Thursday 15 March 2007

KAZAKHMYS PLC AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

HIGHLIGHTS

$million (unless otherwise stated)	**Year ended 31 December 2006**	Year ended 31 December 2005	% change
Revenues	**5,046.5**	2,597.5	94
Earnings:			
Profit before taxation, finance items and negative goodwill	**2,071.6**	842.5	146
Profit before taxation	**2,167.8**	848.1	156
EBITDA excluding special items [1]	**2,308.4**	1,073.5	115
Underlying Profit	**1,402.7**	549.8	155
EPS:			
Basic and diluted ($)	**2.99**	1.29	132
Based on Underlying Profit [2] ($)	**3.00**	1.31	129
Free Cash Flow [3]	**1,327.2**	450.2	195
ROCE [4] (%)	**49.7**	31.5	18.2
Cash cost of copper after by-product credits [5] ($/tonne)	**695**	940	(26)

1 Reconciliation of EBITDA excluding special items to profit before taxation, finance items and negative goodwill is found in note 3(a).
2 Reconciliation of EPS based on Underlying Profit is found in note 7(b).
3 Net cash flows from operating activities less sustaining capital expenditure on tangible and intangible assets and investment in mine stripping costs.
4 Profit before interest and taxation over capital employed (borrowings and total equity, including minority interests).
5 Total of operating costs as presented in the income statement less by-product revenues, over the volume of copper cathodes and rods sold.

All references to $ refer to US dollars unless otherwise stated.

- Solid growth in copper cathode production and buoyant commodity prices increased revenues by over 94%
- Total production of copper cathode (excluding tolling concentrate) up 4.7% to 405 kt (2005: 387 kt)
- Production of copper cathode from own concentrate up 8.6% to 368 kt (2005: 339 kt)
- Average realised copper price up over 85% to $7,025 per tonne (2005: $3,794 per tonne)
- EBITDA excluding special items up 115% to $2,308.4 million (2005: $1,073.5 million)
- EPS based on Underlying Profit up 129% to $3.00 per share (2005: $1.31 per share)
- Free Cash Flow up 195% to $1,327.2 million (2005: $450.2 million)
- Final dividend of 25.7 US cents per share, giving a total dividend of 38.5 US cents per share, up 7% on a comparable post-Listing basis
- Board strengthened with the appointments of a new Chief Executive, a Strategy Director and two new non-executive Directors
- Successful ramp-up of Zhomart and Kosmurun mines, and expansion of Karagaily and Nurkazgan concentrators

Vladimir Kim, Executive Chairman, commenting on the year's results said:

"2006 was the first full financial year for Kazakhmys as a UK listed company, after the primary listing of our shares on the London Stock Exchange in October 2005. The past year has seen a solid operational performance and a good set of results for the Group. Overall production of copper cathode rose 4.7% whilst production of copper cathode from own concentrate rose 8.6% which contributed, along with higher production of by-products and a buoyant pricing environment, to these record financial results. Safety remains a high priority for the Board and implementation of measures to improve our record in this area is of key importance to us. We have strengthened the composition of the Board and remain committed to our strategy of delivering shareholder value through organic growth of our business and diversification in natural resources in Kazakhstan and our region. Whilst we anticipate that rising labour costs, driven by the burgeoning economy in Kazakhstan, will impact our costs, we shall continue to be robust in our cost control. We are confident that 2007 will be another successful year for Kazakhmys."

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RESULTS AND SHAREHOLDER VALUE

Against a backdrop of exceptionally buoyant commodity prices seen throughout 2006, including unprecedented increases in copper and zinc, profitability improved, with pre-tax profits rising by 156% to $2,167.8 million. The increase in our Free Cash Flow to $1,327.2 million was especially encouraging, as this is a key component for the successful execution of our capital expenditure and acquisition strategy.

Despite challenging operating conditions during the earlier part of 2006, we delivered a solid increase in copper cathode production, driven by an improvement in copper production from own concentrate. The performances from our newly commissioned Artemyevskoe, Kosmurun and Zhomart (formerly Zhaman-Aybat) mines have been particularly pleasing as they continue to ramp-up to their full operating capacities. Zinc metal and zinc in concentrate revenues rose on the back of both higher prices and improved production volumes.

The reduced proportion of copper production from purchased concentrate ensured our margins remained strong in the face of challenging cost pressures. Higher input costs faced across the mining industry, particularly labour costs for natural resource companies operating in Kazakhstan, show no sign of diminishing and we will vigorously pursue operational efficiencies and maximisation of by-product credits to address these issues.

The proposed final dividend of 25.7 US cents per share results in a 7% increase in the full year dividend to 38.5 US cents per share on a comparable post Listing basis. This increase reflects the Board's confidence in the outlook for the business, whilst taking account of our future growth opportunities.

Our market capitalisation rose to $10,174 million at the year end, which compares to $4,619 million at the time of Listing. The 106% increase in our share price since Listing in sterling terms compares to growth of 16% and 45% generated by the FTSE 100 group of companies and FTSE Mining Index, respectively.

STRATEGY FOR FUTURE GROWTH

A strategic objective for Kazakhmys is to use the cash flows generated by historically high copper prices to acquire other assets in Kazakhstan and the neighbouring regions, so as to diversify our resource base.

We continue to review investment opportunities in Kazakhstan, a country that remains attractive for opportunistic acquisitions within a stable political and economic environment. We will only undertake acquisitions if we are confident that they create value for our shareholders.

At the beginning of March 2007, we announced that agreement had been reached to acquire the East Akzhar petroleum field, an exploration block in western Kazakhstan, which is a first step in delivering on our strategy of diversification of the business. Exploration work will be carried out in the coming year to fully determine the block's potential, and the Board is considering a number of options for its future development.

As previously announced, the Company has been granted a call option in respect of the 25% shareholding that I presently own in ENRC Kazakhstan Holding B.V., a holding company for certain assets of the Eurasia Natural Resources group. Please refer to the separate report by the Independent Committee of the Board on this matter.

Organic growth of our existing operations is also a strategic goal and, to this end, our expansionary capital expenditure for the year was $260.1 million. Successful projects during the year included the commissioning of the Zhomart and Kosmurun mines, the construction of an acid plant at the Balkhash complex and expansions of our Karagaily and Nurkazgan concentrators.

The economic assessments of our Aktogay and Boschekul projects continue and we expect to decide which one to fast-track to the feasibility study stage by mid 2007. During the latter part of 2006, we secured additional title rights adjacent to the Boschekul project from the Kazakhstan Government, increasing its development potential. Meanwhile, we remain committed to rigorous capital discipline to ensure that only projects which are economically robust throughout the commodity cycle are taken forward for execution.

SAFETY AND COMMUNITY

I am sad to report that last year there were 32 fatalities within our operations. This was an improvement on the previous year but is a long way from our objective of no fatalities. We are working hard at delivering changes within our working culture and senior operating management have been tasked with embedding best practice safety standards in conjunction with international consultants under the auspices of the Group Health, Safety and Environment Committee. Continuous management focus is being applied to raise safety standards within our operations.

We remain committed to investing in our workforce and local communities as part of our social responsibilities within Kazakhstan. A new sports complex at a total cost of $20 million was completed during the year and we also made charitable donations to the value of $4.4 million, with particular focus on providing support to the disadvantaged in society.

CORPORATE ACTIONS AND GOVERNANCE

We have made changes to the composition of our Board and it is now in compliance with the provisions of the Combined Code, with the exception that I was not independent at the date of my appointment. As announced previously, Oleg Novachuk will become Chief Executive with effect from 15 March 2007, taking over this role from Yong Keu Cha who retired at the end of December 2006.

There is a clear division of functions between the new Chief Executive, who is responsible for the day-to-day management of the Group, and my responsibility for the strategic direction of the Group. The Board continues to be of the opinion that it is in the best interests of shareholders for me to serve as Executive Chairman at the present stage of the Group's development.

David Munro joined our executive management team on 1 October 2006, and is making a valuable contribution to the development of our strategy. Matthew Hird will take over Oleg's current role of Chief Financial Officer.

Since 1 January 2006, we have appointed two new independent non-executive Directors, Simon Heale and Philip Aiken, both of whom bring significant boardroom and relevant industry experience to the Company. We look forward to their continuing contributions.

We successfully obtained a secondary listing in Kazakhstan at the end of October 2006, making a meaningful contribution to the development of Kazakhstan's capital markets. This listing also provides our Kazakhstan based shareholders with an effective means through which to participate in our growth.

We are also considering the most appropriate means of structuring and implementing a share for share exchange programme or cash alternative to buy-out the minority shareholders of the Company's principal operating subsidiary in Kazakhstan, Kazakhmys Corporation LLC. At present, 0.92% of the share capital of Kazakhmys Corporation LLC is held by approximately 4,000 individuals in Kazakhstan. The intention of the buy-out programme will be to provide those individual shareholders in Kazakhmys Corporation LLC with a more liquid investment in the Company or with a cash alternative whilst simultaneously simplifying the shareholding structure of the Group.

OUTLOOK

The global economic outlook for 2007 remains positive, supported by anticipated economic growth coming from Asia, particularly India and China. While it appears unlikely that metals consumption in countries like India and China will continue to grow at the exceptional rate experienced in the recent past, in the next few years we expect demand for metal products to remain at historically high levels.

Although prices in our key commodities recently softened from their all-time highs, we believe that they will remain above their long-run historic averages during 2007, as supply and demand fundamentals suggest continued price strength.

Copper cathode production in 2007 is expected to be slightly higher than the output achieved in 2006. This increase will be driven by higher levels of production from both own and purchased concentrate. We continue to seek strong production of our by-products, with 2007 production expected to be similar to 2006 levels. Whilst we anticipate that rising labour costs, driven by the burgeoning economy in Kazakhstan, will impact our costs, we shall continue to be robust in our cost control.

We look forward to pursuing new opportunities to grow our business at this exciting time, leveraging our financial strength and knowledge of Kazakhstan's natural resources. As always, on behalf of the Board I would like to thank our management team and all our employees for their significant contribution to a rewarding year for Kazakhmys. Their dedication will be invaluable in continuing to deliver value to our shareholders, and we are confident that 2007 will be another successful year for Kazakhmys.

REPORT BY THE INDEPENDENT DIRECTORS

This report sets out the background to the call option that has been granted to the Company in respect of Mr Kim's 25% shareholding in ENRC Kazakhstan Holding B.V. ("EKH"), and the current position of the independent Directors in respect of the exercise of this option.

Background to the Company's call option in EKH

Early in 2006, the Company was given the opportunity to acquire a 25% shareholding in EKH, the holding company of the Eurasia Natural Resources group's metals and mining business ("ENRC"), which operates in Kazakhstan producing, in particular, chrome, iron ore, alumina, coal and power.

When this opportunity arose, ENRC was in the process of a significant restructuring, and the complexity of the group structure meant that adequate due diligence could not have been undertaken in the time available for the Board to reach a decision on such an acquisition. The independent Directors of the Board therefore concluded that it would not be appropriate for the Company to acquire a stake in EKH at that stage as further work was required to consider whether this would be in the interests of all shareholders.

To avoid losing the opportunity of acquiring a meaningful stake in EKH, Mr Kim offered to acquire the interest on his own account but with the proviso that such an interest could be transferable to the Company at a future date. The independent Directors of the Board gave permission to Mr Kim to acquire this stake through his own company on the basis that the Company would be given the benefit of a call option in respect of his shareholding in EKH. The terms of the call option are set out in note 12(a). As required by the Listing Rules, the exercise of the option will be dependent on the terms of the option being determined by independent advisers to be fair and reasonable so far as the remaining shareholders of the Company are concerned.

Current position of the independent Directors

In the course of the past year, ENRC has undergone a significant restructuring as part of its own efforts to simplify its group structure, as ENRC's management considers options for the strategic direction of the business, including the possibility of an Initial Public Offering. Following this restructuring, certain minority interests have been eliminated with the result that EKH has a 75.5% direct interest in ENRC, with the remaining shares held by the Government of Kazakhstan. Taking account of the Government's shareholding in ENRC, Mr Kim's stake in EKH gives him an approximate 18.9% economic interest in the underlying assets of ENRC.

With the consent and cooperation of EKH, production and financial information in respect of ENRC has been made available to the Company. The Company's advisers are in the advanced stages of performing valuation work on ENRC using this information and the results of an independent technical review.

The independent Directors have made good progress in considering the information which has been made available to the Company. The independent Directors also have reviewed the results of valuation work being undertaken on the Company's behalf, and requested that this be finalised as soon as practical.

When the independent Directors judge that it is appropriate and in the best interests of all shareholders to exercise the call option, the independent Directors will make a recommendation to shareholders in accordance with the related party rules relevant to the Company. A positive recommendation made by the independent Directors would require the approval of the independent shareholders at an extraordinary general meeting. An announcement setting out the conclusions of the independent Directors will be made in due course.

