Kazakhmys PLC

Interim report 2006

KAZAKHMYS

Kazakhmys PLC is an international mining business with operations in Kazakhstan, Germany and the UK. Our principal business is the mining, processing, smelting, refining and sale of copper and copper products, including cathodes and rods. We also process, refine and sell zinc, gold and silver. We are one of the largest mining and refining copper producers in the world.

20 years

We have over 20 years' world class long-life reserves

Financial highlights

- Revenues up by 90% to $2,279.8 million following an 82% increase in the average LME copper price for the period
- EBITDA excluding special items for the period up by 124% to $1,081.3 million
- Profit before taxation, finance items and negative goodwill up by 174% to $984.5 million
- EPS based on Underlying Profit up by 124% to $1.32 per share
- Average realised copper price up 88% from $3,458 per tonne to $6,510 per tonne, representing a 7% premium over the average LME copper price for the period
- Free Cash Flow[3] up by 316% to $622.3 million, despite adverse working capital movements of $197.0 million mainly within MKM
- Interim dividend declared of 12.8 US cents per share in respect of 2006 earnings

Key business developments

- Expansionary and new project capital expenditure up 91% to $95.4 million, representing investment for organic growth
- Completion of the Zhaman-Aybat mine in the first quarter of 2006 ahead of schedule
- Accelerating scoping study on the Boschekul mine with preparation scheduled to commence later this year
- Strengthening of the Board with the appointment of David Munro as Strategy Director and Philip Aiken as non-executive director
- Y K Cha to stand down as Chief Executive with effect from 31 December 2006 after over ten years' service with the Group and continuing as a Special Adviser to the Board

Financial highlights for six months ended 30 June 2006

$ million, unless stated	**Six months ended 30 June 2006**	Six months ended 30 June 2005	Change %
Revenues	**2,279.8**	1,202.1	90%
Earnings:			
EBITDA excluding special items[1]	**1,081.3**	482.8	124%
Profit before taxation, finance items and negative goodwill	**984.5**	359.5	174%
Underlying Profit[3]	**619.3**	236.7	162%
EPS:			
Basic and diluted ($)	**1.35**	0.56	141%
Based on Underlying Profit[2] ($)	**1.32**	0.59	124%
Free Cash Flow[3]	**622.3**	149.5	316%
ROCE[3] (%)	**27.7%**	17.1%	62%
Cash cost of copper after by-product credits[3] ($/tonne)	**563.1**	869.4	(35%)

1 Reconciliation of EBITDA excluding special items to profit before taxation, finance items and negative goodwill is found in Note 4(a) to the interim consolidated financial statements.
2 Reconciliation of EPS based on Underlying Profit to basic and diluted EPS is found in Note 9 to the interim consolidated financial statements.
3 Refer to the Glossary on page 46 for the definition of these key financial indicators.

Who we are

We are the largest producer of copper in Kazakhstan, operating open pit and underground mines as well as smelting and refining complexes across the country at our sites in Zhezkazgan, Balkhash, East Region and Karaganda Region. Our power division comprising both coal mines and power plants provides the total energy needs for these operations.

Zhezkazgan Complex

An integrated copper cathode production facility incorporating mining, mineral processing, smelting and refining operations.

The principal products produced at the Zhezkazgan Complex are copper cathode and copper rod.

The Zhezkazgan Complex includes the following mining operations:
- Open pit: North mine
- Underground: South, Stepnoy, East, West, Annensky and Zhaman-Aybat.

The complex also includes 3 concentrators and a copper smelter.

Balkhash Complex

An integrated copper cathode, zinc and precious metals production facility incorporating mining, mineral processing, smelting and refining operations.

The principal products produced at Balkhash Complex are copper cathode, zinc, silver and gold.

The Balkhash Complex includes the following mining operations:
- Open pit: Kounrad
- Underground: Shatyrkul, Sayak I and Sayak III.

The complex also includes a concentrator, copper smelter, zinc plant and a precious metals refinery.

East Region

One of our principal mining areas is located in the eastern region of Kazakhstan, in the vicinity of Ust-Kamenogorsk.

The principal products produced at the East Region are copper and zinc concentrate.

The East Region includes the following mining operations:
- Underground: Artemyevskoe, Orlovskoe, Belousovskoe, Irtyshskoe, Yubileyno–Snegirikhinskoe and Nikolaevskoe.

The complex also includes 4 concentrators.

Karaganda Region

The Karaganda Region is a newly introduced mining complex in line with the current management structure.

The Karaganda Region includes the following mining operations:
- Open pit: Kosmurun, Nurkazgan
- Underground: Abyz.

The complex also includes a concentrator.

What we do

We are a vertically integrated business from mining to refining, producing copper cathode and value added fabricated copper products as well as zinc, gold and silver. We mine all the ore we process, produce substantially all the copper concentrate we process and generate sufficient electricity to meet our own requirements.

