

Action

The Restructuring, which was overseen by the Board, was managed by a cross-functional project team within the Group and supported by external advisers. KAZ Minerals will continue to evolve with the potential appointment of new service providers, the pursuit of operational efficiencies and the enhancement of existing systems. The Group engages with key stakeholders, including representatives of the workforce and the local and national Government on relevant major changes.

Employees

Description

The Group's future development will be partly dependent on its ability to attract and retain highly skilled and qualified personnel. KAZ Minerals competes against local and international mining and industrial companies to attract skilled personnel into the business. The remote location of some of the Group's operations also makes the attraction and retention of skilled staff at these sites more challenging. The hiring of skilled personnel will be essential for the successful operation of the Bozshakol and Aktogay projects.

Impact

Labour productivity, skill levels, efficiency and turnover may have direct influence on the Group's ability to provide a safe and efficient working environment, fulfil its production plans and its financial performance. The ability to attract, train and retain the skilled staff for the Bozshakol and Aktogay operations team may directly affect the financial and operating performance of the development projects. A shortage of skilled employees could increase the Group's operating costs as wages are increased to recruit the required staff.

Action

The Group actively monitors the market to remain competitive in the hiring of staff. KAZ Minerals has an extensive social benefits programme for its employees and their dependants and invests in training facilities and staff development to raise skill levels. Providing employees with a safe working environment is also a fundamental priority. The Bozshakol and Aktogay operations teams have a detailed recruitment and training plan which is currently being implemented.

Suppliers and contractors

Description

The Group's reliance on services and materials provided by external suppliers and contractors has increased following the completion of the Restructuring as the Group is no longer a vertically integrated producer of copper. Smelting, electricity supply, shaft sinking, auxiliary construction and maintenance services may be provided from the Disposal Assets, now owned by Cuprum Holding, a related party. As these suppliers are not owned by KAZ Minerals, there can be no guarantee that these services or other services sourced externally will be provided, or will be provided to the standards required by the Group or will not be subject to delay, interruption or periods of non-availability.

In periods of increased demand, supplies may not always be readily available which can result in an increase in lead times and cost inflation for raw materials and items such as mining equipment. The Group is reliant on the services of specialist contractors for the development of the major growth projects. KAZ Minerals is also reliant on transportation and logistics providers to move people, production materials and finished goods.

Impact

If there is any interruption to the supply of: mining equipment; materials; smelting; electricity supply and transmission; shaft sinking and auxiliary construction; transportation; and maintenance services then this may have a negative effect on the Group's financial position and ability to operate effectively. Inflation on services, mining equipment and supplies will increase operating and capital costs which will affect the Group's financial performance, and these factors together may impact the economic viability of certain mines and projects. Failing to properly manage related party transactions could result in litigation, regulatory censure and reputational damage for KAZ Minerals. The actions of suppliers and contractors could give rise to reputational damage and potential liabilities for KAZ Minerals.

Action

The performance of the Balkhash smelter is closely monitored and whilst it is not as financially attractive, the concentrate from the East Region could be shipped to China for processing should a significant outage occur at the smelter. The Group is investigating the option of using alternative suppliers for a number of services currently provided by Cuprum Holding. The Group also actively monitors the market for mining equipment and supplies to remain competitive in the procurement of mining equipment and supplies. The Group ensures that the appropriate monitoring and disclosure procedures are in place for related party transactions.

Labour and community relations

Description

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

The Group currently operates in the East Region and at Bozymchak where it is a major employer and may also provide targeted support to the local community. Community expectations are typically complex with the potential for multiple inconsistent stakeholder views that may be difficult to resolve. Industrial accidents, health and safety and environmental incidents may negatively affect the Group's community relationships.

Impact

Poor employee relations influenced by internal and external factors could result in an unstable workforce that disrupts operations or seeks wage increases and other forms of compensation, having a material adverse effect on the Group's financial performance. The Group's exposure to labour costs has decreased due to the Restructuring with a reduction in the workforce from 53,000 at the start of the year to under 10,000 at 31 December 2014. The major growth projects of Bozshakol and Aktogay are only expected to employ 1,500 workers at each site.

The dependence of certain communities on the Group for employment and the provision of services may impose restrictions on the Group's flexibility in taking certain operating decisions and could have a material adverse effect on the Group's financial position. Failure to manage relationships with local communities, government and non-governmental organisations may disrupt operations and negatively affect the Group's reputation as well as its ability to bring projects into operation. Support provided to communities may adversely impact the Group's cash flows.

Action

A full engagement strategy with community representatives, unions and employees operates within the Group which aims to address concerns raised by different stakeholders. The Group also has a social programme for its employees and their dependants. The Group works closely with the local authorities on social matters. The number of employees within the Group has decreased as a result of the Restructuring along with the number of local communities which are dependent on the Group's operations, the regions where Group operations are now located are also more economically diverse. Further details of the Group's social programme are set out in the Corporate Responsibility Report.

Reserves and resources

Description

KAZ Minerals' 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 ore reserves and mineral resources could adversely impact mine plans and the economic viability of development projects resulting in economic losses, negatively impacting the Group's financial position and performance. After the completion of the Restructuring, the Group is now dependent on production from a smaller number of mines and the confirmation of reserves at each mine is therefore more critical to future production levels.

Action

The Group's ore reserves and mineral resources are published in accordance with the criteria of the JORC Code. KAZ Minerals engages the services of independent technical experts annually to convert reserve and resource calculations for operating mines and development projects from the estimation method established by the former Soviet Union to the method prescribed by the JORC Code. The Group's ore reserves and mineral resources were last audited in 2010 by an independent technical expert. Drilling and exploration programmes are conducted by the Group to enhance the understanding of geological information at the deposits.

Compliance risks

Subsoil use rights

Description

In Kazakhstan and Kyrgyzstan all subsoil reserves belong to the State. Subsoil use rights are not granted in perpetuity and any renewal must be agreed before the expiration of the relevant contract or licence. Rights may be terminated if the Group does not satisfy its licensing or contractual obligations, which may include financial commitments to State authorities and the satisfaction of mining, development, environmental, social, health and safety requirements. In recent years, legislation relating to subsoil use rights has increased licence obligations, technical documentation, work programmes and the level of goods and services sourced from Kazakhstan. The authorities have also increased their monitoring of compliance with legislation and subsoil use contract requirements.

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, 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 legislation, including more active procurement of goods and services from Kazakhstan. In 2014, over half of the goods and services used by the continuing operations were sourced from Kazakhstan. A specialist department is also tasked with monitoring compliance with the terms of the subsoil use contracts.

Environmental compliance

Description

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 the Group's non-compliance, the possibility of fines, penalties or other actions which may adversely affect the Group's financial performance and reputation. Emissions charges in Kazakhstan have been increasing 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 and monitors its emissions. The Group liaises with the relevant governmental bodies on environmental matters, including the development of new legislation. The completion of the Restructuring has changed the Group's asset base with the disposal of mining, concentrating, power and smelting facilities reducing KAZ Minerals' environmental footprint. Energy consumption, water usage and waste generation have fallen as a result of the Restructuring, but will continue to be high priority areas for our East Region environmental programme. Further details of the environmental measures being taken by the Group are set out in the Corporate Responsibility Report.

Financial risks

Commodity prices

Description

The Group's policy is to sell its products under contract at prices determined by reference to prevailing market prices on international global metal exchanges. The Group's financial results are strongly influenced by commodity prices, in particular copper and the major by-products, gold, silver and zinc. At the start of 2015, the LME copper price has traded below $5,500 per tonne, compared to an average of $6,862 per tonne in 2014. The prices for these metals are dependent on a number of factors, including world supply and demand and investor sentiment. In particular, KAZ Minerals is exposed to demand from China as described below, a major consumer of the metals which the Group produces. Due to these factors, commodity prices may be subject to significant fluctuations, which could have a positive or negative impact on the Group's financial results.

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 regularly reviews 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 and investment appraisal, reflecting the volatility in commodity prices. The Restructuring of the Group has led to a reduction in copper cathode and by-product output in the near term reducing the financial impact of commodity price movements on the Group's financial position prior to the ramp up in output from the major growth projects.

Exposure to China

Description

In addition to the impact of Chinese demand on the pricing of KAZ Minerals' major products, as noted under the 'Commodity prices' risk above, the Group makes significant physical sales to a limited number of customers in China. In 2014, sales to China accounted for a significant portion of the continuing operations' revenues. Sales to China are likely to increase further when production commences from the major growth projects. In addition, the Group uses contractors, services and materials from China. China is also an important source of financing to the Group with long-term debt facilities secured which provide access to funding of $3.6 billion at 31 December 2014, primarily for the development of Bozshakol and Aktogay.

Impact

Changes to China's fiscal or regulatory regimes or lower Chinese copper consumption could reduce demand in China for the Group's major products, leading the Group 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 financing from Chinese banks to the Group.

Action

The Group has historically sold a significant volume of its copper cathode 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 the Group's finished products, KAZ Minerals would allocate its sales between the two markets to improve the commercial terms obtained. The financing line for Bozshakol has been drawn and the Aktogay loan agreement is a committed loan facility, thereby providing greater certainty over the funding of the Group's growth projects. KAZ Minerals also maintains relationships with a number of international lending banks, having the PXF facility in place, and has the flexibility to consider other sources of capital such as the bond or equity markets, if so required.

Acquisitions and divestments

Description

In the course of delivering its strategy, the Group may acquire or dispose of assets or businesses. Corporate transactions may, however, fail to achieve the expected benefit or value to the Group. All business combinations or acquisitions entail a number of risks including the cost of effectively integrating acquisitions to realise synergies, significant write-offs or restructuring charges, unanticipated costs and liabilities and loss of key personnel. The Restructuring was effected under the laws and regulations of Kazakhstan which are subject to change and open to interpretation, including the legal and tax aspects of the Restructuring which could give rise to liabilities for KAZ Minerals.

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, reductions in value, delays in the sale or deficiencies in the sales process.

Action

Specialised staff are assigned to manage corporate transactions, supported where appropriate by external advisers. 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. For the Restructuring, the Group engaged external advisors to support the transaction.

Liquidity risk

Description

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 significant 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. Surplus funds within the Group are held predominantly in the UK in order to manage counterparty and liquidity risk. 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. KAZ Minerals adopts a prudent approach in managing its liquidity risk, reflecting the volatility in commodity prices. The completion of the Restructuring resulted in the disposal of a number of assets which were expected to generate negative cash flows under the existing organisational structure, which has improved the liquidity outlook for the Group during the construction of the major growth projects.