Philip Aiken   Simon Heale   Lord Renwick   James Rutland
Independent non-executive Directors

MARKET OVERVIEW

The copper market was exceptionally strong in 2006, with consumption outstripping worldwide supply by about 90 kt, thereby reducing inventories. Higher demand from Asia, in particular China, strong demand from Europe, and large inflows of investment fund capital into base metal drove up metal prices.

The strength of copper prices in 2006 has led to previously uneconomic projects becoming viable, leading to expectations of a worldwide increase in supply capacity. To this end, a number of new sources of copper supply are expected to come on-stream in 2007. The likelihood of strikes at major producers has also been reduced. Another factor determining the direction of copper prices going forward will be the behaviour of investment fund capital.

Historically, Kazakhmys has been flexible as to where it sells its copper. The proximity to China and good infrastructure links to Western Europe gives access to both markets, with demand in both areas expected to be robust in 2007. The majority of copper sales are made under annual supply contracts at a fixed premium, with the remainder sold on the spot market. During 2006, Kazakhmys saw attractive commercial terms with customers in Europe which led to the majority of copper cathode production being sold to that region, with growing volumes directed to the Mediterranean markets. Kazakhmys' position in China should remain strong and we expect to continue selling significant copper cathode volumes into the Chinese market, focusing on expanding our relationship with end-user customers.

China is the world's main growth driver for copper consumption whose refined production for 2006 was estimated to be 3,050 kt and consumption at 3,967 kt, resulting in an import requirement of 917 kt. In 2007, the forecast import requirement is expected to reduce slightly. The continued lack of clarity concerning the Chinese government's policy towards re-exports and tax rebates, and a possible move to global oversupply in 2007, has prompted Chinese customers to put downward pressure on supplier premiums under annual contracts.

Total refined copper production in Western Europe in 2006 was estimated to be 1,894 kt and consumption 3,884 kt, resulting in an import requirement of 1,990 kt. In 2007, the import requirement is forecast to remain broadly unchanged. For 2007 supply contracts, European end-users have looked to reduce the volumes they buy under annual supply contracts, instead seeking to purchase cathodes on a monthly basis on the spot market.

COMMODITY PRICE TRENDS

Copper

As a result of a supply deficit and the influx of capital funds, average LME prices rose by 83% in 2006 to $6,731 with copper prices hitting historic highs. Producers were unable to expand production to meet the rising global demand driven in particular by China. Concerns over drawn-out supply disruption from labour disputes at major suppliers also led to price spikes during the year.

Zinc

Physical zinc demand outstripped supply during the first three quarters of 2006 giving good fundamental support which, coupled with the increased flow of investment fund capital during the year, led to strong price growth. The average LME price for zinc was $3,273 per tonne, 137% higher than the 2005 average price. Physical stocks reached an all time low late in 2006 and, despite an outflow in investment fund capital halfway through the year due to concern over interest rates, investor support returned in the final quarter to drive prices upwards.

Gold and Silver

Precious metal prices in 2006 reached highs not seen for 20 years due to rising oil prices, the weakness of the US dollar and the inflow of investment fund capital. A dip in precious metal prices in June was attributed to a strengthening US dollar and profit taking by the investment funds as there was good support from the physical market. The second half of the year saw a stable period of pricing. Overall, both gold and silver prices were strong in 2006, with average gold prices increasing by 36% and silver by 58%.

SENSITIVITY ANALYSIS ON PRICES AND GRADES

Fluctuations in ore grade and commodity prices can have a significant impact on Kazakh Mining's revenues and earnings. Any changes in prices have a direct effect on the revenues of the Kazakh Mining business, with consequential impacts on earnings and the cash cost of copper resulting from changes in by-product credits.

Any changes in ore grades have a direct effect on the production figures of the Kazakh Mining business given that the volume of mined ore remains largely constant between years. Revenues and earnings are directly impacted by production volumes, as is the cash cost of copper, since certain costs are fixed in nature and some are variable.

The approximate effects on profit before taxation, finance items and negative goodwill resulting from a 10% movement in commodity prices are shown below. Prior year commodity prices and ore grades are also provided to demonstrate the fluctuations in these variables. These sensitivities are based on 2006 figures and assume that all other variables remain constant. They are estimated calculations only.

Kazakhh Mining Commodity Price Sensitivity

	Average realised price during year ended 31 December			Impact of 10% movement on profit[1]
	2006	2005	% movement	$ million
Copper ($/tonne)	**7,025**	3,794	85.2	234
Zinc ($/tonne)	**3,145**	1,231	155.5	33
Silver ($/oz)	**11.4**	7.3	56.2	20
Gold ($/oz)	**610**	449	35.9	4

1 Profit before taxation, finance items and negative goodwill, calculated by flexing the 2006 average realised prices.

Ore Grade Movement

	Average ore grade during year ended 31 December	
	2006	2005
Copper (%)	**1.17**	1.03
Zinc (%)	**4.28**	3.28
Silver (g/t)	**20.69**	19.81
Gold (g/t)	**0.77**	0.68

PRODUCTION

Kazakh Mining Copper Production

kt (unless otherwise stated)	**2006**	2005
Ore extraction	**39,240**	39,446
Average copper grade	**1.17%**	1.03%
Average zinc grade[1]	**4.28%**	3.28%
Copper in concentrate	**433.5**	397.6
own concentrate	**383.2**	345.7
purchased concentrate	**50.3**	51.9
Copper cathodes[2]	**407.0**	396.6
own concentrate	**368.4**	338.2
purchased concentrate	**36.8**	48.3
tolling concentrate	**1.8**	10.1
Copper rod	**28.5**	8.7

1 Complex ores only.
2 Includes copper used to produce copper rod.

In 2006, copper cathode production, (excluding copper produced through tolling arrangements) grew by 4.7% to 405.2 kt driven by the 8.9% increase in copper cathode output from the Group's own concentrate to 368.4 kt, as a result of higher ore grades. Own copper in concentrate production increased by 10.8% to 383.2 kt as the Artemyevskoe, Kosmurun, and Zhomart (formerly Zhaman-Aybat) mines ramped-up production during 2005 and 2006. Copper produced from purchased concentrate fell by 23.8% to 36.8 kt and copper produced under tolling arrangements was 82.2% lower at 1.8 kt. Copper rod production more than tripled in 2006, increasing from 8.7 kt to 28.5 kt as more cathodes were allocated for rod production and sold into China.

The average copper grade rose 0.14 percentage points over the year to reach a 2006 average of 1.17%, mainly as a result of higher grade ore and output from the recently commissioned mines in the East and Karaganda Regions.

The increase in output of polymetallic ores from the Artemyevskoe, Kosmurun and Nurkazgan mines had a positive effect on the production volumes of zinc, gold and silver, the Group's major by-products.

In 2006, the Group produced 21.6 million ounces of silver, of which 40 thousand ounces were produced on a tolling basis, and 165.4 thousand ounces of gold, of which 58.6 thousand ounces were produced on a tolling basis.

COPPER REVIEW BY REGION

Zhezkazgan Complex

kt (unless otherwise stated)	**2006**	2005
Ore extraction	**27,676**	28,046
Average copper grade	**0.82%**	0.87%
Copper concentrate	**541.1**	598.5
Copper in concentrate	**199.3**	214.7
Copper cathodes[1]	**221.8**	235.3
of which tolling	**0.7**	0.1
Copper rod	**28.5**	8.7

[1] Includes copper used to produce copper rod.

The Zhezkazgan Complex produced 71% of the Group's ore output in 2006, unchanged from 2005 levels. Ore output was slightly below 2005 production levels at all of the region's mines as they reached more mature stages in their operations, except for the recently commissioned Zhomart mine (formerly Zhaman-Aybat mine) whose rapid ramp-up in ore output led to the region being only 1.3% below the ore output volume achieved in 2005.

Production in the region was negatively affected when temperatures remained below minus 40°C for nearly two weeks at the beginning of 2006 and by a collapse at the Annensky and East mines. Mining operations continue at both mines and plans are being considered to re-access the areas impacted by the collapse at a reduced rate.

The region's average copper grades in 2006 decreased from 0.87% to 0.82%, mainly due to decreasing ore grades at the majority of the Zhezkazgan mines as they reach maturity. As with ore output, the fall in grade was partially offset by production from the recently commissioned Zhomart mine, which had an average ore grade of 1.16%.

The Zhezkazgan Complex produced 221.8 kt of copper cathodes of which 0.7 kt were produced under tolling arrangements. 28.5 kt of copper cathodes were processed into copper rod.

Balkhash Complex

kt (unless otherwise stated)	**2006**	2005
Ore extraction	**4,371**	5,626
Average copper grade	**0.81%**	0.71%
Copper concentrate[1]	**257.1**	180.9
Copper in concentrate	**43.4**	32.9
Copper cathodes	**185.2**	161.3
of which tolling	**1.1**	10.0
Copper rod	**--**	--

1 Excludes concentrate processed by third parties.

Ore production at the Balkhash Complex fell from 5,626 kt in 2005 to 4,371 kt in 2006, as planned additional stripping works in the first and fourth quarters impacted output at the region's largest mine, Kounrad.

The region's ore grade increased from 0.71% to 0.81% due to the fall in output from the low yielding Kounrad mine, whose ore has a grade of only 0.35%. This was partially offset by Shatyrkul and Sayak copper ore grades decreasing by 0.21 and 0.08 percentage points, respectively, due to geological conditions.

The Balkhash Complex produced 185.2 kt of copper cathodes, including tolling arrangements, 23.9 kt higher than 2005, as increased concentrate output from the East and Karaganda Regions were processed at Balkhash.

East Region

kt (unless otherwise stated)	**2006**	2005
Ore extraction	**4,441**	5,082
Average copper grade	**2.83%**	2.33%
Copper concentrate[1]	**534.5**	476.8
copper in concentrate	**98.7**	87.4
Copper cathodes	**--**	--
Copper rod	**--**	--

1 Excludes concentrate processed by third parties.

Overall, the East Region's metal in ore production rose from 118.5 kt to 125.7 kt, despite ore production falling 12.6% to 4,441 kt as higher grade ore was mined.

A major slope failure at the Nikolaevskoe open pit mine in the first quarter led to a 1,441 kt fall in annual ore output and production being switched underground from July onwards. The Artemyevskoe mine, which commenced production in August 2005, contributed 1,282 kt of ore, up from 379 kt in 2005.

The Orlovskoe mine remained the largest copper producing mine in the Group (15.7% of total metal in ore extracted in 2006 and 17.6% in 2005). The Orlovskoe mine copper ore grade rose from 4.31% in 2005 to 4.69% in 2006, contributing to the lifting of the average copper grade in the East region from 2.33% to 2.83%. The region's copper ore grade was also positively impacted by a significant increase in ore grade at the Yubileyno-Snegirikhinskoe mine from 3.67% to 4.20%.

Karaganda Region

kt (unless otherwise stated)	**2006**	2005
Ore extraction	**2,752**	692
Average copper grade	**2.59%**	0.83%
Copper concentrate	**230.8**	115.5
Copper in concentrate	**33.7**	3.3
Copper cathodes	**--**	--
Copper rod	**--**	--

Ore extraction volumes in the Karaganda Region grew 297.8% in 2006 from 692 kt to 2,752 kt, primarily due to increased production volumes at the Nurkazgan mine and the opening in March 2006 of the Kosmurun mine. This was achieved despite output at the Abyz mine being suspended from October 2006 for up to two years whilst major stripping works are undertaken and at a time when the nearby Karagaily concentrator is upgraded to improve its gold recovery rate.

The region's average copper grade was substantially higher, increasing from 0.83% in 2005 to 2.59% in 2006. With average copper grades of 5.53% and 1.17%, the Kosmurun and Nurkazgan mines made up 95% of the region's copper output.

REVIEW OF ZINC PRODUCTION

Kazakh Mining Zinc Production

kt (unless otherwise stated)	**2006**	2005
Zinc grade	**4.28%**	3.28%
Zinc in concentrate	**129.1**	95.1
Zinc metal	**59.5**	50.9

The average zinc grade in 2006 was substantially higher than in 2005, increasing from 3.28% to 4.28% as the Artemyevskoe mine, with a zinc ore grade of 6.91%, increased ore output by 903 kt.

Zinc in concentrate production was 129.1 kt, 35.8% above the 95.1 kt of concentrate produced in 2005 due to a combination of higher ore output and an increased zinc grade.

Zinc metal production at the Balkhash zinc plant was 59.5 kt, 16.9% higher than in 2005. On-going technical problems with the coolers have resulted in the annual output capacity being capped at the 2006 production levels.