Power Division

The power division includes 2 coal mines and 3 power plants. The Borly mines produce coal to supply the Group's power plants.

Coal is delivered to the site by rail from the Borly mines. Electricity is then fed to the Kazakh national grid through which it is supplied to the Group's copper refining operations.

MKM

Our copper products fabrications company in Germany produces and sells copper and copper alloy semi-finished products worldwide.

MKM's main products include wires, sheets, plates, strips, tubes and bars for customers in the construction, automotive, aviation and general engineering industries.

Mining

Our mining activities are focused on extracting copper but gold, silver and zinc are also valuable by-products produced in the process.

Coal mining

Our two coal mines produce enough coal to supply the heat and power plants at Karaganda, Zhezkazgan and Balkhash as well as some external customers.

Concentrating

We have concentrator facilities at Zhezkazgan, Balkhash, Karaganda and the East Region.

Transportation

Most of Kazakhmys' raw materials and production are transported by Group-owned and national rail lines. We own and maintain approximately 950 km of our own railways.

Smelting and refining

Our smelters and copper refineries treat most of our copper concentrate as well as concentrate from third parties.

Power plants

Our principal power plant is located at Karaganda and runs on coal from the Borly mines. We also operate power plants in Zhezkazgan and Balkhash.

Fabricating

We have fabricating facilities at our operations in Kazakhstan and Germany.

Where we are

Kazakhmys PLC is well positioned to participate in the development of the still largely untapped natural resources sector of Kazakhstan and the neighbouring region. The Group has a competitive advantage in developing these resources as it is one of the largest mining and metals companies in Kazakhstan. It is also well established in the Central Asian market and understands the local political and economic environment.

Our asset base
Our large-scale operations take advantage of Kazakhstan's extraordinary mineral wealth. Our prime location offers us an exceptional platform to benefit from China's dynamic economic growth and to tap the natural resource wealth of Kazakhstan and our region.

Natural resources
Kazakhstan possesses enormous oil and gas reserves as well as plentiful supplies of other minerals and metals, including chrome, iron ore, alumina, lead, zinc, copper, manganese and precious metals.

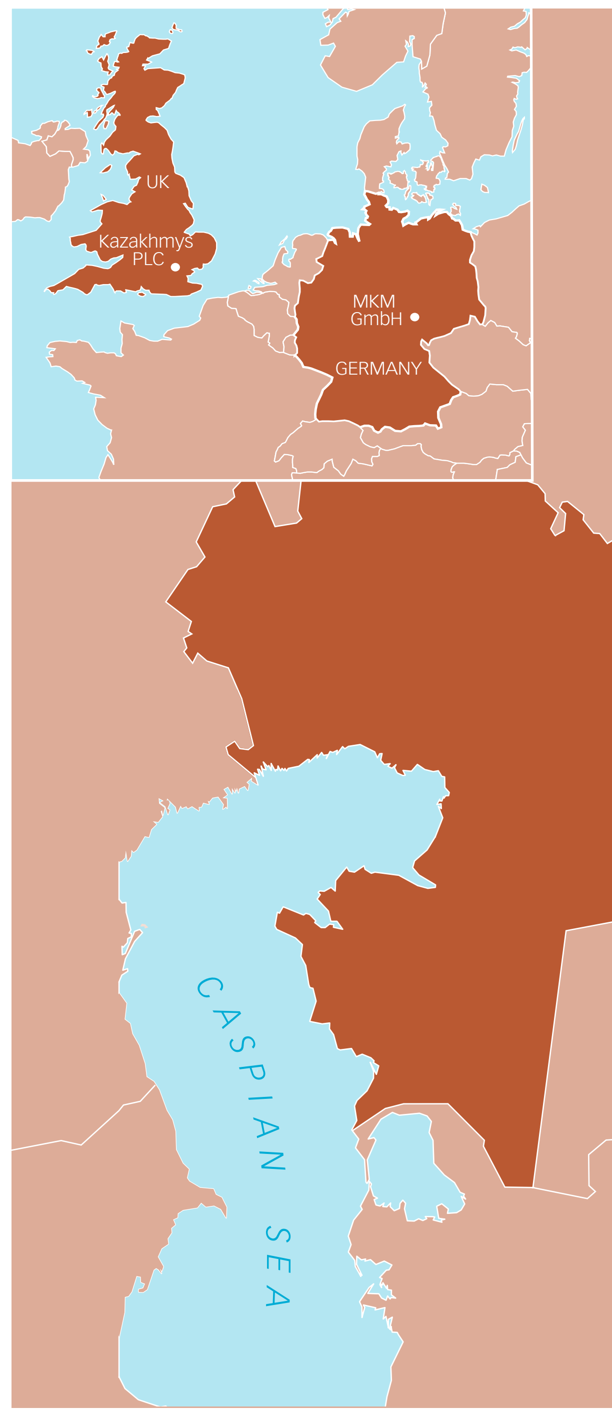
Kazakhstan resources 2005	M^T (unless stated)	% of global resources
Zinc	35	7.6
Copper	20	2.1
Iron ore	7,000	4.1
Manganese	357	7.0
Chrome	470	26.1
Bauxite	660	2.0
Gold (kt)	18	20.0
Coal	34,000	3.5
Uranium	1	16.8