The Group has secured committed funding for the development of Bozshakol and Aktogay. In October 2014, KAZ Minerals announced the signing of an amendment to its existing PXF facility. The commitments from the existing syndicate of lending banks at 31 December 2014 totalled $349 million, with existing or new lenders able to increase the facility up to $500 million prior to 31 December 2015. The facility also contains amendments to the covenant package including the suspension of the net debt to EBITDA ratio covenant until 1 July 2016. Further details are set out in the Financial Review.

Taxation

Description

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

Impact

The uncertainty of interpretation, application and the evolution of tax laws creates a risk that additional and substantial payments of tax could arise for the Group, which could have a material adverse effect on the Group's cash flows, financial performance and position. Failure to comply with tax laws could also impact the Group's reputation in the countries in which it operates.

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.

DIRECTORS' RESPONSIBILITY STATEMENT

Each Director confirms to the best of his knowledge that:

- the Group and Parent Company accounts, prepared in accordance with IFRS as adopted by the European Union, 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 Strategic Report and Directors' Report include 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 2014

$ million (unless otherwise stated)	Notes	2014	2013
Continuing operations			
Revenues	4(b)	**846**	931
Cost of sales		**(456)**	(548)
Gross profit		**390**	383
Selling and distribution expenses		**(25)**	(22)
Administrative expenses		**(139)**	(153)
Net other operating income/(expenses)		**5**	(4)
Impairment losses	6	**(137)**	(13)
Operating profit		**94**	191
Analysed as:			
Operating profit (excluding special items)		**226**	207
Special items	5	**(132)**	(16)
Finance income	7	**136**	23
Finance costs	7	**(399)**	(76)
(Loss)/profit before taxation		**(169)**	138
Analysed as:			
Profit before taxation (excluding special items)		**144**	154
Special items	5	**(313)**	(16)
Income tax expense	8	**(65)**	(48)
(Loss)/profit for the year from continuing operations		**(234)**	90
Discontinued operations			
Loss for the year from discontinued operations	10(e)	**(2,128)**	(2,122)
Loss for the year		**(2,362)**	(2,032)
Attributable to:			
Equity holders of the Company		**(2,362)**	(2,030)
Non-controlling interests		**–**	(2)
		(2,362)	(2,032)
Earnings per share attributable to equity holders of the Company – basic and diluted			
From continuing operations ($)	11(a)	**(0.52)**	0.18
From discontinued operations ($)	11(a)	**(4.76)**	(4.14)
		(5.28)	(3.96)
EPS based on Underlying Profit – basic and diluted			
From continuing operations ($)	11(b)	**0.19**	0.20
From discontinued operations ($)	11(b)	**(0.18)**	0.17
		0.01	0.37

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

$ million	Notes	2014	2013
Loss for the year		**(2,362)**	(2,032)
Other comprehensive income for the year after tax:			
Items that will never be reclassified to the income statement:			
Actuarial losses on employee benefits, net of tax		**(1)**	(22)
		(1)	(22)
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on retranslation of foreign operations		**(430)**	(60)
Recycling of capital reserves and non-controlling interests on disposal of subsidiaries		**647**	2
Recycling of exchange differences on disposal of joint venture	9	**24**	–
Recycling of capital reserves on disposal of associate	9	**–**	511
Share of other comprehensive losses of joint venture		**–**	(12)
Share of other comprehensive losses of associate		**–**	(75)
		241	366
Other comprehensive income for the year		**240**	344
Total comprehensive expense for the year		**(2,122)**	(1,688)
Attributable to:			
Equity holders of the Company		**(2,121)**	(1,686)
Non-controlling interests		**(1)**	(2)
		(2,122)	(1,688)
Total comprehensive expense attributable to equity holders of the Company arising from:			
Continuing operations		**(413)**	71
Discontinued operations		**(1,708)**	(1,757)
		(2,121)	(1,686)

CONSOLIDATED BALANCE SHEET

At 31 December 2014

$ million	Notes	2014	2013
Assets			
Non-current assets			
Intangible assets		**11**	26
Property, plant and equipment		**2,264**	2,754
Mining assets		**476**	584
Other non-current assets		**429**	647
Deferred tax asset		**42**	21
		3,222	4,032
Current assets			
Inventories		**147**	610
Prepayments and other current assets		**49**	325
Income taxes receivable		**2**	59
Trade and other receivables		**168**	235
Investments		**400**	625
Cash and cash equivalents		**1,730**	1,715
		2,496	3,569
Assets classified as held for sale		**–**	1,018
		2,496	4,587
Total assets		**5,718**	8,619
Equity and liabilities			
Equity			
Share capital	13(a)	**171**	171
Share premium		**2,650**	2,650
Capital reserves	13(c)	**(299)**	(541)
Retained earnings		**(421)**	1,937
Attributable to equity holders of the Company		**2,101**	4,217
Non-controlling interests		**3**	4
Total equity		**2,104**	4,221
Non-current liabilities			
Borrowings	14	**2,911**	2,608
Deferred tax liability		**17**	14
Employee benefits	15	**22**	477
Provisions		**26**	98
		2,976	3,197
Current liabilities			
Trade and other payables		**435**	631
Borrowings	14	**181**	503
Income taxes payable		**20**	9
Employee benefits	15	**2**	53
Provisions		**–**	5
		638	1,201
Total liabilities		**3,614**	4,398
Total equity and liabilities		**5,718**	8,619

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

$ million	Notes	2014	2013
Cash flows from operating activities			
Cash flow from operations before interest and income taxes		**407**	504
Interest paid		**(150)**	(156)
Income taxes paid		**(55)**	(67)
Net cash flows from operating activities		**202**	281
Cash flows from investing activities			
Interest received		**12**	12
Proceeds from disposal of property, plant and equipment and mining assets		**7**	38
Purchase of Koksay license		**(225)**	–
Purchase of intangible assets		**(10)**	(14)
Purchase of property, plant and equipment		**(1,062)**	(1,120)
Investments in mining assets		**(141)**	(151)
Licence payments for subsoil contracts		**(3)**	(6)
Acquisition of non-current investments		**(3)**	(3)
Proceeds from disposal of long-term investments		**16**	–
Movement in short-term bank deposits	16	**195**	(110)
Proceeds from disposal of associate	9	**–**	875
Proceeds from disposal of joint venture	9	**1,249**	–
Disposal of subsidiaries, net of cash disposed	9	**(170)**	27
Net cash flows used in investing activities		**(135)**	(452)
Cash flows from financing activities			
Proceeds from borrowings – net of arrangement fees paid of $15 million (2013: $22 million)		**647**	790
Repayment of borrowings		**(673)**	(107)
Dividends paid by the Company	12	**–**	(42)
Net cash flows (used in)/from financing activities		**(26)**	641
Net increase in cash and cash equivalents	16	**41**	470
Cash and cash equivalents at the beginning of the year		**1,715**	1,250
Effect of exchange rate changes on cash and cash equivalents	16	**(26)**	(5)
Cash and cash equivalents at the end of the year		**1,730**	1,715

The consolidated statement of cash flows includes cash flows from both continuing and discontinued operations (see note 10).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

$ million	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company						
At 1 January 2013		200	2,650	(932)	4,341	6,259	6	6,265
Loss for the year		–	–	–	(2,030)	(2,030)	(2)	(2,032)
Exchange differences on retranslation of foreign operations		–	–	(60)	–	(60)	–	(60)
Recycling of exchange differences on disposal of subsidiary	9	–	–	2	–	2	–	2
Recycling of capital reserves on disposal of associate	9	–	–	511	–	511	–	511
Share of losses of joint venture recognised in other comprehensive income		–	–	(12)	–	(12)	–	(12)
Net share of losses of associate recognised in other comprehensive income		–	–	(75)	–	(75)	–	(75)
Actuarial losses on employee benefits, net of $5 million tax	15	–	–	–	(22)	(22)	–	(22)
Total comprehensive income/(expense) for the year		–	–	366	(2,052)	(1,686)	(2)	(1,688)
Share-based payments		–	–	–	5	5	–	5
Purchase of Company's share capital on disposal of associate	13(a),(c)	(29)	–	25	(315)	(319)	–	(319)
Dividends paid by the Company	12	–	–	–	(42)	(42)	–	(42)
At 31 December 2013		171	2,650	(541)	1,937	4,217	4	4,221
Loss for the year		**–**	**–**	**–**	**(2,362)**	**(2,362)**	**–**	**(2,362)**
Exchange differences on retranslation of foreign operations		**–**	**–**	**(430)**	**–**	**(430)**	**–**	**(430)**
Recycling of capital reserves and non-controlling interests on disposal of subsidiaries	9	**–**	**–**	**648**	**–**	**648**	**(1)**	**647**
Recycling of capital reserves on disposal of joint venture	9	**–**	**–**	**24**	**–**	**24**	**–**	**24**
Actuarial losses on employee benefits, net of tax	15	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Total comprehensive expense for the year		**–**	**–**	**242**	**(2,363)**	**(2,121)**	**(1)**	**(2,122)**
Share-based payments		**–**	**–**	**–**	**5**	**5**	**–**	**5**
At 31 December 2014		**171**	**2,650**	**(299)**	**(421)**	**2,101**	**3**	**2,104**

[1] Refer to note 13(c) for an analysis of 'Capital reserves'.

1. Corporate information

KAZ Minerals PLC (the 'Company') is a public limited company incorporated in England and Wales. The Company's registered office is 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom. The Group comprises the Company and its consolidated subsidiaries as set out in note 3. The Restructuring which resulted in the sale of a number of the Group's relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the 'Disposal Assets') completed in October 2014. As a result of this transaction, the Company which was previously known as Kazakhmys PLC changed its name to KAZ Minerals PLC. Following the Restructuring, the Group consists of the East Region operations, Bozymchak and the major growth projects.

From 15 August 2014, the date the independent shareholders approved the Restructuring, the Disposal Assets were classified as assets held for sale and have been treated as a discontinued operation in these financial statements (see note 9(a)).

2. Basis of preparation

The financial information for the year ended 31 December 2014 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 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's Annual General Meeting convened for 7 May 2015. The auditor has reported on these accounts; their reports were unqualified, did not include a reference to any matters to which the auditor 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 Operating Review section of these audited results. The financial performance and position of the Group, its cash flows, financial risk management policies and available debt facilities are described in the Financial Review section of these audited results. 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 foreign exchange and counterparties are set out in the Notes to the Financial Statements in the Annual Report and Accounts.

At 31 December 2014, the Group's net debt was $962 million with total undrawn committed facilities of $798 million.

At 31 December 2014, $692 million of the $1.5 billion loan facility with CDB, to be used for the development of the major copper project at Aktogay was drawn. The funds are available to draw down over a three and a half year period commencing from 31 December 2012 and mature 15 years from the date of the first draw down.