REVIEW OF PRECIOUS METALS PRODUCTION

Kazakh Mining Precious Metals Production

koz (unless otherwise stated)	**2006**	2005
Silver grade	**20.69g/t**	19.81g/t
Gold grade	**0.77g/t**	0.68g/t
Silver	**21,570**	20,606
own production	**21,530**	20,517
tolling	**40**	89
Gold	**165.5**	145.3
own production	**106.9**	100.5
tolling	**58.6**	44.8

The Group's precious metals refinery, located in the Balkhash Region, recovers gold and silver from the slimes produced from the electro refining of copper and carries out toll manufacturing for third parties. The recently commissioned mines in the East and Karaganda regions are particularly rich in gold and silver, which led to higher production of precious metals in 2006.

Own gold production rose 6.4% in 2006, due mainly to increased production at the Artemyevskoe mine, whose ore had a gold content of 1.66 g/t, and opening the Kosmurun mine with a gold content of 1.87g/t. The higher ore output from these two mines more than offset the impact of the closure of the Abyz mine from October 2006 for stripping works whilst the Karagaily concentrator is upgraded.

Own silver production rose by 4.9%, largely due to the rich polymetallic ore from the Artemyevskoe mine, which has a silver grade of 143.23 g/t. This offset lower silver output from the Zhezkazgan mines, where the silver grade fell from 17.73 g/t to 15.47 g/t.

COAL AND POWER DIVISION

The Group's principal power plant is located in the Karaganda Region and runs on coal produced by the Borly mines. It supplies electricity to the Zhezkazgan and Balkhash Complexes through the national grid on a credit system, enabling the Group to use its own power effectively whilst paying only for the cost of transmission. The coal-fired power and heating plants at the Zhezkazgan and Balkhash Complexes supplement the electricity provided by the main Karaganda plant, and also produce hot water for local heating. In 2006, the Group produced 6,589 GWh of electricity and 4,153 KGcal of heating power, levels comparable to those in 2005.

MKM PRODUCTION

MKM is the Group's German manufacturing subsidiary engaged in the production and sale of copper and copper alloy semi-finished products primarily into the European Union. MKM is organised into three business units: wire products, tubes and bars, and flat products (strips, plates and sheets).

MKM's total production for 2006 was 273.7 kt, a 24.7% increase compared to 2005 levels. As MKM had sufficient working capital available, it was able to respond to higher demand in the market, with the main growth being in the wire products business unit where output of wire rod rose by 44.5% from 88.9 kt to 128.5 kt and drawn wire where volumes increased by 24.5% from 31.4 kt to 39.1 kt.

Total tubes and bars production in 2006 increased by 7.7%. Of this, tube production increased by 8.9% and bar production by 6.5% compared to 2005. The flat products business unit produced 62.6 kt of products, of which 2.4 kt were pre-rolled strips, 14.8 kt were sheets and 45.4 kt were strips.

FUTURE DEVELOPMENTS AND CAPITAL EXPENDITURE

In March 2006, the Group commissioned a new open pit mine at Kosmurun and a new underground mine at Zhomart. Both were opened ahead of the original mining plan.

At present, the Group operates nine concentrating plants, with a tenth, the Nurkazgan concentrator (Karaganda Region), due to be completed in April 2007. This new concentrator will process all the ore produced by the existing West Pit at the Nurkazgan mine and also from the new North Pit at the mine which begins output in 2007. At present, Nurkazgan mine ore is sent by rail to the Balkhash concentrator.

As the Group has insufficient concentrator capacity to process all the ore from the Artemyevskoe mine, with approximately 841 kt of ore from the mine being processed by a third party, the Nikolaevskoe concentrator is being upgraded. Due to be completed in the third quarter of 2007, the upgraded concentrator will have sufficient capacity, in combination with the Group's other concentrators, to ensure all ore produced by the Group can be processed internally.

New concentrators at Kosmurun and Shatyrkul are planned, with construction due to begin in 2007. Once complete, these are expected to significantly reduce the costs of transporting ore from mines to concentrators.

Various options are being considered to upgrade the Karagaily concentrator to improve the recovery rate of gold from the nearby Abyz mine ore. Stripping works at the Abyz mine will take place in 2007 and 2008 whilst the concentrator upgrade is being carried out.

To recover SO_2 emissions, the construction of a sulphuric acid plant at Balkhash is expected to be completed in 2007. Also in 2007, a fourth oxygen workshop is planned at the Balkhash smelter to boost smelting efficiency.

The North Nurkazgan open pit mine will commence production in the third quarter of 2007, with an annual output of up to 1,000 ktpa containing 3.8 ktpa of copper. There are medium-term mine expansions planned around the Group including East Saryoba and Taskura (both at the North Mine in the Zhezkazgan Region) and Akbastau in the East Region.

New site projects include Aktogay, one of the Group's primary projects, and Boschekul, where economic assessments and site studies continue.

FINANCIAL REVIEW

SUMMARY OF THE YEAR

Revenues for the year amounted to $5,046.5 million, a 94.3% increase over 2005. Profit before taxation, finance items and negative goodwill rose by 145.9% to $2,071.6 million and our key performance measure for earnings, EBITDA excluding special items, was $2,308.4 million, a 115.0% increase compared to 2005. The improved earnings were attributable to the increases in commodity prices shown across all of the Group's main products.

These results translated into an increased profit attributable to equity shareholders of $1,399.7 million, compared to $538.8 million in the prior year, an increase of 159.8%. Underlying Profit, a more informed measure of the Group's financial performance, increased by 155.1% from $549.8 million to $1,402.7 million.

Basic and diluted EPS increased by 131.8% to $2.99 per share. EPS based on Underlying Profit, was $3.00 per share compared to $1.31 per share reported in 2005, an improvement of 129.0%.

REVENUES

Kazakh Mining

Revenues for Kazakh Mining increased from $1,740.9 million to $3,330.4 million, a 91.3% improvement against the prior year. The major contribution to revenues within the Kazakh Mining business remained copper cathodes, although there were strong performances from other commodities, particularly zinc and silver.

Revenues from the sale of copper cathodes were $2,389.0 million, or 71.7% of the total revenues of the Kazakh Mining business. Although production volumes, excluding tolling, were 4.7% higher than the previous year, sales volumes of copper cathodes were down by 6.1% predominantly due to increased sales volumes of copper rod, which increased more than three-fold, as well as some shipments to Europe scheduled to take place in December 2006, which took place in the following month as the shipments took longer over the New Year holiday period. The increase in revenue of 91.3% between years was primarily driven by an improvement in the average realised copper price to $7,025 per tonne compared to $3,794 per tonne for 2005, an increase of 85.2%.

As the Balkhash zinc smelter continued to ramp-up, zinc metal production increased by 17.6%, with zinc metal sales volumes increasing by 23.1% during the year, which contributed to a 213.1% increase in zinc metal revenues. However, the main factor behind the increase in zinc metal revenues was the increase in zinc prices with average realised zinc prices increasing by 155.5% from $1,231 to $3,145 per tonne during the year. Sales volumes of zinc metal remained disappointing though due to the continuing issues associated with the cooling systems of the zinc smelter.

Zinc in concentrate sales volumes increased by 294.1% and revenues increased from $15.0 million to $128.0 million partially as a result of higher zinc prices enjoyed during 2006, but mainly due to increased sales volumes arising from the ramp-up of production from the Artemyevskoe mine following the commencement of production in August 2005.

Silver sales volumes were similar to production volumes. Revenues increased by 62.3% compared to the prior year predominantly due to a rise in realised silver prices of 56.2% compared to 2005.

Gold sales volumes from own ore were 21.5% less than production volumes due to the internal use of gold within our jewellery factory. There was a 35.8% improvement in gold revenues from own production primarily due to higher realised gold prices of 35.9% compared to the prior year.

Copper rod revenues were up from $26.5 million to $196.1 million following a near three-fold increase in sales volumes. The increase in copper rod sales, where sales volumes more than tripled from 8 kt in 2005 to 28 kt in 2006, was due to stronger market demand arising out of China.

Other revenues of $118.3 million compared to $66.4 million in the prior year, and related to the sale of surplus electricity, heating and coal, as well as the sales of other minor by-products, such as lead and rhenium. This increase of 78.2% was largely as a result of higher utility tariffs being obtained on the sale of surplus electricity, heating and coal as well as a greater volume of minor by-products arising from the production process.

MKM

For the year ended 31 December 2006, MKM generated revenues of $1,716.1 million, an increase of 100.3% from the prior year's revenue figure of $856.6 million. The two key factors behind this growth were increased sales volumes, up by 25.2% compared to the prior year, and the increase in copper prices during the year.

The main component within MKM's revenues is the input value of copper, accounting for 98.0% of sales price. Contractual arrangements with customers ensure the input price of copper cathodes is passed on in full. With the increase in the purchased component of copper increasing by 80.1% in value terms compared to the prior year, this contributed to approximately $630 million of the total growth in MKM revenues.

There were strong performances in the sales of wire rods, up 141.6%, drawn wire, up by 113.6%, and strips, up by 77.4%, compared to the prior year due to improved market conditions, a regained reputation in the market and an improved sales strategy which resulted in increased customer demand. Sales of wire rods particularly benefited from the closure of production facilities of a number of competitors as well as increased duties being charged on imported Russian wire rods. As wire rods, drawn wire and strips account for 47.3%, 14.1% and 16.8% respectively of total sales by volume, these were the main contributors to the overall growth in sales volumes.

EARNINGS

Profit before taxation, finance items and negative goodwill increased from $842.5 million to $2,071.6 million, an increase of 145.9%, split between $2,082.1 million for the Kazakh Mining business, $21.6 million for MKM and a loss of $32.1 million for unallocated corporate costs. Depreciation, depletion and amortisation amounted to $225.8 million in 2006, a small increase of 2.8% compared to $219.6 million in 2005, as a result of increased capital expenditure levels in recent years.

Consistent with other international mining companies, EBITDA excluding special items has been chosen as the key measure in assessing the underlying trading performance of the Group between the current and prior years. This performance measure removes depreciation, depletion, amortisation and items that are non-recurring or variable in nature which do not impact the underlying trading performance of the business.

During 2006, these non-recurring or variable items related to the loss on disposal of tangible assets of $9.6 million and the write-off of tangible assets of $1.4 million, which compared to $4.6 million and $6.8 million, respectively, for these categories in 2005. Overall, the margin at the level of EBITDA excluding special items increased from 41.3% to 45.7%, primarily as a result of increased commodity prices. For 2006, MKM reported a margin based on EBITDA excluding special items of 2.6% compared to a margin of 68.9% for the Kazakh Mining business.

Kazakh Mining

The margin at the level of EBITDA excluding special items increased from 60.5% in 2005 to 68.9% in 2006. The main factors contributing to the higher margin were average realised copper prices increasing by 85.2% from 2005 to 2006, an increase in the mined ore grade from 1.03% to 1.17% and a decrease in the proportion of copper cathodes produced from purchased concentrate, from 12.4% in 2005 to 9.1% in 2006.

Offsetting the positive factors on earnings described above, significant cost pressures were faced in Kazakhstan which pushed up cost of sales by 34.2% from $714.4 million to $958.6 million. Purchases of copper concentrate increased in monetary terms from $166.2 million in 2005 to $305.1 million in 2006, an increase of 83.6%, which represented 31.6% of the cost of sales of Kazakh Mining. This was primarily due to the impact of rising copper prices which increased the cost of purchased copper concentrate, but was offset to some extent by reduced volumes of copper concentrate being purchased.

Wages and salaries increased by 49.0% from $130.9 million to $195.0 million and were driven by difficult competition in the labour market for natural resource companies operating in Central Asia and general improvements in the standard of living in Kazakhstan.

The other significant factors which increased operating costs were the opening of new mines (Zhomart and Kosmurun) during the year, together with the ramp-up of the Nurkazgan and Artemyevskoe mines, which resulted in higher costs for spare parts, consumables, repairs and maintenance expenditure. There have also been widespread increases for these items of expenditure seen across the mining sector.

The captive power stations in the Kazakh Mining business produce sufficient electricity and heat for the business' own requirements. However, rising diesel prices adversely impacted running costs for plant and equipment operating in the mines, which contributed to a 12.7% rise in fuel costs from $53.5 million to $60.3 million.

Transportation costs increased from $36.8 million to $51.3 million, a 39.4% increase primarily due to production at the Kosmurun mine whose ore is sent to the Karagaily concentrator for processing, a distance of some 220km. It is planned that a new Kosmurun concentrator will be constructed in due course that will mitigate these transport costs.

The increased production of the Artemyevskoe mine led to higher processing costs as the processing of zinc concentrate from this mine is outsourced, a situation that will continue until the concentrator is upgraded, which is due in the third quarter of 2007.