On 29 October 2014, the Group amended the $500 million PXF facility that was signed in December 2012. The amended facility is available for general corporate purposes and provides additional liquidity during the period of the development of the major growth projects at Bozshakol and Aktogay and for general corporate purposes. At 31 December 2014, the amended PXF facility was fully drawn at $349 million, with $151 million of the original facility having been repaid. The principal repayments will amortise over a three year period commencing in January 2016 until final maturity in December 2018.

At 31 December 2014, the Group had gross liquid funds of $2.1 billion and an additional $798 million available only for the development of the Aktogay copper project.

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 major growth projects, and believe there is sufficient funding available to meet the Group's anticipated cash flow requirements. The Board is mindful of the Group's exposure to a single commodity and to the successful delivery of the Group's major growth projects in the medium term. A severe downturn in the copper price or material adverse developments on the major growth projects would impact future funding requirements.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future (which is for this purpose a period of at least 12 months from the date of approval of these financial statements). 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 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 where otherwise indicated.

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2014 and the Group's financial performance for the year ended 31 December 2014.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to direct those activities of an enterprise that most significantly affect the returns the Group earns from its involvement with the enterprise. 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.

Prior to the completion of the Group's Restructuring, Kazakhmys LLC underwent a demerger which created Vostoktsvetmet LLC, which holds the East Region operating assets. As a result of the demerger, the non-controlling interests in the East Region assets, which were previously within Kazakhmys LLC, remain with Vostoktsvetmet LLC. 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.

(e) Comparative information

Where a change in the presentation format of the consolidated financial statements has been made during the year, comparative figures have been restated accordingly.

The sale of a number of the Group's relatively mature mining and power operations, primarily located in the Zhezkazgan and Central Regions (the 'Disposal Assets') was approved by the independent shareholders on 15 August 2014. As a result these operations were reclassified as assets held for sale and as a discontinued operation from that date. The consolidated income statement for the year ended 31 December 2013 has been restated to conform to this presentation. The sale completed in October 2014.

(f) Devaluation of the tenge

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

- net finance costs of $263 million includes net foreign exchange losses of $181 million from continuing operations which primarily arose from the retranslation of tenge denominated monetary assets and liabilities, particularly on intercompany loans, within the Group's UK subsidiaries which have a US dollar functional currency. The foreign exchange losses arising on the devaluation of the tenge are non-operational and have been treated as a special item;

- the loss for the year from discontinued operations includes a net foreign exchange gain of $24 million; and
- non-cash foreign exchange loss of $430 million recognised within equity, primarily due to the retranslation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge, which mainly arose at the time of the devaluation, of which $180 million relates to continuing operations and $250 million to discontinued operations.

3. Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing these financial statements, the Directors make necessary judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Judgements are based on the Directors' best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements.

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

(a) Critical accounting judgments

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), which the Directors believe are likely to have the most significant effect on the amounts recognised in the consolidated financial statements.

Assets held for sale and discontinued operations

On 15 August 2014, the Group's independent shareholders approved the sale of the Disposal Assets, within the previous Kazakhmys Mining and Kazakhmys Power segments. The Directors believed it was highly probable that the disposal would complete within 12 months following independent shareholder approval. As a result, the Disposal Assets were classified as assets held for sale at 15 August 2014, and reflected as a discontinued operation in the consolidated income statement for the period ended 31 October 2014, when the sale completed. On the date of classification, the Disposal Assets were remeasured to the fair value less costs to sell of nil, resulting in a charge of $1.6 billion being recognised.

On 5 December 2013, the Board of Directors accepted an offer from Samruk-Energo, an investment vehicle of the Government of Kazakhstan, for the sale of the Group's 50% joint venture in Ekibastuz GRES-1 and the Group's investment in Kazhydrotechenergo LLP ('Kaz Hydro') for $1,249 million, after transaction costs of $2 million and the additional $49 million, being the cost of acquiring the remaining shares held in Kaz Hydro. After considering the status of the sales process, the Directors believed that it was highly probable a sale would complete within 12 months. As a result, the Group's investments in Ekibastuz GRES-1 and Kaz Hydro were classified as assets held for sale at 31 December 2013, with Ekibastuz GRES-1 being classified as a discontinued operation in the consolidated income statement for the period ended 5 December 2013. The sale completed on 1 April 2014.

Determination of excess profits taxation ('EPT') - Discontinued operations

In 2011, the Supreme Court of Kazakhstan ruled that Kazakhmys LLC should not have been an EPT payer in the periods up to and including 2008. Kazakhmys LLC subsequently submitted a claim for $108 million to the Ministry of Finance. During 2012, $60 million had been reimbursed by set-off against the 2012 tax year income tax and mineral extraction tax liabilities and was recognised in the consolidated financial statements as a special item. The remaining $48 million of the $108 million claim was challenged by the Ministry of Finance, who believed that this amount related to periods beyond the Kazakhstan statute of limitations.

In 2013, the Ministry of Finance continued its legal action over the $48 million claim, with their appeal reaching the Supreme Court. In October 2013, the Supreme Court ruled in favour of Kazakhmys LLC confirming Kazakhmys LLC's right to receive the $48 million ($39 million at year end exchange rate) of the past EPT payments. Due to the ongoing uncertainty following a legal appeal by the tax authorities against the Supreme Court's decision, no credit was recognised for the year ended 31 December 2013.

Due to actions taken by the tax authorities during 2014, management continued to believe that sufficient uncertainty remained over the recoverability of this amount such that no credit was recognised in the Disposal Assets financial statements as at 31 October 2014, the date of disposal.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of assets

The Directors review the carrying value of the Group's assets to determine whether there are any indicators of impairment such that the carrying values of the assets may not be recoverable. The assessment of whether an indicator of impairment has arisen requires considerable judgement, taking account of future operational and financial plans, commodity prices, sales demand and the competitive environment. Where such indicators exist, the carrying value of the assets of a cash generating unit is compared with the recoverable amount of those assets, that is, the higher of net realisable value and value in use, which is determined on the basis of discounted future cash flows.

This involves management estimates of commodity prices, market demand and supply, the development of operating costs, economic and regulatory climates, capital expenditure requirements, long-term mine plans and other factors.

Any subsequent changes to cash flows due to changes in the above mentioned factors could impact the carrying value of the assets.

Bozymchak

During the year ended 31 December 2014, Bozymchak recognised a $128 million impairment charge following the identification of a number of impairment indicators. In determining the value-in-use of the Bozymchak project, the Directors made estimates of the future cash flows to be generated by this project with the key variables being copper and gold price assumptions, the mine economics such as copper grades, capital expenditure to complete the project and its commissioning date for commercial production.

The Zhezkazgan Region within the Disposal Assets and discontinued operations

The asset review performed in 2013 considered the results of the optimisation programme and the potential for future savings, when assessing the future economic outlook for assets. The prospects for the Zhezkazgan Region, a cash generating unit ('CGU') previously within Kazakhmys Mining, were considered challenging. The recoverable amount of the Zhezkazgan Region CGU was believed by management to be significantly lower than its carrying value such that an impairment charge of $575 million was recognised at 31 December 2013 (see note 9).

The calculation of the fair value less costs to sell of the Group's CGUs for the impairment review at 31 December 2013 provided a range of outcomes which were particularly sensitive to changes in commodity prices, operating cost inflation, capital expenditure and the discount rate used. Any changes to the assumptions adopted in the calculation of the fair value less costs to sell, individually or in aggregate, would result in a different valuation being determined.

The Directors note that following the impairments recognised in 2013, the deficit between the Group's net asset value and its market capitalisation remained significant at 31 December 2013. This deficit was largely due to the fact that under accounting standards, the carrying value of the assets could not be negative, whilst the valuation of the same assets on a discounted cash flow basis could result in values below zero. In particular, whilst the Zhezkazgan Region CGU was written down to nil, the forecast discounted cash flows resulted in a significant negative amount which could not be recognised at 31 December 2013. The Directors considered this and other circumstances that contributed to the difference between the Group's net asset value and market capitalisation and believed that despite this difference there were no further impairments necessary in respect of the Group's other cash generating units.

The Zhezkazgan Region CGUs' assets formed part of the Disposal Assets that were divested by the Group on 31 October 2014.

Determination of ore reserves and useful lives of property, plant and equipment

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining properties. In order to estimate reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

The Group estimates its ore reserves and mineral resources based on information compiled by competent persons as defined in accordance with the JORC code. A review of the Group's reserves and resources is undertaken on an annual basis by an independent competent person.

In assessing the life of a mine for accounting purposes, mineral reserves are only taken into account where there is a high degree of confidence of economic extraction (proven and probable mineral reserves). Since the economic assumptions used to estimate reserves change from period to period, and as additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimated future cash flows;
- depreciation, depletion and amortisation charged in the income statement may change where such charges are determined by the unit of production basis, or where the useful economic lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of tax benefits.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being revised.

For property, plant and equipment depreciated on a straight line basis over its useful economic life, the appropriateness of the asset's useful economic life is reviewed at least annually and any changes could affect prospective depreciation rates and asset carrying values.

Employee benefits

The expected costs of providing long-term employment benefits under defined benefit arrangements relating to employee service during the period are determined based on financial and actuarial assumptions. Assumptions in respect of the expected costs are set in consultation with an independent actuary.

Kazakh legislation requires that the amounts payable for death and disability benefits are linked to future salary increases. As a result, future salary increases within the business have to be estimated. Other key assumptions include the selection of discount and mortality rates. The discount rate used was determined by reference to the 10-year Kazakhstan Government euro-dollar bonds issued in 2014 adjusted for currency conversion to KZT. The 10-year bond rate approximates to the average maturity profile of the Group's benefit obligations. Mortality rates are based on the official mortality table of Kazakhstan published by the Government.

While the Directors believe the assumptions used are appropriate, a change in the assumptions used would impact the employee benefit obligation recognised on the balance sheet and hence the financial performance of the Group. This obligation predominantly arises within the Disposal Assets, which were disposed of in October 2014. The obligation that remains with the continuing operations is significantly smaller and therefore any changes in the above assumptions are unlikely to have a material impact on the Group's balance sheet.

Income taxes

In determining the level of accruals and provisions to be recognised in respect of any potential exposures for various tax liabilities, the Directors make estimates in relation to the level of taxes payable, particularly in relation to transfer pricing, non-deductible items and outcomes of tax disputes. The tax obligations, upon audit by the tax authorities at a future date, may differ as a result of differing interpretations. These differences may also impact the level of accruals and provisions recognised.

4. Segment information

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

The Restructuring undertaken by the Group in 2014 has resulted in a change in the Group's operating segments. As the Disposal Assets were classified as a discontinued operation at 15 August 2014 with the comparatives restated to conform to this presentation, the operating segment disclosures for the year ended 31 December 2013 have also been restated to reflect this classification. The Group's updated operating segments following the Restructuring are:

East Region operations

The East Region operations business is managed as one operating segment and comprises:

- the Group's main operating entity, Vostoktsvetmet LLC, whose principal activity is the mining and processing of copper and other metals which are produced as by-products; and
- the Group's UK trading function, KAZ Minerals Sales Limited, which is responsible for the purchase of exported products from Vostoktsvetmet 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 East Region operations business and consequently the assets and liabilities related to those trading operations, i.e. trade payables and trade receivables, are included within the East Region operations operating segment.

Mining Projects

The Group's project companies, whose responsibility is the development of the Group's major growth projects (Aktogay, Bozshakol and Koksay).

Bozymchak

The Bozymchak gold-copper deposit, which is located in Kyrgyzstan, is at the commissioning phase, is managed and reported on as a separate operating segment.

Managing and measuring operating segments

The key performance measure of the operating segments is EBITDA (excluding special items), which is defined as operating profit adjusted to remove depreciation, depletion, amortisation, the non-cash component of the disability benefits obligation, MET and special items. Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business (see notes 5 and 10).

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.

(a) Operating segments – Income statement information

Year ended 31 December 2014

$ million	East Region operations	Bozymchak	Mining Projects Aktogay	Mining Projects Bozshakol	Corporate Services	Continuing operations	Discontinued operations[1]
Revenues							
Segment sales	**846**	**–**	**–**	**–**	**–**	**846**	**1,609**
Inter-segment sales	**–**	**–**	**–**	**–**	**–**	**–**	**(75)**
Sales to external customers	**846**	**–**	**–**	**–**	**–**	**846**	**1,534**
EBITDA (excluding special items)	**403**	**(4)**	**(6)**	**(8)**	**(30)**	**355**	**201**
Special items – notes 5 and 10:							
Less: provisions released against historic tax claims	**–**	**–**	**–**	**–**	**–**	**–**	**15**
Less: impairment charges	**(4)**	**(128)**	**–**	**–**	**–**	**(132)**	**(15)**
Less: loss on disposal of assets[2]	**–**	**–**	**–**	**–**	**–**	**–**	**(2,066)**
EBITDA	**399**	**(132)**	**(6)**	**(8)**	**(30)**	**223**	**(1,865)**
Less: non-cash component of the disability benefits obligation[3]	**(1)**	**–**	**–**	**–**	**–**	**(1)**	**(92)**
Less: depreciation, depletion and amortisation	**(39)**	**(2)**	**–**	**–**	**(1)**	**(42)**	**(110)**
Less: mineral extraction tax[4]	**(86)**	**–**	**–**	**–**	**–**	**(86)**	**(65)**
Operating profit/(loss)	**273**	**(134)**	**(6)**	**(8)**	**(31)**	**94**	**(2,132)**
Net finance costs						**(263)**	**–**
Income tax (expense)/credit						**(65)**	**4**
Profit/(loss) for the year						**(234)**	**(2,128)**

Year ended 31 December 2013

$ million	East Region operations	Bozymchak	Mining Projects Aktogay	Mining Projects Bozshakol	Corporate Services[5]	Continuing operations	Discontinued operations[1]
Revenues							
Segment sales	931	–	–	–	–	931	2,873
Inter-segment sales	–	–	–	–	–	–	(110)
Sales to external customers	931	–	–	–	–	931	2,763
EBITDA (excluding special items)	432	(3)	(2)	(9)	(59)	359	361
Special items – notes 5 and 10:							
Less: additional disability benefits obligation charge	(3)	–	–	–	–	(3)	(81)
Less: impairment charges	(12)	–	–	–	(1)	(13)	(679)
Less: loss on disposal of assets[6]	–	–	–	–	–	–	(543)
EBITDA	417	(3)	(2)	(9)	(60)	343	(942)
Less: non-cash component of the disability benefits obligation[3]	(1)	–	–	–	–	(1)	(25)
Less: depreciation, depletion and amortisation	(53)	(3)	–	–	(1)	(57)	(231)
Less: mineral extraction tax[4]	(94)	–	–	–	–	(94)	(148)
Operating profit/(loss)	269	(6)	(2)	(9)	(61)	191	(1,346)
Share of profits from joint venture[7]						–	89
Share of losses from associate[7]						–	(758)
Net finance costs						(53)	(27)
Income tax expense						(48)	(80)
Profit/(loss) for the year						90	(2,122)

1 For the year ended 31 December 2014, discontinued operations comprise the results of the Disposal Assets for the period up to 31 October 2014, the date on which they were sold and the gain on disposal of the Group's investment in Ekibastuz GRES-1. For the year ended 31 December 2013, discontinued operations comprised the results of Disposal Assets, the results of MKM for the period up to 28 May 2013, the date on which it was sold, the share of post-tax results from the Group's investment in Ekibastuz GRES-1 up to 5 December 2013 and the share of post-tax results from the Group's investment in ENRC up to 24 June 2013.

2 On 31 October 2014 the Group sold the Disposal Assets recognising a loss on disposal of $2,273 million (see note 9(a)). In addition, on 1 April 2014 the Group completed the sale of the Group's investment in Ekibastuz GRES-1 joint venture and Kaz Hydro recognising a gain on disposal of $207 million (see note 9(b)).

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

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

5 Following the restatement of the Group's 2013 income statement to reflect the Disposal Assets as discontinued operations, inter-segment rechargeable costs of $30 million were reallocated from the previous Kazakhmys Mining segment within the Disposal Assets, to Corporate Services within the continuing operations

6 On 28 May 2013 the Group sold its German subsidiary, MKM, recognising a loss on disposal of $1 million (see note 9(c)). In addition, on 8 November 2013 the Group completed the sale of the Group's investment in ENRC recognising a loss on disposal of $528 million (see note 9(d)). Loss on disposal of assets includes $14 million relating to the disposal of property, plant and equipment (see note 10(h)).

7 Shown net of taxes. For the year ended 31 December 2013, following the reclassification of ENRC as a discontinued operation the results for the period from the associate include an impairment charge of $823 million recognised to write the investment down to fair value less costs to sell.

(b) Segmental information in respect of revenues

Revenues by product earned by continuing operations are as follows:

$ million	2014	2013
East Region operations		
Copper cathodes	**550**	589
Silver	**78**	106
Gold	**44**	63
Zinc in concentrate	**144**	143
Other by-products	**23**	25
Other revenue	**7**	5
Total continuing operations	**846**	931

Revenues by destination earned by continuing operations are as follows:

$ million	2014	2013
East Region operations		
Europe	**36**	72
China	**492**	545
Kazakhstan	**189**	213
Other	**129**	101
	846	931

Year ended 31 December 2014

Four customers within the East Region operations segment, three of which are collectively under common control, represent 28% of total revenue from continuing operations for the 12 months. The total revenue from these customers is $239 million. The revenue from the three customers under common control of $147 million represents 17% of the total revenue from continuing operations. Revenues from the fourth major customer of $92 million represent 11% of total revenue from continuing operations.

Year ended 31 December 2013

Four customers within the East Region operations segment, three of which are collectively under common control, represent 34% of total revenue from continuing operations for the year. The total revenue from these customers is $320 million. The revenue from the three customers under common control of $213 million represents 23% of the total revenue from continuing operations. Revenues from the fourth major customer of $107 million represent 11% of total revenue from continuing operations.

Information in respect of discontinued operations is included in note 10.

5. Special items

Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. The table below shows the special items in respect of continuing operations, the disclosures relating to discontinued operations is presented in note 10.

$ million	2014	2013
Special items within operating profit		
Additional disability benefits obligation related to previously insured employees	**–**	3
Impairment charges – note 6	**132**	13
Impairment charges against intangible assets	**–**	4
Impairment charges against property, plant and equipment	**111**	10
Impairment charges/(reversal) against mining assets	**18**	(1)
Provisions raised against other non-current assets	**3**	–
	132	16
Special items within (loss)/profit before taxation		
Net foreign exchange loss arising on the devaluation of the tenge	**181**	–
	313	16
Taxation related special items		
Recognition of a deferred tax asset on additional disability benefits obligation related to previously insured employees	**–**	(1)
Net foreign exchange gain arising on the devaluation of the tenge	**8**	–
Recognition of a deferred tax asset resulting from impairment charges	**(1)**	(3)
Total special items	**320**	12

6. Impairment losses

$ million	2014	2013
Impairment charges against intangible assets[1]	–	4
Impairment charges against property, plant and equipment – note 6(a)[1]	111	10
Impairment charges/(reversal) against mining assets[1]	18	(1)
Provisions raised against inventories	1	–
Provisions raised against other assets	4	–
Provisions raised against other non-current assets[1]	3	–
	137	13

[1] These impairments are considered to be special items for the purposes of determining the Group's key financial indicator of EBITDA (excluding special items) and Underlying Profit (see note 5). Of the total impairment charges, $128 million relates to the impairment of Bozymchak in 2014.

The table above relates to continuing operations only. Discontinued operations are presented in note 10.

Year ended 31 December 2014

(a) Mining Projects – impairment charges property, plant and equipment

The Bozymchak copper and gold development project has been subject to an impairment review following the identification of impairment indicators. The indicators identified were lower assumed copper prices for 2015, ongoing optimisation work to be performed during 2015 thereby delaying the ramp up of the concentrator and changes to the mine plan. As a result, the Group has recognised a total impairment of $128 million. The impairment charge has been recognised as $107 million against property, plant and equipment, $18 million against mining assets and $3 million against other non-current assets of the Bozymchak project. The impairment charge reduces the carrying value of the Bozymchak project to its recoverable amount of $100 million, determined as its value-in-use on a discounted cash flow basis, as at 31 December 2014. The cash flow forecasts were discounted at a post-tax discount rate of 11% (pre-tax rate of 12%).

Year ended 31 December 2013

(a) East Region operations – impairment charges property, plant and equipment

Following the suspension of the Berezovsky concentrator in the East Region in the second half of the year an impairment charge of $8 million was recognised.