Selling and distribution costs increased by 88.3% to $51.6 million, reflecting a greater proportion of sales to Europe and the resulting higher transportation costs.

Administration costs rose by 60.5% to $223.7 million. This increase was mainly due to increases in administrative wages and salaries resulting primarily from market pressures in Kazakhstan, a rise in levies and charges due to increases in property taxes, and an increase in social responsibility costs representing the increase in contributions relating to the development of sport, social objects and regional State social events within Kazakhstan.

In addition, the Kazakhstan tenge appreciated against the US dollar by 5.1%, with the average exchange rate strengthening from 132.88 KZT/$ in 2005 to 126.09 KZT/$ in 2006. As certain costs are denominated in US dollars, the strengthening of the Kazakhstan tenge resulted in higher operating costs for the Kazakh Mining business.

Depreciation and depletion charges increased slightly from $196.5 million to $200.8 million. This was due to higher levels of capital expenditure on fixed assets during 2006 compared to 2005.

Cash cost of copper after by-product credits is a key measure in assessing the ability of the Kazakh Mining business to control its production costs and maximise credits from by-product production. The cash cost of copper after by-product credits amounted to $695 per tonne compared to $940 per tonne in 2005 (restated due to the change in segmental reporting treatment of corporate unallocated costs). The significant increases in by-product revenues and the cost of purchased concentrate offset the underlying rising costs of production of copper cathode from own mined ore as explained above. The table shown below provides a reconciliation of the cash cost of copper after by-product credits from 2005 to 2006, which illustrates the relative importance of the above factors.

Reconciliation of cash cost of copper (after by-product credits)

$	
Average cash cost for year ended 31 December 2005 (per tonne)	940
Increase in purchased concentrate	278
Increase in other cost of sales	393
Increase in selling and distribution expenses	66
Increase in administrative expenses	161
Decrease in other operating expenses	(30)
Increase in by-product credits	(1,113)
Average cash cost for year ended 31 December 2006 (per tonne)	**695**

MKM

Although the EBITDA excluding special items margin fell from 4.6% to 2.6%, this was primarily as a result of higher revenues. MKM's cost of sales includes the purchase price of copper cathode, and has therefore risen at approximately the same rate as the increase in revenues.

EBITDA excluding special items increased from $39.1 million in 2005 to $43.9 million in 2006, although this measure is significantly impacted by movements in stock valuation resulting from copper price fluctuations. Within earnings, a contribution of approximately $24 million (2005: $25 million) arose from an increased stock valuation as a result of rising copper prices. This favourable impact on earnings did not translate into operating cash flows. If copper prices decline in future, this will conversely have a negative impact on earnings.

A more informed trading performance measure of MKM is the ‘Gross Value Add’ (GVA) margin as MKM is primarily a fabricating downstream business. This measure is commonly used in this industry to measure the ‘value add’ of the production process to purchased raw materials. The GVA margin rose from $139.2 million to $169.8 million due to a combination of more higher margin products being sold, improved market conditions and greater conversion charges.

Depreciation and amortisation remained in line with 2005 levels at $22.2 million.

A reconciliation of profit before taxation, finance items and taxation to EBITDA excluding special items by business segment is set out below.

$ million (unless otherwise stated)	**2006**	2005
Kazakh Mining		
Profit before taxation, finance items and negative goodwill	**2,082.1**	840.3
Add: loss from special items	**10.3**	15.4
Add: depreciation, depletion and amortisation	**203.2**	198.0
EBITDA excluding special items	**2,295.6**	1,053.7
Revenues	**3,330.4**	1,740.9
EBITDA excluding special items margin	**68.9%**	60.5%
MKM		
Profit before taxation, finance items and negative goodwill	**21.6**	21.7
Add/(less):loss/(gain) from special items	**0.1**	(4.0)
Add: depreciation and amortisation	**22.2**	21.4
EBITDA excluding special items	**43.9**	39.1
Revenues	**1,716.1**	856.6
EBITDA excluding special items margin	**2.6%**	4.6%
Unallocated corporate costs excluding special items	**(31.1)**	(19.3)
Total Revenues	**5,046.5**	2,597.5
Total EBITDA excluding special items	**2,308.4**	1,073.5
Total EBITDA excluding special items margin	**45.7%**	41.3%

NET FINANCE ITEMS

Net financing income was $89.7 million during 2006, compared to net financing income of $5.6 million that arose in the prior year.

A foreign exchange gain of $26.4 million was included within net financing income, compared to a loss of $11.0 million that was recognised during 2005. The foreign exchange gain mostly arose within Kazakhmys LLC as a result of the appreciation of the Kazakhstan tenge against the US dollar which moved from 133.77 KZT/$ as at 31 December 2005 to 127.00 KZT/$ at 31 December 2006, a 5.1% movement. Despite this overall appreciation of the tenge over the year, there were significant fluctuations which gave rise to the exchange gain; the tenge appreciated by 11.3% in the first half of the year to 118.69 KZT/$ at 30 June 2006, but then fell back by 7.0% to 127.00 KZT/$ by year end. This relative depreciation of the tenge in the second half of the year occurred at a time when dollar cash balances and deposits in Kazakhstan were significantly higher than in the first half, and the net $26.4 million foreign exchange gain arose as a result.

Net financing income, other than foreign exchange gains, includes a finance cost of $8.0 million which predominantly related to interest payable on the MKM bank loan. Unwinding of long-term provisions and employee benefits also gave rise to an interest charge of $7.2 million (2005: $5.1 million).

Finance income primarily relates to interest earned from fixed term US dollar and Kazakhstan tenge denominated deposits placed with banks in the UK and Kazakhstan. Interest income of $78.5 million was considerably higher than the 2005 figure of $30.6 million reflecting the increased cash generation of the Group during the year primarily due to the increased commodity prices, and the effect of having Listing proceeds invested for a full year.

TAXATION

The effective tax rate for the year was 34.8% compared to a rate of 35.1% in the prior year. The rate was split between a current tax rate of 31.7% and a deferred tax rate of 3.1%. Income tax in absolute terms increased by $457.4 million, or approximately 154%, due to higher earnings within the Kazakh Mining business compared to 2005.

Although the effective tax rate only decreased by 0.3%, there were significant movements within the tax charge. A tax benefit of $46.5 million arose from a tax holiday associated with the Balkhash zinc plant, compared with $8.3 million in 2005, following improved zinc revenues, which reduced the effective tax rate by 2.1%. Management at Kazakhmys LLC re-considered the excess profits tax methodology following developments in the interpretation of tax legislation prevailing within Kazakhstan and the results of the recent tax audit in that entity, which resulted in a release of $49.4 million from the excess profits tax liability relating to prior years. This release reduced the effective tax rate by 2.3%, and nets off against the current year excess profits tax charge of $77.3 million, which increased the effective tax rate by 3.6%.

Withholding tax of $91.8 million has been recognised in relation to unremitted earnings of Kazakhmys LLC existing as at 31 December 2006 which are expected to be remitted to the U.K. in due course through dividend distribution. The withholding tax on these unremitted earnings increased the effective tax rate by 4.2%.

The effective tax rate for MKM in Germany remained the same during 2006 at 35.98%.

The effective tax rate is expected to remain at levels in excess of the statutory Kazakhstan tax rate of 30% due to excess profits taxes arising on profitable subsoil contracts at the current time of high commodity prices, and the additional withholding tax payable on dividend distributions from Kazakhstan to the UK.

PROFIT FOR THE YEAR AND UNDERLYING PROFIT

Profit for the year attributable to equity shareholders increased from $538.8 million to $1,399.7 million, an increase of 159.8%. Underlying Profit is seen as a more informed measure of the performance of the business as it removes any significant non-recurring or variable non-trading items from attributable profit for the year, and their resulting tax and minority interest impacts. It provides a more consistent basis for comparing the underlying trading performance of the Group between 2006 and 2005.

The increase of 155.1% in Underlying Profits principally reflects the favourable impact of rising copper prices on earnings.

The reconciliation of Underlying Profit from profit attributable to equity shareholders is set out below.

Reconciliation to Underlying Profit

$ million (unless otherwise stated)	**2006**	2005	% change
Profit attributable to equity shareholders of the Company	**1,399.7**	538.8	159.8
Special items:			
Recognition of negative goodwill	**(6.5)**	-	
Write-off of tangible assets	**1.4**	6.8	
Loss on disposal of tangible assets	**9.6**	4.6	
Tax effect of special items	**(1.5)**	(0.5)	
Minority interest effect of special items	-	0.1	
Underlying Profit	**1,402.7**	549.8	155.1

EARNINGS PER SHARE

The income and share data used in the Basic and diluted EPS and EPS based on Underlying Profit computations is shown below.

Basic EPS based on attributable profit for the year increased from $1.29 per share to $2.99 per share, an increase of 131.8%. There are no differences between basic and diluted EPS.

EPS based on Underlying Profit increased from $1.31 per share to $3.00 per share, a 129.0% improvement, reflecting the impact of higher commodity prices on profitability.

At the time of Listing, 58.4 million shares were issued, and aside from a few minor share issues in 2005 resulting from share exchange agreements with shareholders of Kazakhmys LLC, this resulted in the weighted average number of shares in issue increasing from 418.1 million to 467.5 million. If EPS based on Underlying Profit was calculated for 2005 using the weighted average number of shares in issue for 2006, then this measure would show an improvement from $1.18 per share to $3.00 per share, a rise of 154%. This increase compares to a rise of 129% using the actual weighted number of shares in issue for each year as shown below.

Earnings per share data

	2006	2005	% change
Weighted average number of shares in issue	**467,474,200**	418,105,627	11.8
Profit attributable to equity shareholders of the Company ($ million)	**1,399.7**	538.8	159.8
Underlying Profit ($ million)	**1,402.7**	549.8	155.1
EPS – basic and diluted ($)	**2.99**	1.29	131.8
EPS based on Underlying Profit ($)	**3.00**	1.31	129.0

CASH FLOWS

During the year, the net liquid funds position of the Group strengthened from $829.5 million to $1,745.3 million, an increase of $915.8 million. This movement was mainly attributable to the conversion of higher earnings into operating cash flows. A bank loan was taken out by MKM during the year, and the balance outstanding as at 31 December 2006 on this loan was $277.3 million.

Other key cash flows during the year were income tax payments of $623.3 million, capital expenditure of $345.1 million, net proceeds from borrowings of $208.0 million and payment of dividends of $233.4 million.

Free Cash Flow, a key performance indicator demonstrating the Group's ability to translate earnings into cash flow available for dividends, investment and financing purposes, was $1,327.2 million, compared to $450.2 million in 2005. The Free Cash Flow in 2006 was stated after deducting sustaining capital expenditure of $85.0 million (including expenditure on investment in intangible assets and mine stripping costs), out of the total capital expenditure of $345.1 million compared with $175.4 million and $365.4 million for 2005 respectively.

The Group's ability to generate continued positive Free Cash Flows ensures funds are available for expanding the Group's existing operations and capacities, as well as providing flexibility to respond to any acquisition opportunities.

Capital expenditure on mine stripping costs, mining licences and property, plant and equipment amounted to $345.1 million, compared to $365.4 million in the prior year. Major items of capital expenditure were the development of the Zhomart (formerly Zhaman-Aybat) and Kosmurun mines, the costs of the site study and economic assessments on the Aktogay project, the construction of the sulphuric acid plant at the Balkhash Complex, the new Karagaily and Nurkazgan concentrators as well as the sports complex at Satpaev. Sustaining capital expenditure and investment in mine stripping costs were $78.3 million and $6.7 million, respectively. This was lower than the 2005 figure of $175.4 million for sustaining capital expenditure due to the significant expenditure incurred in Zhezkazgan and Balkhash Complexes on various renewal programmes during 2005 which were not repeated in 2006. Proceeds from the disposal of property, plant and equipment were $3.4 million as redundant assets are normally sold for scrap or negligible value.

BALANCE SHEET

Shareholders' funds as at 31 December 2006 stood at $3,859.9 million, an increase of $1,260.1 million compared to the balance as at 31 December 2005. The increase was primarily due to retained earnings for the year of $1,399.7 million, currency translation differences of $80.7 million and dividends payable of $228.1 million.

CAPITAL EMPLOYED

A summary of capital employed is shown below:

Capital employed/ROCE

$ million (unless otherwise stated)	**2006**	2005
Equity shareholders' funds	**3,859.9**	2,599.8
Minority interests	**31.9**	26.3
Borrowings	**277.3**	49.0
Capital employed	**4,169.1**	2,675.1
Profit before taxation, finance and negative goodwill	**2,071.6**	842.5
ROCE (%)	**49.7%**	31.5%

Capital employed increased during the year to $4,169.1 million as at 31 December 2006, from $2,675.1 million at the prior year end, due to the increased profitability of the Group during the year offset by higher working capital requirements, largely within the MKM business. ROCE has also shown an improvement from 31.5% to 49.7% reflecting the higher profitability of the Group.