7. Finance income and finance costs

$ million	2014	2013
Finance income		
Interest income	10	9
Foreign exchange gains[1]	126	14
	136	23
Finance costs		
Interest expense	(35)	(51)
Total interest expense	(159)	(177)
Less: amounts capitalised to the cost of qualifying assets[2]	124	126
Interest on employee obligations	(1)	(2)
Unwinding of discount on provisions	(2)	(2)
Finance costs before foreign exchange losses	(38)	(55)
Foreign exchange losses[1]	(361)	(21)
	(399)	(76)

[1] Of the net foreign exchange losses, $181 million arises as a result of the devaluation of the tenge in February 2014 (see note 2(f)).
[2] In 2014, the Group capitalised to the cost of qualifying assets $124 million (2013: $126 million) of borrowing costs incurred on the outstanding debt during the period on the CDB/Samruk-Kazyna facilities at an average rate of interest (net of interest income) of 5.15% (2013: 5.02%) and on the CDB-Aktogay US$ and RMB facilities at an average rate of interest of 4.79% (2013: 6.55%).

The table above relates to continuing operations only.

8. Income tax expense

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

$ million	2014	2013
Current income tax		
Corporate income tax – current period (UK)[1]	**(6)**	(14)
Corporate income tax – current period (overseas)	**96**	60
Corporate income tax – prior periods	**1**	(11)
Deferred income tax		
Corporate income tax – current period temporary differences	**(22)**	6
Corporate income tax – prior period temporary differences	**(4)**	7
	65	48

[1] The UK current income tax benefit of $6 million, excludes a tax charge of $10 million relating to transactions with the Disposal Assets undertaken during the year which is included within the income tax expense of the discontinued operations.

A reconciliation of the income tax expense applicable to the accounting (loss)/profit before tax at the statutory income tax rate to the income tax expense at the effective income tax rate for continuing operations is as follows:

$ million	2014	2013
(Loss)/profit before tax from continuing operations	**(169)**	138
At UK statutory income tax rate of 21.5% (2013: 23.25%)[1]	**(36)**	32
Under/(over) provided in prior periods – current income tax	**1**	(11)
(Over)/under provided in prior periods – deferred income tax	**(4)**	7
Tax losses	**–**	8
Effect of domestic tax rates applicable to individual Group entities	**20**	(9)
Non-deductible items:		
Transfer pricing	**–**	2
Net foreign exchange loss arising on the devaluation of the tenge	**48**	5
Other non-deductible expenses	**36**	14
	65	48

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

Corporate income tax ('CIT') is calculated at 21.5% (2013: 23.25%) of the assessable profit for the year for the Company and its UK subsidiaries, 20.0% for the operating subsidiaries in Kazakhstan (2013: 20.0%) and 10.0% for the Group's Kyrgyzstan based subsidiary (2013: 10.0%).

Effective tax rate

Tax charges are affected by the mix of profits and tax jurisdictions in which the Group operates. The lower CIT rate in Kazakhstan will have the effect of lowering the Group's overall effective tax rate below the current UK statutory corporate tax rate. The impact of transfer pricing provisions and non-deductible items, including impairment losses, will increase the Group's overall effective tax rate.

The following factors impact the effective tax rate for continuing operations for the year ended 31 December 2014:

Tax losses

During 2014, there was no utilisation of tax losses. In 2013, the continuing operations incurred tax losses during the year, primarily related to certain subsoil use contracts, which were not expected to generate sufficient taxable profits for these losses to be utilised in the foreseeable future. As a result, deferred tax assets of $8 million in respect of these losses were not recognised.

Transfer pricing

Notwithstanding recent changes to Kazakhstan's transfer pricing legislation to closer align it with international trading practices, inconsistencies still arise between the transfer pricing requirements in Kazakhstan and the UK. However, these inconsistencies have been minimised based on the current contracts, such that no transfer pricing provision was necessary at 31 December 2014 (2013: $2 million).

Other non-deductible expenses

Includes the $13 million tax impact of the impairment charges recognised at Bozymchak and other non-deductible expenses within East Region operations, Mining Projects, Bozymchak and in the UK of $23 million (2013: $14 million).

9. Disposal of subsidiaries and investments

$ million	Disposal Assets 31 October 2014	Ekibastuz GRES-1 and Kaz Hydro 1 April 2014	MKM 28 May 2013	ENRC 8 November 2013
Intangible assets	**31**		–	
Property, plant and equipment	**1,190**		25	
Mining assets	**318**		–	
Other non-current assets	**36**		–	
Deferred tax asset	**30**		–	
Inventories	**376**		67	
Prepayments and other current assets	**309**		4	
Trade and other receivables	**165**		97	
Investments	**30**		–	
Cash and cash equivalents	**158**		12	
Borrowings	**–**		(106)	
Employee benefits and provisions	**(624)**		(6)	
Income taxes payable	**(1)**		(3)	
Trade and other payables	**(405)**		(36)	
Net identifiable assets	**1,613**	**1,018**	54	1,194
Recycling of foreign currency translation and other reserves	**648**	**24**	2	511
Transaction costs	**12**	**2**	–	17
Consideration received	**–**	**(1,251)**	(55)	(1,194)
Loss/(gain) on disposal	**2,273**	**(207)**	1	528

Year ended 31 December 2014

(a) Disposal Assets

On 3 July 2014, the Board approved the divestment of the Disposal Assets, which included a number of the Group's relatively mature assets, liabilities and operations, primarily located in the Zhezkazgan and Central Regions within the Kazakhmys Mining and Kazakhmys Power operating segments, to Cuprum Holding (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company) under the Restructuring. The Group's independent shareholders approved the Restructuring on 15 August 2014, with completion on 31 October 2014.

Accordingly, the Disposal Assets were classified as assets held for sale with effect from 15 August 2014 and are treated as a discontinued operation in these financial statements. On reclassification, the Group recognised a charge of $1.6 billion from the remeasurement of these assets to fair value less costs to sell of nil. Upon completion, a further charge of $690 million was recognised arising from the recycling to the income statement of the cumulative foreign exchange losses previously recognised in equity and the recycling of other reserves of $42 million. The Group recognised a total loss on disposal of $2.3 billion for year ended 31 December 2014.

On completion of the Restructuring, the Group transferred $158 million of cash and cash equivalents and $30 million in short term liquid investment and incurred $12 million of transaction costs.

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

On 5 December 2013, the Board accepted an offer from Samruk-Energo, an investment vehicle of the Government of Kazakhstan, for the sale of the Group's 50% joint venture in Ekibastuz GRES-1 and the Group's investment in Kaz Hydro for $1,249 million, after transaction costs of $2 million and an additional $49 million being the cost of acquiring the remaining shares held in Kaz Hydro. The offer was approved by shareholders on 7 January 2014 with completion dependent on certain conditions precedent. As a result, the Group's investments in Ekibastuz GRES-1 and Kaz Hydro were classified as assets held for sale at 31 December 2013 with a combined carrying value of $1,018 million, with Ekibastuz GRES-1 being classified as a discontinued operation in the consolidated income statement. The sale completed on 1 April 2014, with the Group recognising a profit on disposal of $207 million after the recycling to the income statement of the cumulative foreign exchange losses previously recognised in equity of $24 million (see note 10(b)).

Year ended 31 December 2013

(c) MKM

On 28 May 2013, the Group completed the disposal of MKM for a total consideration of €42 million ($55 million) net of expected selling costs of €2 million ($2 million). At the date of disposal MKM had net assets of €41 million ($54 million). The total consideration of €42 million consists of €30 million ($39 million) which was received in May 2013 and €12 million ($16 million) which was deferred. The total consideration was concluded after the receipt of a dividend from MKM of €10 million ($13 million) in April 2013. The loss on disposal of $1 million was mainly attributable to the recycling of the foreign currency translation reserve of $2 million. The deferred consideration of $16 million was received in December 2014.

(d) ENRC

On 24 June 2013, Eurasian Resources, acting on behalf of the ENRC Consortium comprising Mr Machkevitch, Mr Ibragimov, Mr Chodiev and the Government of Kazakhstan, announced a firm intention to make an offer for ENRC comprising $2.65 in cash plus approximately 0.23 Company shares per ENRC share. The share component of the offer was fixed at the Company's share price on 21 June 2013, resulting in an offer of approximately $1,206 million ($1,194 million net of expenses). On 8 November 2013, the transaction completed and the Group received total proceeds of $1,194 million, comprising $875 million in cash and 77 million Company shares valued at $319 million. On completion, the Group recognised a loss on disposal of its investment in ENRC of $528 million, principally representing the recycling of the Group's share of ENRC's transactions recognised directly in equity of $511 million.

The Company shares received by the Group were subsequently cancelled.

10. Discontinued operations and assets held for sale

For the year ended 31 December 2014, discontinued operations comprise the results of the Disposal Assets for the period up to 31 October 2014 (including the loss on disposal), the date on which it was sold and the gain on the disposal of the Group's investments in Ekibastuz GRES-1 and Kaz Hydro. For the year ended 31 December 2013, discontinued operations comprised the results of the Disposal Assets, the results of MKM for the period up to 28 May 2013, the date on which it was sold, the share of post-tax results from the Group's investment in Ekibastuz GRES-1 and the share of post-tax results from the Group's investment in ENRC up to 24 June 2013.

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

(a) Disposal Assets

Following the independent shareholders' approval on 15 August 2014, the Board concluded that the Disposal Assets were available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such disposal groups and its sale was 'highly probable'. Accordingly, the Disposal Assets were classified as assets held for sale and shown within discontinued operations from that date. The sale completed on 31 October 2014 (see note 9(a)).

(b) Ekibastuz GRES-1

On 5 December 2013, the Board of Directors accepted an offer from Samruk-Energo, an investment vehicle of the Government of Kazakhstan, for the sale of the Group's 50% joint venture in Ekibastuz GRES-1 and the Group's investment in Kaz Hydro for $1,249 million, after transaction costs of $2 million and an additional $49 million being the cost of acquiring the remaining shares held in Kaz Hydro. The offer was approved by shareholders on 7 January 2014 with completion dependent on certain conditions precedent. After considering the status of the sales process, the Directors believed that it was highly probable a sale would complete within 12 months. As a result, the Group's investments in Ekibastuz GRES-1 and Kaz Hydro were classified as assets held for sale at 31 December 2013, with Ekibastuz GRES-1 being classified as a discontinued operation in the consolidated income statement for the period ended 5 December 2013. The investment was stated at its last equity accounted carrying value, which was lower than the expected net sales proceeds (see note 9(b)).

(c) ENRC

The Group disposed of its investment in ENRC on 8 November 2013. It was classified as a discontinued operation for the year ended 31 December 2013 (until the date of its disposal).

(d) MKM

As stated in note 9(c), the Group disposed of MKM on 28 May 2013. It was classified as a discontinued operation for the year ended 31 December 2013 (until the date of its disposal).

(e) Financial performance of discontinued operations

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

$ million	2014	2013 Disposal Assets	2013 MKM	2013 Ekibastuz GRES-1	2013 ENRC	2013 Total
Revenues	**1,534**	2,168	595	–	–	2,763
Cost of sales	**(997)**	(1,562)	(567)	–	–	(2,129)
Gross profit	**537**	606	28	–	–	634
Selling and distribution expenses	**(56)**	(51)	(16)	–	–	(67)
Administrative expenses	**(533)**	(666)	(13)	–	–	(679)
Net other operating expenses	**3**	(6)	–	–	–	(6)
Impairment losses	**(17)**	(676)	(23)	–	–	(699)
Operating loss	**(66)**	(793)	(24)	–	–	(817)
Share of profits from joint venture	**–**	–	–	89	–	89
Share of losses from associate	**–**	–	–	–	(758)	(758)
Loss before finance items and taxation	**(66)**	(793)	(24)	89	(758)	(1,486)
Finance income	**61**	22	5	–	–	27
Finance costs	**(61)**	(48)	(6)	–	–	(54)
Loss before tax	**(66)**	(819)	(25)	89	(758)	(1,513)
Income tax credit/(expense)	**4**	(79)	(1)	–	–	(80)
Loss for the year	**(62)**	(898)	(26)	89	(758)	(1,593)
Loss on disposal[1]	**(2,066)**	–	(1)	–	(528)	(529)
Loss for the year from discontinued operations	**(2,128)**	(898)	(27)	89	(1,286)	(2,122)

1 The loss on disposal of $2,066 million includes the $207 million gain on the disposal of Ekibastuz GRES-1.

(f) Revenues

Revenues by product earned by discontinued operations are as follows:

$ million	2014	2013
Disposal Assets		
Copper cathodes	**587**	1,384
Copper rods	**67**	85
Copper in concentrate	**536**	210
Silver (including silver in concentrate)	**128**	205
Gold	**70**	89
Other by-products	**70**	49
Electricity generation	**51**	79
Heating and other	**12**	16
Other revenue	**13**	51
	1,534	2,168
MKM	**–**	595
Total discontinued operations	**1,534**	2,763

Revenues by destination earned by discontinued operations are as follows:

$ million	2014	2013
Disposal Assets		
Europe	**32**	450
China	**1,072**	1,173
Kazakhstan	**276**	386
Other	**154**	159
	1,534	2,168
MKM	**–**	595
Total discontinued operations	**1,534**	2,763

(g) Impairment losses

Year ended 31 December 2014

Disposal Assets

During 2014, the Disposal Assets wrote off $15 million relating to equipment which was no longer in use and impaired stripping costs where the mine is not expected to generate any future benefits.

Year ended 31 December 2013

Disposal Assets - Zhezkazgan Region cash generating unit ('CGU') impairment review

In light of the lower prices of commodities produced by the Group and inflationary pressures on operating costs, the Group commenced an optimisation programme and asset review which resulted in operating cost and capital expenditure savings.

The asset review considered the results of the optimisation programme and the potential for future savings, when assessing the future economic outlook for assets. The prospects for the Zhezkazgan Region, a CGU within the former Kazakhmys Mining segment, were considered challenging. The recoverable amount of the Zhezkazgan Region CGU was believed by management to be significantly lower than its carrying value such that an impairment charge of $575 million was recognised, including $98 million of deferred taxes written off. The impairment charge reduced the carrying value of the Zhezkazgan CGU to nil.

The recoverable amount of the Zhezkazgan Region was determined based on the 'fair value less costs to sell' calculations using the cash flows expected to be generated from existing operations and certain development projects, in particular Zhomart II. Cash flows were projected for periods up to the date that mining, refining and power generation was expected to cease based on management's current expectations. For current operations, the completion dates were based on recent assessments of the reserves and resources available and annual ore extraction rates.

The key assumptions used in the recoverable amount calculations were:

- Recoverable amount of reserves and resources - Economically recoverable reserves and resources were based on management's expectations and the technical studies and exploration and evaluation work undertaken by in-house and third party specialists.
- Commodity prices - Long-term commodity prices assumed fall within the range of external market analyst consensus.
- Operating costs - Variable operating costs were included in the impairment test as a function of the related production volumes. Fixed costs at the mines, concentrators and smelters were largely constant but reflect material changes in activity levels.
- Discount rate - A discount rate of 16% was used in the recoverable amount calculations, which represents the pre-tax rate that reflected the Group's current market assessments of the time value of money and the risks specific to the CGU.
- Timing of capital expenditure - Management estimated the timing of capital expenditure on the development projects based on the Group's current and future financing plans and the results of technical studies completed to date.
- Inflation and exchange rates - These were based on a combination of externally sourced forecasts and rates determined from information available in the market after considering long-term market expectations.

The calculation of the fair value less costs to sell of the Group's CGUs for the impairment review at 31 December 2013 provided a range of outcomes as the calculation was particularly sensitive to changes in commodity prices, operating cost inflation, capital expenditure and the discount rate used. Any changes to the assumptions adopted in the calculation of the fair value less costs to sell, individually or in aggregate, would have resulted in a different valuation being determined.

Impairment charges against property plant and equipment

The impairment charges recognised against property, plant and equipment included $325 million related to the impairment of the Zhezkazgan Region CGU, the impairment of certain production assets during the year, principally the Zhezkazgan smelter, Satpayev concentrator and associated assets of $115 million and a number of mid-sized projects that were suspended during the year of $33 million.

Impairment charges against mining assets

The Zhezkazgan Region CGU's mining assets were impaired by $139 million, and certain mid-sized projects were impaired by $5 million as these were suspended during the year.

Inventories

An impairment charge of $4 million related to specialised consumable inventories at the suspended Zhezkazgan smelter.

Other assets

The impairment of other assets of $32 million related mainly to the allocation of the impairment charge recognised in respect of the Zhezkazgan Region CGU, as discussed above, in accordance with IAS 36 on a proportionate basis.

MKM

In 2013, MKM was impaired by $22 million to write it down to its fair value less costs to sell. Of the total impairment charges recognised at MKM in the year ended 31 December 2013 (for the period until 28 May 2013 when it was disposed of), $1 million relates to the impairment of receivables which are not treated as special items.

(h) 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	2014	2013
Special items within operating loss		
Additional disability benefits obligation related to previously insured employees	–	81
Provisions released against historic tax claims	(15)	–
Impairment charges	15	679
Impairment charges against intangible assets	–	3
Impairment charges against property, plant and equipment	8	473
Impairment charges against mining assets	7	145
Provisions raised against inventories	–	4
Provisions raised against other assets	–	32
Impairment charge against property, plant and equipment – MKM	–	22
Loss on disposal of property, plant and equipment	–	14
	–	774
Special items within loss before finance items and taxation		
Impairment charge recognised on remeasurement of the ENRC investment	–	823
Share of special items in the equity accounted investment in ENRC	–	30
Net loss on disposal of subsidiaries and investments	2,066	529
	2,066	2,156
Special items within loss for the year		
Net foreign exchange gain arising on the devaluation of the tenge	(24)	–
Taxation related special items	5	52
Provisions released against historic tax claims	(7)	–
Recognition of deferred tax assets resulting from impairment charges and other special items	(3)	(20)
Net foreign exchange gain arising on the devaluation of the tenge	5	–
Tax accruals arising from Kazakhstan legal demerger of Kazakhmys LLC	10	–
Recognition of a deferred tax asset on additional disability benefits obligation related to previously insured employees	–	(16)
Impairment of deferred tax assets	–	98
Release of deferred tax liabilities resulting from the remeasurement of MKM	–	4
Recognition of deferred tax assets on impairment charges recognised by ENRC	–	(14)
	(19)	52
	2,047	2,208

The loss on disposal of subsidiaries and investments in 2014 represents the loss on the sale of the Disposal Assets (see note 9(a)) and the gain on disposal of Ekibastuz GRES-1 (see note 9(b)). (2013: includes the loss on disposal of investments in MKM and ENRC, see note 9(c) and 9(d) respectively).

(i) Cash flows

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

$ million	2014	2013
Operating activities	8	17
Investing activities	(228)	(440)
Financing activities[1]	61	43
Net cash outflow	**(159)**	**(380)**

[1] Cash flows from financing activities within the discontinued operations reflect intercompany financing arrangements which eliminate on consolidation.

11. Earnings per share

(a) Basic and diluted EPS

Basic EPS is calculated by dividing the (loss)/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	2014	2013
Net (loss)/profit attributable to equity shareholders of the Company from continuing operations	**(234)**	90
Net loss attributable to equity shareholders of the Company from discontinued operations	**(2,128)**	(2,120)
	(2,362)	(2,030)

Number	2014	2013
Weighted average number of ordinary shares of 20 pence each for EPS calculation	**446,838,267**	512,554,049
EPS – basic and diluted ($)		
From continuing operations	**(0.52)**	0.18
From discontinued operations	**(4.76)**	(4.14)
	(5.28)	(3.96)

(b) EPS based on Underlying Profit

The Group's Underlying Profit is the net profit for the year excluding special items and their resultant tax and non-controlling interest effects, as shown in the table below. EPS based on Underlying Profit is calculated by dividing Underlying Profit by the weighted average number of ordinary shares of 20 pence each outstanding during the 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 table shows the reconciliation from the reported profit to Underlying Profit and the share data used to determine the EPS based on Underlying Profit:

$ million	2014	2013
Net (loss)/profit attributable to equity shareholders of the Company from continuing operations	**(234)**	90
Special items – note 5	**320**	12
Underlying Profit from continuing operations	**86**	102
Net loss attributable to equity shareholders of the Company from discontinued operations	**(2,128)**	(2,120)
Special items – note 10(h)	**2,047**	2,208
Underlying Profit from discontinued operations	**(81)**	88
Total Underlying Profit	**5**	190
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	**446,838,267**	512,554,049
EPS based on Underlying Profit – basic and diluted ($)		
From continuing operations	**0.19**	0.20
From discontinued operations	**(0.18)**	0.17
	0.01	0.37

12. Dividends paid

(i) Year ended 31 December 2014

No dividends were paid in the year ended 31 December 2014.

(ii) Year ended 31 December 2013

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

13. Share capital and reserves

(a) Allotted share capital

	Number	£ million	$ million
Allotted and called up share capital – ordinary shares of 20 pence each			
At 1 January 2013	535,420,180	107	200
Purchase of Company's issued share capital	**(77,041,147)**	**(15)**	**(29)**
At 31 December 2013 and 2014	**458,379,033**	**92**	**171**

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

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

The provision of shares to the Group's share-based payment plans is facilitated by an Employee Benefit Trust. The cost of shares purchased by the Trust is charged against retained earnings as treasury shares. The Employee Benefit Trust has waived the right to receive dividends on these shares. During 2014, 105,980 shares (2013: 115,579) were transferred out of the Trust in settlement of share awards granted to employees that were exercised during the period.