The minority interests balance increased from $26.3 million to $31.9 million.

DIVIDENDS

The Board has proposed a final dividend for the year ended 31 December 2006 of 25.7 US cents per share which if approved will be paid to shareholders on 14 May 2007 to shareholders on the register at the close of business on 13 April 2007. Together with the interim dividend of 12.8 US cents per share paid to shareholders on 27 October 2006, this brings the total dividend for the year to 38.5 US cents. For those shareholders who have elected to receive their dividends in sterling, the currency conversion rate of 1.9304 to the US dollar was based on the average foreign currency exchange rate for the five business days ending two days before the date of this preliminary results announcement.

Dividend cover for the final dividend is over 11 times, and provides a solid platform to ensure a stable dividend flow in future years, subject to the performance of the business and the underlying growth in earnings of the Group.

The Company intends to maintain a dividend policy which will take 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 will also ensure that dividend cover is prudently maintained. Interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

ANNUAL GENERAL MEETING

The 2007 Annual General Meeting will be held at 12.15pm on Wednesday 9 May 2007 at Claridge's (the Ballroom entrance), Brook Street, Mayfair, London W1K 4HR.

The Annual Report and Accounts and details of the business to be conducted at the Annual General Meeting will be mailed to shareholders in early April 2007.

AVAILABILITY OF THIS ANNOUNCEMENT

This announcement will shortly be available on the Kazakhmys website **(www.kazakhmys.com)**

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

$ million	Notes	2006	2005
Revenues	3	**5,046.5**	2,597.5
Cost of sales		**(2,612.4)**	(1,506.6)
Gross profit		**2,434.1**	1,090.9
Selling and distribution expenses		**(81.4)**	(55.5)
Administrative expenses		**(280.8)**	(185.3)
Other operating income		**44.7**	39.0
Other operating expenses		**(35.1)**	(34.8)
Write-offs and impairment losses	4	**(9.9)**	(11.8)
Profit before taxation, finance items and negative goodwill		**2,071.6**	842.5
Finance income	5	**266.8**	87.4
Finance costs	5	**(177.1)**	(81.8)
Recognition of negative goodwill		**6.5**	–
Profit before taxation		**2,167.8**	848.1
Income tax expense	6	**(754.7)**	(297.3)
Profit for the year		**1,413.1**	550.8
Attributable to:			
Equity shareholders of the Company		**1,399.7**	538.8
Minority interests		**13.4**	12.0
		1,413.1	550.8
Earnings per share attributable to equity shareholders of the Company			
Basic and diluted	7	**$2.99**	$1.29
EPS based on Underlying Profit	7	**$3.00**	$1.31

CONSOLIDATED BALANCE SHEET
At 31 December 2006

$ million	Notes	2006	2005
Assets			
Non-current assets			
Intangible assets		**28.9**	21.6
Tangible assets		**1,958.3**	1,743.1
Property, plant and equipment		**1,912.6**	1,701.3
Mine stripping costs		**45.7**	41.8
Investments		**6.2**	5.8
		1,993.4	1,770.5
Current assets			
Inventories		**730.6**	377.7
Prepayments and other current assets		**109.6**	41.5
Trade and other receivables		**263.5**	210.8
Investments		**1,237.2**	356.5
Restricted cash		**0.8**	1.0
Cash and cash equivalents		**785.4**	522.0
		3,127.1	1,509.5
TOTAL ASSETS		**5,120.5**	3,280.0
Equity and liabilities			
Share capital	9(a)	**173.3**	173.3
Share premium		**503.4**	503.4
Foreign currency translation reserve	9(d)	**228.6**	147.9
Reserve fund	9(d)	**37.6**	9.4
Retained earnings		**2,917.0**	1,765.8
Equity attributable to shareholders of the Company		**3,859.9**	2,599.8
Minority interests		**31.9**	26.3
Total equity		**3,891.8**	2,626.1
Non-current liabilities			
Deferred tax liability		**347.7**	260.9
Employee benefits		**32.7**	28.7
Provisions		**57.4**	44.5
Borrowings		**277.3**	–
		715.1	334.1
Current liabilities			
Provisions		**1.9**	1.4
Borrowings		**–**	49.0
Trade and other payables		**330.4**	158.7
Dividend payable		**4.4**	3.1
Income tax payable		**176.9**	107.6
		513.6	319.8
Total liabilities		**1,228.7**	653.9
TOTAL EQUITY AND LIABILITIES		**5,120.5**	3,280.0

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

$ million	Notes	2006	2005
Cash flows from operating activities			
Cash receipts from customers		**5,076.6**	2,529.4
Cash paid to employees and suppliers		**(3,034.3)**	(1,561.5)
Cash inflow before interest and income taxes paid		**2,042.3**	967.9
Interest paid		**(6.8)**	(9.0)
Income tax paid		**(623.3)**	(333.3)
Net cash inflow from operating activities	10	**1,412.2**	625.6
Cash flows from investing activities			
Interest received		**77.2**	17.4
Proceeds from disposal of property, plant and equipment		**3.4**	7.2
Purchase of property, plant and equipment		**(338.0)**	(333.7)
Mine stripping costs		**(6.7)**	(26.5)
Purchase of intangible assets		**(0.4)**	(5.2)
Licence payments for subsoil contracts		**(1.6)**	(0.9)
Proceeds from disposal of non-current investments		**2.6**	0.2
Acquisition of non-current investments		**(0.7)**	(3.0)
Proceeds from disposal of assets held for trading		**1.0**	0.5
Acquisition of assets held for trading		**(50.8)**	(1.0)
Investment in short-term bank deposits, net		**(784.7)**	(98.3)
Acquisition of subsidiary, net of cash acquired		**(2.0)**	–
Acquisition of Apro business		**–**	(1.0)
Net cash flows used in investing activities		**(1,100.7)**	(444.3)
Cash flows from financing activities			
Proceeds on issue of shares by the Company		**–**	548.4
Proceeds from contribution to charter capital of subsidiary by minority interests		**1.6**	–
Transaction costs associated with issue of shares		**–**	(57.2)
Receipt of funds from preference shares		**–**	0.1
Redemption of preference shares		**–**	(0.1)
Proceeds from borrowings		**249.5**	525.6
Repayment of borrowings		**(41.5)**	(580.3)
Dividends paid by the Company		**(230.4)**	(109.9)
Dividends paid by subsidiary to former shareholders		**–**	(53.6)
Dividends paid by subsidiary to minority interests		**(3.0)**	(1.3)
Net cash flows (used in)/from financing activities		**(23.8)**	271.7
Net increase in cash and cash equivalents		**287.7**	453.0
Cash and cash equivalents at the beginning of the year		**522.0**	74.1
Effect of exchange rate changes on cash and cash equivalents		**(24.3)**	(5.1)
Cash and cash equivalents at the end of the year		**785.4**	522.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

$ million	Notes	Share capital	Share premium	Foreign currency translation reserve	Reserve fund	Retained earnings	Total	Minority interests	Total equity
		Attributable to equity shareholders of the Company							
At 1 January 2005		151.1	–	218.3	14.8	1,382.4	1,766.6	47.2	1,813.8
Profit for the year		–	–	–	–	538.8	538.8	12.0	550.8
Currency translation differences		–	–	(70.4)	–	–	(70.4)	(0.4)	(70.8)
		–	–	(70.4)	–	538.8	468.4	11.6	480.0
Transfer from reserve fund	9(d)	–	–	–	(5.4)	5.4	–	–	–
Shares issued pursuant to Kinton Trade Limited transaction	9(b)	1.9	32.5	–	–	–	34.4	(25.9)	8.5
Shares issued pursuant to Listing of the Company	9(b)	20.3	528.1	–	–	–	548.4	–	548.4
Transaction costs associated with issue of shares		–	(57.2)	–	–	–	(57.2)	–	(57.2)
Equity dividends paid by subsidiary prior to share exchange transactions	8	–	–	–	–	(50.8)	(50.8)	(1.3)	(52.1)
Equity dividends paid by subsidiary to minority shareholders		–	–	–	–	–	–	(5.3)	(5.3)
Equity dividends paid by the Company	8	–	–	–	–	(110.0)	(110.0)	–	(110.0)
At 31 December 2005		173.3	503.4	147.9	9.4	1,765.8	2,599.8	26.3	2,626.1
Profit for the year		–	–	–	–	1,399.7	1,399.7	13.4	1,413.1
Currency translation differences		–	–	80.7	–	–	80.7	0.4	81.1
		–	–	80.7	–	1,399.7	1,480.4	13.8	1,494.2
Contribution to charter capital of subsidiary by minority shareholders	9(e)	–	–	–	–	–	–	1.6	1.6
Gain from dilution of minority interest in subsidiary		–	–	–	–	7.8	7.8	(7.8)	–
Transfer to reserve fund	9(d)	–	–	–	28.2	(28.2)	–	–	–
Acquisition of minority interest in subsidiary		–	–	–	–	–	–	1.0	1.0
Equity dividends paid by subsidiary to minority shareholders		–	–	–	–	–	–	(3.0)	(3.0)
Equity dividends paid by the Company	8	–	–	–	–	(228.1)	(228.1)	–	(228.1)
At 31 December 2006		**173.3**	**503.4**	**228.6**	**37.6**	**2,917.0**	**3,859.9**	**31.9**	**3,891.8**

NOTES TO THE FINANCIAL INFORMATION

1. General information

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

The figures shown are based on the statutory accounts for the relevant years on which the auditors' reports were unqualified but do not constitute statutory accounts as definted in section 240 of the Companies Act 1985. The annual report and accounts for the current year were approved by the Board of Directors on 14 May 2007 but have not yet been delivered to the Registrar of Companies.

2. Basis of preparation

The financial statements have been prepared using consistent accounting policies. The Group has changed the segmental reporting presentation in respect of its operating activities from that disclosed in the 2005 Annual Report. Whilst corporate costs were not material during 2005, the increased size of the head office following the Listing has resulted in the need to separate corporate costs and balances from the Kazakh Mining segment. The revised segmental reporting is consistent with the Group's internal management reporting structure.

(a) Basis of accounting

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

(b) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2006 and the Group's financial performance for the year ended 31 December 2006.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. On acquisition of a subsidiary, the purchase consideration is allocated to the assets, liabilities and contingent liabilities on the basis of their fair value at the date of acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of identifiable net assets of the subsidiary acquired is recognised as positive goodwill. Negative goodwill arises where the fair value of the Group's share of identifiable net assets of the subsidiary exceeds the cost of the acquisition. Negative goodwill is recognised directly in 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.

Minority interests primarily represent the interests in Kazakhmys LLC not held by the Company.

(c) Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRS 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 up to 31 December 2006, and in accordance with the provisions of the Companies Act 1985.

(d) Comparative figures

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

(e) Changes in accounting policies

There have been no changes in accounting policies. The accounting policies adopted are consistent with those of the previous financial year.

The Group adopted new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any significant impact on financial statements of the Group.

3. Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services in a particular business sector (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's primary basis of segmentation in business segments, which are based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate head office assets and liabilities, borrowings, income taxes payable, deferred taxes and dividends payable/receivable.

The Group's principal operations are based in Kazakhstan, with MKM, a subsidiary of Kazakhmys LLC, being based in Germany.

The Group's activities principally relate to:

- Kazakh mining operations which involve the production and sale of:
    - Copper cathodes and copper rod
    - Zinc metal and zinc metal in concentrate
    - Gold and silver
    - Other by-product metals (lead, rhenium and selenium)
- German copper processing operation.

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

(a) Business segments

The Kazakh Mining business, which involves the processing and sale of copper and other metals, is managed as one business segment. The products are subject to the same risks and returns, exhibit similar long-term financial performance and are sold through the same distribution channels. The Group processes substantially all the copper ore it produces and utilises most of the copper concentrate it processes. The Group has a number of activities that exist solely to support the mining operations including power generation, coal mining and transportation. These other activities generate less than 10% of total revenues (both external and internal) and the related assets are less than 10% of total assets.

The UK operation consists of two functions:

- A trading function responsible for the purchases of products from the Kazakh Mining operations, application of an appropriate mark-up and then onward sale to third parties.
- A corporate head office function.

For the purposes of business segmental reporting, the trading function is regarded as a sales function on behalf of the Kazakh Mining business and consequently the assets and liabilities related to those trading operations, i.e. trade creditors and trade receivables, are included within the Kazakh Mining business segment. The expenses, assets and liabilities of the corporate head office function are disclosed separately as unallocated items.