At 31 December 2014, the Group, through the Employee Benefit Trust, owned 542,235 shares in the Company (2013: 648,215) with a market value of $2 million and a cost of $10 million (2013: $2 million and $12 million respectively). The shares held by the Trust represented 0.12% (2013: 0.14%) of the issued share capital at 31 December 2014.

(c) Capital reserves

$ million	Reserve fund	Currency translation reserve	Capital redemption reserve	Hedging reserve	Total
At 1 January 2013	42	(978)	6	(2)	(932)
Exchange differences on retranslation of foreign operations[1]	–	(60)	–	–	(60)
Recycling of exchange differences on disposal of subsidiary	–	2	–	–	2
Recycling of capital reserves on disposal of associate	–	509	–	2	511
Share of losses of joint venture recognised in other comprehensive income	–	(12)	–	–	(12)
Share of losses of associate recognised in other comprehensive income	–	(75)	–	–	(75)
Purchase of Company's issued share capital	–	–	25	–	25
At 31 December 2013	42	(614)	31	–	(541)
Exchange differences on retranslation of foreign operations[1]	**–**	**(430)**	**–**	**–**	**(430)**
Recycling of capital reserves on disposal of subsidiaries	**(42)**	**690**	**–**	**–**	**648**
Recycling of capital reserves on disposal of joint venture	**–**	**24**	**–**	**–**	**24**
At 31 December 2014	**–**	**(330)**	**31**	**–**	**(299)**

[1] Of the $430 million (2013: $60 million) of foreign exchange differences recognised in the currency translation reserve for the year, $250 million (2013: $38 million) relates to discontinued operations.

(i) Reserve fund

In accordance with legislation of the Republic of Kazakhstan, the reserve fund comprised the prescribed transfers from retained earnings amounting to 15% of Kazakhmys LLC's charter capital, which was recycled through loss on disposal of discontinued operations on the divestment of the company.

(ii) 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.

(iii) Capital redemption reserve

As a result of the share buy-back programme undertaken in 2008 and the repurchase of Company shares received from the ENRC disposal in 2013, transfers were made from share capital to the capital redemption reserve based on the nominal value of the shares cancelled.

14. Borrowings

	Maturity	Average interest rate during the year	Currency of denomination	Current $ million	Non-current $ million	Total $ million
31 December 2014						
CDB/Samruk-Kazyna facility – US$ LIBOR + 4.80%	2025	5.21%	US dollar	**181**	**1,875**	**2,056**
CDB - Aktogay facility – PBoC 5 year	2028	5.42%	CNY	**–**	**112**	**112**
CDB - Aktogay facility – US$ LIBOR + 4.20%	2029	4.53%	US dollar	**–**	**580**	**580**
Pre-export finance facility – US$ LIBOR + 3.00% - 2014	2018	2.98%	US dollar	**–**	**344**	**344**
				181	**2,911**	**3,092**
31 December 2013						
CDB/Samruk-Kazyna facility – US$ LIBOR + 4.80%	2025	5.26%	US dollar	503	2,065	2,568
CDB - Aktogay facility – PBoC 5 year	2028	6.55%	CNY	–	57	57
Pre-export finance facility – US$ LIBOR + 2.80% - 2012	2017	2.98%	US dollar	–	486	486
				503	2,608	3,111

Pre-export finance facility

On 20 December 2012, KAZ Minerals Finance PLC, a wholly owned subsidiary of the Company, signed a five year PXF facility for $1.0 billion with a syndicate of banks to be used for general corporate purposes. The funds attracted interest at US$ LIBOR plus 2.80%. The facility had a final maturity date of December 2017 and monthly loan repayments of principal due to commence in January 2015.

On 27 December 2013, the facility was reduced to $500 million, being the amount drawn at the end of the availability period. Following the amendment signed in October 2014, this facility was fully repaid.

On 29 October 2014, the Group signed an amendment to the PXF debt facility. The amended facility restates the existing PXF facility signed in December 2012 which contained certain disposal and other restrictions meaning the facility could not continue after completion of the Restructuring.

At signing, commitments from the existing syndicate of lending banks totalled $334 million and a net payment of $166 million paid to exiting banks. The amended facility contains an accordion feature which will enable existing lenders to increase their commitments, or new lenders to join, up to a maximum total facility amount of $500 million. On 5 December 2014, the facility was increased to $349 million.

Under the facility, principal repayments amortise in equal monthly instalments over a three year period commencing from January 2016 until final maturity on 31 December 2018. The margin payable on the amended facility is variable, ranging from 3.0% to 4.5% above US$ LIBOR, dependent on the ratio of net debt to EBITDA which will be tested semi-annually. KAZ Minerals PLC, Vostoktsvetmet LLC and KAZ Minerals Sales Limited act as guarantors of the loan. The amended facility resulted in certain changes to the covenant package including the suspension of the net debt to EBITDA ratio covenant, until 1 July 2016, and changes to the balance sheet gearing covenants to make these more aligned to the Group's projected financial profile until completion of the Bozshakol major growth project.

At 31 December 2014, $344 million (2013: $500 million) was drawn under the facility agreements. Arrangement fees with an amortised cost as at 31 December 2014 of $5 million (2013: $14 million), (gross cost before amortisation of $5 million (2013: $18 million)), have been netted off against these borrowings in accordance with IAS 39. For accounting purposes the amendments, which were considered significant, resulted in the settlement of the facility signed on 20 December 2012, with $10 million of previously unamortised costs being expensed in full.

China Development Bank and Samruk-Kazyna financing facilities

On 30 December 2009, KAZ Minerals announced that it had secured a $2.7 billion financing line with CDB and Samruk-Kazyna, allocated from a $3.0 billion financing line agreed between CDB and Samruk-Kazyna. Of the $2.7 billion secured for the Group, facility agreements were signed for $2.1 billion on 30 December 2009, and for a further $200 million on 12 January 2010, for the development of the Group's projects at Bozshakol and Bozymchak and other development projects, and two facility agreements for $200 million each, allocated to the Akbastau-Kosmurun and Zhomart projects, were signed on 11 June 2012. Samruk-Kazyna has separately signed an agreement for $300 million of the $3.0 billion to be used elsewhere and not for the benefit of the Group, which was subsequently repaid to CDB by Samruk-Kazyna in January 2013. As part of this financing package, the Company, along with a subsidiary of Samruk-Kazyna, provided a guarantee in favour of CDB in respect of Samruk-Kazyna's obligations under the $2.7 billion financing line.

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

In January 2014, the Group repaid $400 million under this facility related to the Akbastau-Kosmurun and Zhomart projects as development of these projects is not expected to commence in the near future.

On 30 December 2014, the Group announced an amendment to these facilities, which resulted in the facilities becoming bilateral between KAZ Minerals and CDB and a lowering of the interest rate from US$ LIBOR plus 4.80% to US$ LIBOR plus 4.50%. An arrangement fee of 0.5% was agreed of which 60% was paid in December 2014 and 40% is payable in January 2016.

Repayment of the previous facilities with Samruk-Kazyna and drawing of the new facilities directly from CDB is expected to occur during the first quarter of 2015. All other material terms of the facilities, including the final maturity, remain unchanged.

As at 31 December 2014, $2.1 billion (2013: $2.6 billion) was drawn under the facility agreements. Arrangement fees with an amortised cost as at 31 December 2014 of $30 million (2013: $25 million), (gross cost before amortisation of $35 million (2013: $43 million)), have been netted off against these borrowings in accordance with IAS 39.

China Development Bank Aktogay finance facility

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

At 31 December 2014, the Group had drawn down CNY 697 million ($112 million) (2013: CNY 350 million ($57 million)) under the RMB facility. Arrangement fees with an amortised cost of $1 million (2013: $0.6 million), gross cost before amortisation of $1.2 million (2013:$0.8 million), have been netted off against these borrowings in accordance with IAS 39. In order to protect the Group from currency risks arising on this CNY denominated debt, the Group has entered into a CNY/US$ cross currency swap during the year. This derivative instrument provides a hedge against any movement in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a US$ LIBOR interest basis. The fair value of the swap at 31 December 2014, included within payables is $3 million.

At 31 December 2014, $580 million was drawn down under the USD facility. Arrangement fees with an amortised cost of $10 million, gross cost before amortisation of $11 million, have been netted off against these borrowings in accordance with IAS 39.

Undrawn project and general and corporate purpose facilities

$ million	**2014**	2013
CDB Aktogay finance facility (within KAZ Minerals Finance)	**798**	1,443
Revolving credit facilities (within KAZ Minerals Finance)	**–**	100
Letter of credit and bank guarantee facilities (within Kazakhmys LLC)	**–**	82
	798	1,625

15. Employee benefits

Vostoktsvetmet LLC and Kazakhmys LLC (until its disposal on 31 October 2014) provide post-retirement benefits and other long-term benefits in Kazakhstan which are unfunded. The largest portion of the employee benefits provision is for other long-term benefits, of which the most significant is for the long-term disability allowances. The other benefits provided include one-time retirement grants, financial aid, dental care, medical benefits, sanatorium visits, annual financial support to pensioners and funeral aid.

The amounts recognised in the income statements are as follows:

$ million	**2014**	2013
Employer's share of current service cost	**–**	1
Employer's share of past service cost	**(1)**	3
Actuarial losses recognised in the period	**4**	3
Interest cost on benefits obligation	**1**	1
Income statement charge attributable to continuing operations	**4**	8
Income statement charge attributable to discontinued operations	**64**	195
	68	203

In accordance with Kazakhstan law, the Group obtained insurance cover for the disability payments to employees from February 2005. The disability payments that were covered by insurance contracts were accounted for under IAS 19 *'Employee benefits'* as an insured benefit, with no asset or liability being recognised on the Group's balance sheet. During 2013, as a result of financial difficulties, the insurance companies ceased making their obligated payments to the employees covered by insurance contracts, the Group agreed to meet these future disability payments. Consequently, at 31 December 2013 the liability for the future disability benefit payments to the employees previously covered by the insurance contracts was included in the disability benefits obligation. See note 10 for information on the discontinued operations.