The price at which sales are made to the Company by Kazakhmys LLC is based on the prevailing price of commodities as determined by the LME.

At the end of 2004, the Group acquired MKM which operates in Germany, where it manufactures copper and copper alloy semi-finished products. MKM faces different risks to the Group's Kazakh Mining business and, therefore, from 1 January 2005 the Group has operated two distinct business segments. Segmental information in respect of these two business segments for the years ended 31 December 2006 and 2005 is presented below.

i. Income statement information

$ million	Kazakh Mining	MKM	Total	Kazakh Mining	MKM	Total
			2006			2005
Sales to external customers	**3,330.4**	**1,716.1**	**5,046.5**	1,740.9	856.6	2,597.5
Gross profit	**2,364.5**	**69.6**	**2,434.1**	1,024.8	66.1	1,090.9
Operating costs	**(282.4)**	**(48.0)**	**(330.4)**	(184.6)	(44.3)	(228.9)
Segment results	**2,082.1**	**21.6**	**2,103.7**	840.2	21.8	862.0
Unallocated corporate costs			**(32.1)**			(19.5)
Profit before taxation, finance items and negative goodwill			**2,071.6**			842.5
Net finance income			**89.7**			5.6
Recognition of negative goodwill			**6.5**			–
Profit before taxation			**2,167.8**			848.1
Income tax expense			**(754.7)**			(297.3)
Profit for the year			**1,413.1**			550.8

ii. Balance sheet information

$ million	Kazakh Mining	MKM	Total	Kazakh Mining	MKM	Total
			At 31 December 2006			At 31 December 2005
Assets						
Tangible and intangible assets	**1,816.1**	**166.1**	**1,982.2**	1,598.1	165.8	1,763.9
Non-current investments	**3.5**	**2.7**	**6.2**	2.7	3.1	5.8
Operating assets [1]	**713.4**	**395.2**	**1,108.6**	403.3	220.0	623.3
Current investments	**1,237.2**	**–**	**1,237.2**	356.5	–	356.5
Cash and cash equivalents	**405.0**	**30.0**	**435.0**	28.2	2.6	30.8
Segment assets	**4,175.2**	**594.0**	**4,769.2**	2,388.8	391.5	2,780.3
Unallocated assets						
Non-current assets – Corporate			**5.0**			0.8
Dividend receivable – Corporate			**304.5**			164.5
Current assets – Corporate			**6.0**			7.7
Cash and cash equivalents – Corporate			**350.4**			491.2
Elimination			**(314.6)**			(164.5)
Total assets			**5,120.5**			3,280.0
Liabilities						
Employee benefits and provisions	**85.0**	**7.0**	**92.0**	67.3	7.3	74.6
Operating liabilities [2]	**599.5**	**37.9**	**637.4**	286.2	29.6	315.8
Segment liabilities	**684.5**	**44.9**	**729.4**	353.5	36.9	390.4
Unallocated liabilities						
Other payables – Corporate			**12.0**			10.5
Deferred tax liability – Group			**347.7**			260.9
Borrowings – Group			**277.3**			49.0
Income tax payable – Group			**176.9**			107.6
Elimination			**(314.6)**			(164.5)
Total liabilities			**1,228.7**			653.9

1 Operating assets include inventories, trade and other receivables, prepayments and other current assets and restricted cash.

2 Operating liabilities include trade and other payables and dividends payable by Kazakhmys LLC.

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

	2006				2005			
$ million	**Kazakh Mining**	**MKM**	**Corporate unallocated**	**Total**	Kazakh Mining	MKM	Corporate unallocated	Total
Profit before taxation, finance items and negative goodwill	**2,082.1**	**21.6**	**(32.1)**	**2,071.6**	840.2	21.8	(19.5)	842.5
Special items:								
Add: write off of property, plant and equipment	**1.4**	**–**	**–**	**1.4**	6.8	–	–	6.8
Add/(less): loss/(gain) on disposal of property, plant and equipment	**8.9**	**0.1**	**0.6**	**9.6**	8.6	(4.0)	–	4.6
Profit before taxation, finance items and negative goodwill excluding special items	**2,092.4**	**21.7**	**(31.5)**	**2,082.6**	855.6	17.8	(19.5)	853.9
Add: depreciation and depletion	**200.8**	**21.8**	**0.4**	**223.0**	196.5	21.0	0.2	217.7
Add: amortisation	**2.4**	**0.4**	**–**	**2.8**	1.5	0.4	–	1.9
EBITDA excluding special items	**2,295.6**	**43.9**	**(31.1)**	**2,308.4**	1,053.6	39.2	(19.3)	1,073.5

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

iv. Net liquid funds/(debt) by business segments

	At 31 December 2006				At 31 December 2005			
$ million	**Kazakh Mining**	**MKM [1]**	**Corporate unallocated**	**Total**	Kazakh Mining	MKM [1]	Corporate unallocated	Total
Cash and cash equivalents	**405.0**	**30.0**	**350.4**	**785.4**	28.2	2.6	491.2	522.0
Current investments	**1,237.2**	**–**	**–**	**1,237.2**	356.5	–	–	356.5
Borrowings	**–**	**(359.9)**	**–**	**(359.9)**	(41.6)	(202.5)	–	(244.1)
Inter-segment borrowings [1]	**–**	**82.6**	**–**	**82.6**	–	195.3	–	195.3
Finance leases	**–**	**–**	**–**	**–**	–	(0.2)	–	(0.2)
Net liquid funds/(debt)	**1,642.2**	**(247.3)**	**350.4**	**1,745.3**	343.1	(4.8)	491.2	829.5

[1] Borrowings of MKM include amounts borrowed from the Kazakh Mining segment.

v. Capital expenditure, depreciation, write offs and impairment losses by business segments

	2006				2005			
$ million	**Kazakh Mining**	**MKM**	**Corporate unallocated**	**Total**	Kazakh Mining	MKM	Corporate unallocated	Total
Property, plant and equipment	**328.4**	**4.4**	**5.2**	**338.0**	320.7	12.5	0.5	333.7
Mine stripping costs	**6.7**	**–**	**–**	**6.7**	26.5	–	–	26.5
Intangible assets	**8.8**	**0.2**	**–**	**9.0**	4.2	1.0	–	5.2
Capital expenditure	**343.9**	**4.6**	**5.2**	**353.7**	351.4	13.5	0.5	365.4
Depreciation and depletion	**200.8**	**21.8**	**0.4**	**223.0**	196.5	21.0	0.2	217.7
Amortisation	**2.4**	**0.4**	**–**	**2.8**	1.5	0.4	–	1.9
Depreciation, depletion and amortisation	**203.2**	**22.2**	**0.4**	**225.8**	198.0	21.4	0.2	219.6
Write offs and impairment losses	**8.3**	**1.6**	**–**	**9.9**	11.4	–	0.4	11.8

(b) Segmental information in respect of revenues

Revenues by product are as follows:

$ million	2006	2005
Kazakh Mining		
Copper cathodes	**2,389.0**	1,377.2
Silver in granules	**239.1**	147.3
Zinc metal	**201.3**	64.3
Copper rods	**196.1**	26.5
Zinc metal in concentrate	**128.0**	15.0
Gold bullion	**51.2**	37.7
Other by-products	**38.1**	14.5
Other revenue	**87.6**	58.4
	3,330.4	1,740.9
MKM		
Wire	**925.8**	389.1
Sheet steel and steel strips	**272.9**	252.3
Tubes and bars	**432.8**	167.3
Metal trade	**84.6**	47.9
	1,716.1	856.6
Total revenues	**5,046.5**	2,597.5

(c) Provisional pricing

Almost all copper sales agreements provide for provisional pricing of sales in the month of sale with final pricing settlement based on the average LME copper price for the month following the sale.

For the year ended 31 December 2006 gains of $49.8 million (2005: $52.4 million), relating to the difference between provisional pricing and final pricing, have been included within revenues.

At 31 December 2006, copper sales totalling 4,262 tonnes (2005: 20,881 tonnes) remained to be finally priced and were recorded at that date at an average price of $6,761 per tonne (2005: $4,342 per tonne) based on provisional invoices. The loss arising in January 2007 of $4.8 million (2005: gain of $7.9 million) relating to contracts provisionally priced in December 2006 will be recognised in the financial statements for the year ended 31 December 2007.

(d) Revenues by destination

	Year ended 31 December 2006			
$ million	Europe	China	Other	Total
Sales to third parties	**3,770.1**	**641.8**	**634.6**	**5,046.5**

	Year ended 31 December 2005			
$ million	Europe	China	Other	Total
Sales to third parties	995.1	1,303.0	299.4	2,597.5

4. Write offs and impairment losses

$ million	2006	2005
Write off of property, plant and equipment	**1.4**	6.8
Provisions against prepayments and other current assets	**0.1**	3.8
(Release of impairments)/impairment of investments	**(1.9)**	1.8
Write off of goodwill	**–**	0.4
(Release of provisions)/provisions against trade and other receivables	**(8.3)**	0.3
Provisions against /(release of provisions for) obsolete inventories	**18.6**	(1.3)
	9.9	11.8

5. Finance income and finance costs

$ million	2006	2005
Finance income		
Interest income	**78.5**	30.6
Foreign exchange gains	**188.3**	56.8
Total finance income	**266.8**	87.4
Finance costs		
Interest expense	**(8.0)**	(8.9)
Interest on employee obligations	**(3.0)**	(2.0)
Unwinding of discount on provisions	**(4.2)**	(3.1)
Finance costs before foreign exchange losses	**(15.2)**	(14.0)
Foreign exchange losses	**(161.9)**	(67.8)
Total finance costs	**(177.1)**	(81.8)

6. Income tax

Income statement

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

$ million	2006	2005
Current income tax		
Corporate income tax – current period (UK)	**5.2**	2.2
Corporate income tax – current period (overseas)	**653.5**	269.8
Corporate income tax – prior periods	**0.4**	1.3
Excess profits tax – current period	**77.3**	27.0
Excess profits tax – prior periods	**(49.4)**	–
	687.0	300.3
Deferred income tax		
Corporate income tax – current period	**63.0**	(8.1)
Corporate income tax – prior periods	**17.1**	–
Excess profits tax – current period	**(12.4)**	5.1
	67.7	(3.0)
Income tax expense	**754.7**	297.3

The tax assessed on the profit for the year is higher than the standard rate of corporation tax in the tax jurisdictions in which the Group operates.

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

$ million	2006	2005
Profit before taxation	**2,167.8**	848.1
At statutory income tax rate of 30%	**650.3**	254.4
Underprovided in previous years – deferred income tax	**17.1**	–
Underprovided in previous years – current income tax	**0.4**	1.3
Unrecognised tax losses	**10.4**	4.7
Effect of higher tax rate in Germany	**0.5**	1.0
Change in the tax rate in Germany	**–**	(2.7)
Unremitted overseas earnings	**91.8**	11.9
Non-deductible expenses/(non taxable income):		
Non-taxable income on zinc plant	**(46.5)**	(8.3)
Recognition of negative goodwill	**(2.0)**	–
Non-deductible expenses	**17.1**	2.9
Excess profits tax	**15.5**	32.1
At effective income tax rate of 34.8% (2005: 35.1%)	**754.7**	297.3

Corporate income tax is calculated at 30% of the assessable profit for the period for the Company and Kazakhmys LLC. The MKM tax rate is calculated at 35.98% (2005: 35.98%) and relates to German corporate income tax and trade tax.

Excess profits tax is levied on profitable subsoil contracts where the internal rate of return for the current year exceeds 20%. The effective rate for excess profits tax for those subsoil contracts liable to this tax is 13% (2005: 14%).

7. Earnings per share

The earnings per share (EPS) calculation has assumed that the number of ordinary shares issued pursuant to share exchange agreements in relation to the acquisition of Kazakhmys LLC have been in issue from 1 January 2005 consistent with the pooling of interests method used to account for combinations of businesses under common control. The EPS calculation has also assumed that the share split that occurred on 23 September 2005, in which the Company's share capital was redenominated into ordinary shares of 20 pence each, was in effect for all prior periods.

The Directors believe that this basis for the EPS calculation provides a more relevant performance measure for the Group than using an EPS calculation which reflected shares issued based on the actual date of issue.

(a) Basic and diluted EPS

Basic EPS is calculated by dividing profit for the year attributable to equity shareholders of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the year. The Company has no dilutive potential ordinary shares.

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

$ million	**2006**	2005
Net profit attributable to equity shareholders of the Company	**1,399.7**	538.8

Number	**2006**	2005
Number of ordinary shares		
Weighted average number of ordinary shares of 20 pence each for EPS calculation	**467,474,200**	418,105,627
EPS – basic and diluted	**$2.99**	$1.29

(b) EPS based on Underlying Profit

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

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

$ million	**2006**	2005
Net profit attributable to equity shareholders of the Company	**1,399.7**	538.8
Special items:		
Recognition of negative goodwill	**(6.5)**	–
Write off of property, plant and equipment	**1.4**	6.8
Loss on disposal of property, plant and equipment	**9.6**	4.6
Tax effect of non-recurring items	**(1.5)**	(0.5)
Minority interest effect of non-recurring items	**–**	0.1
Underlying Profit	**1,402.7**	549.8

Number	**2006**	2005
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	**467,474,200**	418,105,627
EPS based on Underlying Profit – basic and diluted	**$3.00**	$1.31

8. Dividends paid and proposed

The dividend per share disclosures below have been calculated using the number of ordinary shares in issue at the date of payment after reflecting the share split that occurred on 23 September 2005 for comparability purposes. The dividends declared and paid during the years ended 31 December 2006 and 2005 are as follows:

	Per share US cents	Amount $ million
Year ended 31 December 2006		
Declared by the Company:		
Final dividend in respect of year ended 31 December 2005 (sourced from 2005 earnings)	**36.0**	**168.3**
Interim dividend recognised in year ended 31 December 2006 (sourced from 2006 earnings)	**12.8**	**59.8**
	48.8	**228.1**
Year ended 31 December 2005		
Declared by the Company:		
Interim dividend recognised in year ended 31 December 2005 (sourced from 2004 earnings)	27.0	110.0
Declared by Kazakhmys LLC:		
Interim dividend payable to former shareholders (sourced from 2004 earnings)	13.0	52.1
	40.0	162.1

The dividends shown above are those that have been paid and proposed by the Company in respect of the period following the share exchange, and Kazakhmys LLC for the period prior to the share exchange. This presentation is consistent with the pooling of interests method used to account for combinations of businesses under common control.

(a) Dividends declared by Kazakhmys LLC

On 24 February 2005, Kazakhmys LLC paid an interim dividend in respect of the year ended 31 December 2004 of $52.1 million, which was paid to shareholders on the register of Kazakhmys LLC as at 31 October 2004. Accordingly, as the share exchange agreement was not effective until 23 November 2004, these dividends were paid directly to Kazakhmys LLC's former shareholders, rather than to the Company. The dividends are shown in the consolidated financial statements as cash outflows for the Group, consistent with the pooling of interests method of accounting.

(b) Dividend declared by the Company

On 5 July 2005, the Company paid an interim dividend of $110.0 million in respect of the year ended 31 December 2005 to shareholders on the register as at 1 July 2005. This interim dividend was sourced by way of payment of the final dividend in respect of the year ended 31 December 2004 by Kazakhmys LLC.

On 26 May 2006 the Company paid the final dividend of $168.3 million in respect of the year ended 31 December 2005 to shareholders on the register as at 28 April 2006. This final dividend was sourced by way of payment of the interim dividend in respect of the year ended 31 December 2005 by Kazakhmys LLC.

On 27 October 2006, the Company paid an interim dividend of $59.8 million in respect of the year ended 31 December 2006 to shareholders on the register as at 29 September 2006. This interim dividend was sourced by way of payment of the final dividend in respect of the year ended 31 December 2005 by Kazakhmys LLC.

(c) Dividend declared after the balance sheet date

	Per share US cents	Amount $ million
Proposed by the Directors on 14 March 2007 (not recognised as a liability as at 31 December 2006):		
Final dividend in respect of the year ended 31 December 2006	25.7	120.1

9. Share capital and reserves

(a) Authorised and allotted share capital

A pooling of interests method of accounting has been applied in the presentation of the consolidated financial statements. This method presents the results of the Group as if the Company had always been the parent company.

	Number	£ million	$ million
Authorised – At 31 December 2006 and 31 December 2005			
Ordinary shares of 20 pence each	**750,000,000**	150.0	–
Allotted and called up share capital			
As at 31 December 2006	**467,474,200**	**93.5**	**173.3**
As at 31 December 2005	467,474,200	93.5	173.3

(b) Ordinary shares

(i) Rights at general meetings

At general meetings of the Company each member present or by proxy has one vote on a show of hands, and on a poll every member who is present in person or by proxy has one vote per ordinary share.

(ii) Year ended 31 December 2005

Between 23 November 2004 and 23 August 2005, a total number of 16,148,948 ordinary shares of £5 each in the Company were issued and a further 2,000 ordinary shares of 20 pence each were issued on 29 December 2005 (equivalent to 80 ordinary shares of £5 each prior to the share split) pursuant to share exchange agreements in relation to the acquisition of Kazakhmys LLC.

Pursuant to a special resolution passed on 23 September 2005 it was resolved *inter alia* to:

- Divide the £50,000 nominal amount of authorised share capital of the Company formerly divided into 50,000 redeemable preference shares of £1 each into 10,000 ordinary shares of £5 each.
- Subdivide each ordinary share of £5 each in the capital of the Company into 25 ordinary shares of 20 pence each.
- Increase the authorised share capital of the Company from £100,050,001 to £150,000,001 by the creation of 249,750,000 ordinary shares of 20 pence each.

On 26 September 2005, the Company issued 5,314,425 ordinary shares of 20 pence each in consideration for the transfer to it of 127,546,200 units in Kazakhmys LLC from Kinton Trade Limited. This was an exchange rate equivalent to that applied pursuant to the share exchange offer made by the Company in November 2004 when it first acquired units in Kazakhmys LLC.

On 12 October 2005, the Company's ordinary shares were admitted to the Official List of the Financial Services Authority and to trading on the London Stock Exchange. Following the exercise of an over-allotment option, the global offer comprised 140,849,373 ordinary shares of 20 pence each at a price of £5.40, of which 58,434,025 new ordinary shares of 20 pence each were issued by the Company and 82,415,348 ordinary shares of 20 pence each were sold by existing shareholders. Gross proceeds of $548.4 million (£315.5 million) were received by the Company following the issue of the new ordinary shares.

(c) Special share

At 31 December 2005 the Company had 1 special share of £1 as part of its authorised share capital. The special share was cancelled by special resolution at the Company's Annual General Meeting on 23 May 2006.

(d) Reserves

(i) Reserve fund

In accordance with legislation of the Republic of Kazakhstan the reserve fund comprises proscribed transfers from retained earnings amounting to 15% of Kazakhmys LLC's charter capital. During the year ended 31 December 2006, the reserve fund was increased by $28.2 million as a result of the contributions to the charter capital of Kazakhmys LLC (see note 9(e)). During the year ended 31 December 2005, the reserve fund was reduced by $5.4 million to match a reduction in Kazakhmys LLC's capital.

(ii) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of Kazakhmys LLC and MKM into US dollars.

(e) *Capital contributions to charter capital of Kazakhmys LLC*

Between 31 January 2006 and 14 March 2006, the Company made contributions of $186.8 million to its subsidiary, Kazakhmys LLC. Minority shareholders contributed a further $1.6 million to the charter capital. As the Company took up the rights of minority shareholders who did not subscribe to the initial capital contribution, the Company's interest in Kazakhmys LLC increased from 98.68% at 31 December 2005 to 99.08% at 31 December 2006.

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

$ million	2006	2005
Profit before taxation	**2,167.8**	848.1
Interest income	**(78.5)**	(30.6)
Interest expense	**8.0**	8.9
Depreciation and depletion	**223.0**	217.7
Amortisation	**2.8**	1.9
Recognition of negative goodwill	**(6.5)**	–
Write off and impairment losses	**9.9**	11.8
Unrealised foreign exchange loss	**(39.2)**	0.2
Loss on disposal of property, plant and equipment	**9.6**	4.6
Operating cash flows before changes in working capital and provisions	**2,296.9**	1,062.6
Increase in inventories	**(339.2)**	(97.1)
(Increase)/decrease in prepayments and other current assets	**(65.0)**	18.0
Increase in trade and other receivables	**(11.1)**	(69.5)
Decrease in restricted cash	**0.2**	29.0
Increase in employee benefits	**2.3**	1.1
Increase in provisions	**2.1**	3.5
Increase in trade and other payables	**156.1**	20.3
Cash flows from operations before income taxes and interest	**2,042.3**	967.9
Interest paid	**(6.8)**	(9.0)
Income taxes paid	**(623.3)**	(333.3)
Net cash inflow from operating activities	**1,412.2**	625.6

11. Movement in net liquid funds

$ million	At 1 January 2006	Cash flow	Net exchange translation	Other non-cash movements[1]	At 31 December 2006
Cash and cash equivalents	522.0	287.7	(24.3)	–	**785.4**
Current investments	356.5	834.5	12.8	33.4	**1,237.2**
Borrowings	(48.8)	(208.2)	(13.8)	(6.5)	**(277.3)**
Finance leases	(0.2)	0.2	–	–	**–**
Net liquid funds	829.5	914.2	(25.3)	26.9	**1,745.3**

$ million	At 1 January 2005	Cash flow	Net exchange translation	Other non-cash movements[1]	At 31 December 2005
Cash and cash equivalents	74.1	453.0	(5.1)	–	522.0
Current investments	259.9	98.8	(8.5)	6.3	356.5
Borrowings	(101.0)	54.0	2.6	(4.4)	(48.8)
Finance leases	(1.0)	0.7	0.1	–	(0.2)
Redeemable preference shares	(0.1)	0.1	–	–	–
Net liquid funds	231.9	606.6	(10.9)	1.9	829.5

[1] Other non cash movements comprise foreign exchange losses/gains incurred by the Company's entities and recognised in the consolidated income statement.

12. Related party disclosures

Option agreement with Executive Chairman

On 14 March 2006, the Company announced that an entity wholly owned by the Company's Executive Chairman, Vladimir Kim, had agreed to acquire a 25% stake in ENRC Kazakhstan Holding B.V. (EKH), the holding company for certain assets of the Eurasia Natural Resources group's metals and mining business. EKH primarily operates in Kazakhstan producing, in particular, chrome, iron ore and alumina. The Company has been given the benefit of a call option in respect of Vladimir Kim's shareholding in EKH. The terms of the call option allow the Company, at its absolute discretion, from 1 January 2007 to 31 December 2007, to call for Vladimir Kim's interest in EKH to be transferred to the Company for a consideration representing 100% of the initial investment of $751 million plus a 10% margin (reflecting the risk of the initial investment) and the actual financing and transaction costs incurred by Vladimir Kim. This is provided that, as required by the Listing Rules, this consideration and the terms of the option are determined by an independent adviser to be fair and reasonable so far as the remaining shareholders of the Company are concerned. Vladimir Kim is not permitted to dispose of his interest in EKH before 1 January 2008 without the consent of the Company. Should the Company exercise the call option, then it will comply with all class tests and related party rules relevant to the Company. Any such decision would be taken by an independent committee of the Board.

The accounting treatment of the option is governed by International Accounting Standard 39 'Financial Instruments: Recognition and Measurement'. IAS 39 contains special accounting requirements for those equity instruments that do not have a quoted market price in an active market and derivatives that are linked to, and must be settled by delivery of, such unquoted equity instruments. If the fair value of such equity instruments cannot be reliably measured, they must be measured at cost, less impairment. To be able to reliably measure the option, the variability in the range of fair value estimates should not be significant, and the probabilities of the various estimates within the range should be capable of being reasonably assessed. There currently remain significant differences in the fair value estimates being obtained for EKH from external advisers and those estimated by other parties, and the probability of each value cannot be reasonably assessed. The Directors have therefore considered the requirements of IAS 39 in this regard and are of the view that the fair value of the option cannot be reliably measured on the basis that, to date, insufficient information on EKH's financial performance, position and cash flows has been made available to the Company in order to arrive at a reliable valuation for the option. Consequently the option is valued at cost, which is nil, due to the fact that no payment was made by the Company to enter into the option arrangement with Vladimir Kim.

13. Events after the balance sheet date

(a) Post year-end dividend

The Directors have proposed a final dividend in respect of the year ended 31 December 2006 of 25.7 US cents per share. Subject to approval of shareholders at the Annual General Meeting to be held on 9 May 2007, this dividend shall be paid on 14 May 2007.

(b) Acquisition of Dostan-Temir LLP

On 7 March 2007, the Group entered into an agreement to acquire Dostan-Temir LLP, a Kazakhstan based company which holds the right to sign a contract with the Government of Kazakhstan to conduct oil and gas exploration and development activity in the East Akhzar Exploration Block in Western Kazakhstan. This transaction, when concluded, is not expected to have a significant impact on the Group's net asset position. The financial effect of the transaction on the Group's results will be dependent upon both the nature and extent of future oil and gas exploration and development activity carried out in the East Akhzar Block.