The expense is recognised in the following line items of the income statements:

$ million	2014	2013
Administrative expenses	**3**	7
Finance costs	**1**	1
Income statement charge attributable to continuing operations	**4**	8
Income statement charge attributable to discontinued operations	**64**	195
	68	203

The movement in the defined employee benefits obligation is as follows:

$ million	2014	2013
At 1 January	**543**	373
Employer's share of current service cost	**–**	1
Employer's share of past service cost	**(1)**	3
Net actuarial losses arising in the income statement	**4**	3
Income statement charge attributable to discontinued operations	**64**	195
Net actuarial losses recognised in other comprehensive income	**1**	27
Interest cost on benefit obligation	**1**	1
Benefits paid	**(27)**	(52)
Disposal of subsidiaries	**(474)**	–
Net exchange adjustment	**(87)**	(8)
Defined benefit obligation at 31 December	**24**	543

The movement in the plan asset is as follows:

$ million	2014	2013
At 1 January	**13**	–
Interest income	**–**	1
Contributions by employer	**27**	64
Benefits paid	**(27)**	(52)
Disposal of subsidiaries	**(13)**	–
Fair value of plan assets at 31 December	**–**	13

The employee benefits obligation of $24 million (2013: $530 million), consists of $8 million (2013: $60 million) related to post-employment benefits and $16 million (2013: $470 million) related to other long-term benefits.

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

$ million	2014	2013
Defined benefit obligation	**24**	543
Less fair value of plan assets	**–**	13
Net liability recognised at 31 December	**24**	530
Current	**2**	53
Non-current	**22**	477
	24	530

The principal actuarial assumptions used in determining the employee benefit obligation are as follows:

	2014	2013
Discount rate at 31 December	**8.0%**	8.2%
Future salary increases	**3.6%**	3.4%
Medical and other related cost increases	**5.0%**	5.0%

In addition, mortality rates were determined with reference to the 2011 mortality table of Kazakhstan as published by the Government.

16. Movement in net debt

$ million	At 1 January 2014	**Cash flow**	**Attributable to discontinued operations[1]**	**Other movements[2]**	**At 31 December 2014**
Cash and cash equivalents	1,715	**41**	**–**	**(26)**	**1,730**
Current investments	625	**(195)**	**(30)**	**–**	**400**
Borrowings	(3,111)	**26**	**–**	**(7)**	**(3,092)**
Net debt	(771)	**(128)**	**(30)**	**(33)**	**(962)**

$ million	At 1 January 2013	Cash flow	Attributable to discontinued operations	Other movements[2]	At 31 December 2013
Cash and cash equivalents	1,246	470	4	(5)	1,715
Current investments	515	110	–	–	625
Borrowings	(2,468)	(683)	56	(16)	(3,111)
Net liquid funds/(debt)	(707)	(103)	60	(21)	(771)

1 The $30 million movement in current investments relates to the investments disposed with the Disposal Assets on completion of the Restructuring.

2 Other movements comprise net foreign exchange movements, non-cash amortisation of fees on borrowings and other non-cash reconciling items. For the year ended 31 December 2014, the $7 million other movement on borrowings consists of $20 million of amortisation of fees on the Group's financing facilities less $11 million of accrued fees, and $2 million of foreign exchange differences on the CDB Aktogay RMB facility. For the year ended 31 December 2013, the $16 million other movement on borrowings consists of $14 million of amortisation of fees on the Group's financing facilities and $2 million of foreign exchange differences on the CDB Aktogay RMB facility.

17. 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, including Cuprum Holding, 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[1]	Amounts owed to related parties
Cuprum Holding and the Disposal Assets				
2014	**6**	**97**	**23**	**57**
2013	–	–	–	–
Companies under trust management				
2014	**10**	**13**	**–**	**–**
2013	12	6	43	6
Other				
2014	**4**	**11**	**2**	**6**
2013	2	20	11	–

1 A provision of $nil (2013: $46 million) is held set against the amounts owed by related parties. The bad debt expense in relation to related parties was $nil for the year (2013: $10 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 Chairman at that time, Vladimir Kim, sold 58,876,793 ordinary shares, approximately 11% of KAZ Minerals' 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% of the shares in issue. The Government's interest was held via the State Property and Privatisation Committee's existing 15% holding and the 11% shareholding of Samruk-Kazyna.

Following the purchase of 11,701,830 of the Company's shares under the share buy-back programme which completed in May 2012, the Government's percentage of the total voting rights held increased to 26.57% as at 31 December 2013.

On 19 June 2013, the Government transferred its entire shareholding of 26.57% to Eurasian Resources, and was considered a related party up until that date.

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

Following the ENRC Takeover, Eurasian Resources transferred KAZ Minerals PLC shares to the shareholders of ENRC, such that Eurasian Resources' holding in KAZ Minerals PLC at 31 December 2014 is minimal (less than 1%).

China Development Bank and Samruk-Kazyna financing line

As explained in note 14, the Group secured a $2.7 billion financing line with Samruk-Kazyna, a wholly owned subsidiary of the Government of Kazakhstan, and CDB. The terms and conditions of the financing line, including a guarantee issued by the Group over the debt obligations of Samruk-Kazyna to CDB under the financing line, are considered to be on an arm's length basis.

Up until 19 June 2013 when the Government transferred its interest in the Group, Samruk-Kazyna was also considered a related party. Subsequent to that, both the Government and CDB were no longer considered as related parties. In addition, in December 2014 the loan was amended to a bilateral facility between CDB and KAZ Minerals PLC.

Other transactions

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

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

The Group did not have any material or significant non-arm's length or privileged transactions with entities controlled by the Government (2013: $nil).

Dividend payment

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

(ii) Cuprum Holding and the Disposal Assets

Following the completion of the sale of the Disposal Assets to Cuprum Holding (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company) on 31 October 2014, Cuprum Holding and its subsidiaries are considered related parties of the Group. The transactions mainly consist of transitional and longer-term services provided under two Framework Service Agreements between KAZ Minerals and Cuprum Holding. The Framework Service Agreements cover certain functions such as smelting and refining.

For the 10 months up to 31 October 2014, the date the Disposal Assets were sold, the Group paid $2.4 million in remuneration to key management personnel of the Disposal Assets. These individuals were previously considered to be key management personnel of the Group prior to the completion of the Restructuring.

(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 and road maintenance. 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.

GLOSSARY

bcm:t
bank cubic metres excavated to recover one metric tonne of coal

Board or Board of Directors
the Board of Directors of the Company

CAGR
compound annual growth rate

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

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

CDB or China Development Bank
the China Development Bank Corporation

CIS
The Commonwealth of Independent States

CIT
corporate income tax

CNY
Chinese yuan, basic unit of the renminbi

CO_2
carbon dioxide

CO_2e
carbon dioxide equivalent

Company or KAZ Minerals
KAZ Minerals PLC

continuing operations
the Group following completion of the Restructuring

Concert Party
the Relevant Shareholders (and their respective concert parties)

Cuprum Holding
Cuprum Netherlands Holding B.V., a company incorporated in the Netherlands, whose registered office is at Strawinskylann 1151, World Trade Center, Toren C, Level 11, 1077XX, Amsterdam, the Netherlands

Directors
the directors of the Company

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

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

EBITDA
earnings before interest, taxation, the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation and mineral extraction tax

Ekibastuz GRES-1 or joint venture
Ekibastuz GRES-1 LLP

ENRC or ENRC PLC
Eurasian Natural Resources Corporation PLC

EPS
earnings per share

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

EPT
excess profits tax

ESG
Environmental Social and Corporate Governance

Eurasian Resources
Eurasian Resources Group B.V.

EU
European Union

Euro or €
Euro, the currency of certain member states of the European Union

Free Cash Flow
net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure

GHG
greenhouse gas

g/t
grammes per metric tonne

Government or State
the Government of the Republic of Kazakhstan

the Group
KAZ Minerals PLC and its subsidiary companies

gross cash cost
mining cash operating costs divided by the volume of copper cathode equivalent sales

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

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

HSE
health, safety and environment

IAS
International Accounting Standards

IASB
International Accounting Standards Board

ICMM
International Council on Mining and Metals

IFRS or IFRSs
International Financial Reporting Standard

JORC
Joint Ore Reserves Committee

KAZ Minerals
KAZ Minerals PLC

Kazakhmys Corporation LLC or Kazakhmys LLC
Kazakhmys Corporation LLC, the Group’s principal operating subsidiary in Kazakhstan prior to the Restructuring

Kazakhmys Mining
a former operating segment of the Group which comprised 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 until completion of the Restructuring. The operating segment excludes the Group's captive power stations, which were included within the Kazakhmys Power operating segment

Kazakhmys Power
a former operating segment of the Group, until completion of the Restructuring which included the Group's captive power stations and the Ekibastuz GRES-1 coal-fired power plant joint venture, whose principal activity was the sale of electricity to external customers and internally to Kazakhmys Mining

Kazakhstan
the Republic of Kazakhstan

kbcm
thousand bank cubic metres

KGcal
thousand gigacalories, units of heat energy

km
kilometre

koz
thousand ounces

KPI
key performance indicator

kt
thousand metric tonnes

kWh
kilowatt hour, one kilowatt hour represents one hour of electricity consumed at a constant rate of one kilowatt

LBMA
London Bullion Market Association

LIBOR
London Inter Bank Offer Rate

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

LME
London Metal Exchange

LTIFR
lost time injury frequency rate

major growth projects
Bozshakol, Aktogay and Koksay

megalitre
thousand cubic metres

MET
mineral extraction tax

MKM
MKM Mansfelder Kupfer und Messing GmbH, the Group's operating subsidiary in the Federal Republic of Germany and an operating segment of the Group (until its disposal on 28 May 2013), which manufactures copper and copper alloy semi-finished products

MT
million metric tonnes

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

net cash cost of copper
mining cash operating costs less by-product revenues, divided by the volume of copper cathode equivalent sales

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

Non Ferrous China or NFC
China Non Ferrous Metal Industry's Foreign Engineering and Construction Co., Ltd

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

PXF
pre-export finance debt facility

Relevant Shareholders
each of Vladimir Kim, Oleg Novachuk and Eduard Ogay

Restructuring
the transfer, subject to certain consents and approvals, of the Disposal Assets to Cuprum Netherlands Holding B.V. which was approved by shareholders at the General Meeting on 15 August 2014 and completed on 31 October 2014

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

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

Samruk-Energo
Joint Stock Company "Samruk-Energo", an entity owned and controlled by Samruk-Kazyna and therefore the Government

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

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

SO_2
sulphur dioxide

som or KGS
the official currency of Kyrgyzstan

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

SX/EW
solvent extraction and electrowinning, a two-stage metallurgy process used for the extraction of copper

t
metric tonnes

TC/RCs
treatment charges and refining charges paid for smelting and refining services

tenge or KZT
the official currency of the Republic of Kazakhstan

UK
United Kingdom of Great Britain and Northern Ireland

Underlying Loss/Profit
loss/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 non-controlling interest effects

United States/US
United States of America

USc/lb
US cents per pound

VAT
Value added tax