PRODUCTION AND SALES FIGURES

SUMMARY OF SIGNIFICANT PRODUCTION AND SALES FIGURES

	2006	2005
Kazakh Mining		
Ore mined (kt)	**39,240**	39,446
Copper content in ore mined (%)	**1.17**	1.03
Copper cathode production (kt)		
From own concentrate	**368**	339
From purchased concentrate	**37**	48
Total Kazakhmys copper cathodes produced (excluding tolling) (kt)	**405**	387
Tolling (kt)	**2**	10
Total Kazakhmys copper cathodes produced (including tolling) (kt)	**407**	397
Total Kazakhmys copper cathodes and copper rods sold (kt)	**368**	370
MKM		
Wire sales (kt)	**167.2**	119.4
Flat sales (kt)	**62.9**	57.8
Tubes and bars sales (kt)	**42.5**	40.8
Total MKM sales (kt)	**272.6**	218.0

MINING
Metal Mining

	Ore mined		Copper		Zinc		Gold		Silver	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	kt	kt	**%**	%	**%**	%	**g/t**	g/t	**g/t**	g/t
North	**3,143**	3,516	**0.66**	0.77	**–**	–	**–**	–	**7.36**	10.48
South	**6,818**	7,281	**0.72**	0.82	**–**	–	**–**	–	**14.08**	13.44
Stepnoy	**3,200**	3,481	**0.79**	0.76	**–**	–	**–**	–	**16.58**	17.27
East	**5,502**	5,776	**0.88**	0.95	**–**	–	**–**	–	**19.29**	24.26
West	**2,585**	3,185	**0.41**	0.61	**–**	–	**–**	–	**14.26**	18.25
Annensky	**4,225**	4,807	**1.10**	1.15	**–**	–	**–**	–	**23.75**	21.67
Zhomart (formerly Zhaman-Aybat)	**2,203**	–	**1.16**	–	**–**	–	**–**	–	**5.78**	–
Total Zhezkazgan Complex	**27,676**	28,046	**0.82**	0.87	**–**	–	**–**	–	**15.47**	17.73
Kounrad	**2,267**	3,508	**0.35**	0.28	**–**	–	**–**	–	**1.81**	1.62
Shatyrkul	**441**	473	**2.03**	2.24	**–**	–	**0.31**	0.37	**2.59**	2.62
Sayak I and Sayak III	**1,663**	1,645	**1.11**	1.19	**–**	–	**0.27**	0.30	**6.12**	6.02
Total Balkhash Complex	**4,371**	5,626	**0.81**	0.71	**–**	–	**0.28**[1]	0.32[1]	**3.53**	2.99
Orlovskoe	**1,542**	1,667	**4.69**	4.31	**3.72**	3.91	**0.58**	0.55	**52.35**	54.20
Belousovskoe	**246**	247	**1.00**	0.91	**3.52**	2.84	**0.50**	0.45	**52.60**	46.68
Irtyshskoe	**449**	448	**1.26**	1.07	**2.80**	2.74	**0.31**	0.31	**44.10**	44.72
Nikolaevskoe	**578**	2,019	**1.47**	1.06	**2.48**	2.01	**0.26**	0.19	**24.50**	18.37
Yubileyno-Snegirikhinskoe	**344**	322	**4.20**	3.67	**3.05**	4.26	**0.57**	0.65	**37.41**	42.46
Artemyevskoe	**1,282**	379	**1.74**	1.72	**6.91**	6.65	**1.66**	1.81	**143.23**	184.78
Total East Region	**4,441**	5,082	**2.83**	2.33	**4.32**	3.23	**0.82**	0.48	**72.98**	47.77
Abyz	**210**	445	**1.67**	1.07	**3.47**	3.90	**3.67**	4.91	**47.89**	54.55
Nurkazgan	**1,670**	247	**1.17**	0.40	**–**	–	**0.31**	0.15	**3.71**	1.41
Kosmurun	**872**	–	**5.53**	–	**–**	–	**1.87**	–	**31.97**	–
Total Karaganda Region	**2,752**	692	**2.59**	0.83	**3.47**[2]	3.90[2]	**1.06**	3.21	**16.04**	35.56
Total Kazakhmys	**39,240**	39,446	**1.17**	1.03	**4.28**[3]	3.28[3]	**0.77**[4]	0.68[4]	**20.69**	19.81

1 Production only from Shatyrkul and Sayak I and Sayak III mines in Balkhash Complex.
2 Production only from Abyz mine in Karaganda Region.
3 Production only from East Region and Abyz mine in Karaganda Region.
4 Production only from Balkhash Complex (excluding Kounrad mine), East Region and Karaganda Region.

Coal mining

	Coal mined		Waste stripped		Strip ratio	
	2006	2005	**2006**	2005	**2006**	2005
	kt	kt	**kbcm**	kbcm	**bcm:t**	bcm:t
Molodezhny (formerly Borlynskoe)	**6,400**	5,745	**9,330**	6,207	**1.46**	1.08
Kuu-Chekinskoe	**872**	1,262	**4,045**	4,631	**4.64**	3.67
Total Kazakhmys	**7,272**	7,007	**13,375**	10,838	**1.84**	1.55

PROCESSING
Copper processing

	Copper concentrate produced		Copper in concentrate	
	2006	2005	**2006**	2005
	kt	kt	**%**	%
Zhezkazgan No.1	**189**	186	**40.0**	39.8
Zhezkazgan No.2	**205**	234	**39.6**	39.4
Satpaev	**147**	179	**28.8**	27.3
Total Zhezkazgan Complex	**541**	599	**36.8**	35.9
Balkhash	**257**	181	**16.9**	18.2
Total Balkhash Complex	**257**	181	**16.9**	18.2
Orlovskoe	**309**	321	**21.1**	20.2
Belousovskoe	**20**	12	**13.7**	14.6
Irtyshskoe	**26**	23	**13.4**	14.1
Nikolaevskoe	**179**	121	**15.1**	14.6
Total East Region	**534**	477	**18.5**	18.3
Karagaily (Abyz)	**47**	115	**4.0**	2.9
Karagaily (Kosmurun)	**184**	–	**17.3**	–
Total Karaganda Region	**231**	115	**14.6**	2.9
Own copper concentrate processed by third party	**33**	44	**24.6**	16.2
Total Kazakhmys own concentrate	**1,596**	1,416	**24.0**	24.4
Purchased concentrate	**214**	268	**23.5**	19.4
Total Kazakhmys own and purchased concentrate	**1,810**	1,684	**24.0**	23.6

Zinc and precious metals processing

	Zinc concentrate produced		Zinc in concentrate		Silver[1]		Gold[1]	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	kt	kt	**%**	%	**g/t**	g/t	**g/t**	g/t
Zhezkazgan No.1	**–**	–	**–**	–	**712.5**	789.0	**–**	–
Zhezkazgan No.2	**–**	–	**–**	–	**733.5**	846.0	**–**	–
Satpaev	**–**	–	**–**	–	**636.7**	522.3	**–**	–
Total Zhezkazgan Complex	**–**	**–**	**–**	–	**699.8**	731.6	**–**	–
Balkhash	**–**	–	**–**	–	**53.4**	55.8	**2.7**	2.2
Total Balkhash Complex	**–**	–	**–**	–	**53.4**	55.8	**2.7**	2.2
Orlovskoe	**88**	106	**45.3**	43.2	**101.4**	116.8	**1.1**	1.2
Belousovskoe	**14**	11	**41.8**	43.6	**398.8**	553.2	**3.7**	4.4
Irtyshskoe	**13**	17	**39.0**	37.3	**467.8**	472.4	**2.2**	2.2
Nikolaevskoe	**55**	53	**39.5**	38.1	**157.1**	104.7	**1.6**	0.8
YSR (KazZinc)	**–**	15	**–**	34.4	**–**	147.2	**–**	1.8
Artemyevskoe (KazZinc)	**106**	14	**51.8**	51.1	**2,369.5[3]**	4,082.5[3]	**20.8[3]**	13.4[3]
Total East Region	**276**	216	**42.7[2]**	41.2[2]	**149.3[2]**	142.2[2]	**1.4[2]**	1.2[2]
Karagaily	**5**	15	**33.4**	36.0	**103.3**	123.9	**5.4**	12.6
Total Karaganda Region	**5**	15	**33.4**	36.0	**103.3**	123.9	**5.4**	12.6
Total Kazakhmys	**281**	231	**42.4[2]**	40.9[2]	**317.2[2]**	386.5[2]	**2.7[2]**	3.2[2]

[1] Grade in grammes per tonne of copper concentrate.
[2] Production only from own concentrators within East Region.
[3] Includes gold and silver content in gravity concentrate toll processed by KazZinc from Artemyevskoe ore.

Copper Smelter/Refinery – copper cathodes production

	Concentrate smelted		Copper in concentrate		Copper cathodes	
	2006	2005	**2006**	2005	**2006**	2005
	kt	kt	**%**	%	**kt**	kt
Own concentrate	**632**	667	**34.0**	33.8	**215**	227
Purchased concentrate	**26**	31	**31.1**	25.4	**6**	8
Other[1]	**101**	192	**0.7**	3.2	**–**	–
Total Zhezkazgan Complex	**759**	890	**29.5**	26.9	**221**	235
Own concentrate	**990**	706	**16.9**	16.5	**153**	112
Purchased concentrate	**170**	232	**22.0**	18.5	**31**	40
Other[1]	**27**	146	**9.6**	1.3	**–**	–
Total Balkhash Complex	**1,187**	1,084	**17.4**	14.9	**184**	152
Total Kazakhmys (excluding tolling)	**1,946**	1,974	**22.2**	20.3	**405**	387
Tolling	**2**	11	**73.5**	80.6	**2**	10
Total Kazakhmys (including tolling)	**1,948**	1,985	**95.7**	100.9	**407**	397

1 Includes materials recovered (slag, scrap, etc.) reprocessed at both Zhezkazgan and Balkhash Complexes.

Copper Smelter/Refinery – copper rod and acid production

	Copper rod		Acid production	
	2006	2005	**2006**	2005
	kt	kt	**kt**	kt
Zhezkazgan	**29**	9	**202**	245
Total Kazakhmys	**29**	9	**202**	245

Zinc Smelter/Refinery – zinc metal production

	Zinc concentrate smelted		Zinc in concentrate		Zinc metal	
	2006	2005	**2006**	2005	**2006**	2005
	kt	kt	**%**	%	**kt**	kt
Total Kazakhmys (all Balkhash Complex)	**155**	186	**45.4**	41.2	**60**	51

Precious metal production

	Silver		Gold	
	2006	2005	**2006**	2005
	koz	koz	**koz**	koz
Kazakhmys	**21,530**	20,517	**107**	101
Tolling	**40**	89	**59**	45
Total Kazakhmys (including tolling)	**21,570**	20,606	**166**	146

OTHER PRODUCTION – KAZAKHMYS

	2006	2005
Electricity power space (GWh)	**6,589**	6,441
Heating power (KGcal)	**4,153**	4,013
Enamel wire (t)	**558**	506
Lead dust (t)	**12,622**	13,697

KAZAKHMYS SALES

	2006		2005	
	kt[1]	**$ million**	kt[1]	$ million
Copper cathode	**340**	**2,389.0**	362	1,377.2
Copper rod	**28**	**196.1**	8	26.5
Total copper sales (excluding tolling)	**368**	**2,585.1**	370	1,403.7
Zinc metal in concentrate	**67**	**128.0**	17	15.0
Zinc metal	**64**	**201.3**	52	64.3
Silver (koz)	**20,962**	**239.1**	20,174	147.3
Gold (koz)	**84**	**51.2**	84	37.7

1 Kilotonnes unless otherwise stated.

Average realised prices

	2006	2005
Copper ($/t)	**7,025**	3,794
Zinc ($/t)	**3,145**	1,231
Silver ($/oz)	**11.41**	7.30
Gold ($/oz)	**610**	449

MKM PRODUCTION AND SALES

	2006		2005	
	Production	**Sales**	Production	Sales
	kt	**kt**	kt	kt
Wire rod	**128.5**	**128.8**	88.9	88.1
Drawn wire	**39.1**	**38.4**	31.4	31.3
Total wire	**167.6**	**167.2**	120.3	119.4
Pre-rolled	**2.4**	**2.5**	4.9	4.9
Sheets	**14.8**	**14.7**	12.2	11.7
Strips	**45.4**	**45.7**	41.6	41.2
Total flat products	**62.6**	**62.9**	58.7	57.8
Tubes	**20.7**	**19.9**	19.0	19.2
Bars	**22.8**	**22.6**	21.4	21.6
Total tubes and bars	**43.5**	**42.5**	40.4	40.8
Total MKM	**273.7**	**272.6**	219.4	218.0