Sources: USGS, BP, NWA, World Bank Brokers Estimates, www.securities.com

The country is a leading producer of copper, zinc, tungsten, manganese, coal, uranium, lead and, to a lesser extent, gold and silver. The extraction and production of oil and gas and the extraction and processing of minerals are the most significant industries in the Kazakhstan economy. It also has a large agricultural sector and grain, wool and meat are major exports.

Kazakhstan borders China and is therefore well positioned to supply copper and other metals to key Chinese industrial centres depending on market conditions.

Furthermore, the Group has longstanding relationships with logistics companies, which ensure that our products can be supplied to the Mediterranean and Northern European markets with greater flexibility in order to respond directly to market demand.




RUSSIA
KAZAKHSTAN
CHINA
ARAL SEA
Open pit mine
Underground mine
Coal mine
Project
Potential opportunity
Power plant
Capital city
ASTANA
Boschekul
Nurkazgan
Karaganda
POWER DIVISION
Borlynskoe
Kuu-Chekinskoe
KARAGANDA REGION
Abyz
Akbastau
Kosmurun
Ust-Kamenogorsk
Irtyshskoe
Artemyevskoe
Belousovskoe
Orlovskoe
Nikolaevskoe
Yubileyno-Snegirikhinskoe
EAST REGION
Aktogay
North
East
West
Annensky
Stepnoy
South
ZHEZKAZGAN COMPLEX
Zhaman-Aybat
Sayak
Kounrad
BALKHASH COMPLEX
Shatyrkul

Chairman's Statement

I am pleased to present Kazakhmys PLC's half year financial results for the six months ended 30 June 2006.

The first six months of 2006 saw us achieve strong growth in both revenues and profits, as we reaped the benefit of particularly attractive commodity prices. Revenues rose by 90% to $2,279.8 million, and pre-tax profits increased by 166% to $955.9 million. Our earnings per share based on Underlying Profit for the half year was higher than the 2005 full year figure.

We delivered this impressive performance despite adverse weather conditions in the first two months of 2006. Overall, our copper cathode production from own concentrate increased slightly compared to the same period in 2005. Copper cathode production volumes improved in the second quarter, rising by 11% compared to the first quarter as weather conditions improved. Our total copper production of 187.9 thousand tonnes was down 6% from the first half of 2005, primarily due to lower volumes of copper produced from purchased concentrate and through tolling arrangements as a result of the Group's aim to reduce volumes of purchased concentrate.

Output of by-products such as zinc and gold rose, in part, due to the higher contribution from the Abyz and Artemyevskoe mines that produce ores with a higher by-product content. In the first six months of 2006, our zinc production volume increased by 17% from 29 to 34 thousand tonnes and our own gold production increased by 15% from 47 to 54 thousand ounces.

We continue to see significant potential in terms of investment opportunities in Kazakhstan, which offers an environment of both political stability and economic growth. We are actively screening for opportunistic acquisitions that offer benefits to our shareholders. Our healthy balance sheet and robust Free Cash Flow of $622.3 million for the first six months of 2006 place us in a strong position to achieve these goals.

We remain committed to our strategy of exploiting organic growth opportunities. The feasibility studies on our Aktogay project continue as we consider further the mining methodology and processing technologies. We expect to report the outcome of our feasibility studies on this project in the next six to 12 months. We are also launching, ahead of plan, a scoping study on the Boschekul project located approximately 200 km north-east of Astana, the capital of Kazakhstan. The annual production from the Boschekul project is estimated to be 20 million tonnes of ore.

Our commitment to organic growth through new projects and expansions at existing operations is highlighted by a 91% increase in expansionary capital expenditure from $50.0 million in the first half of 2005 to $95.4 million in the corresponding period of 2006. Significant sums invested during the period include the Zhaman-Aybat mine, the acid plant at the Balkhash complex and the expansions at our Karagaily and Nurkazgan concentrators.

The interim dividend of 12.8 US cents per share announced today reflects our confidence in the business, whilst taking account of growth opportunities.

We are in advanced stages of seeking regulatory approval for a secondary listing on the Kazakhstan stock exchange, an objective we declared at the time of Listing. This development will allow Kazakhstan investors to participate directly in the continued growth of Kazakhmys and we expect this will make a meaningful contribution to the development of Kazakhstan's capital markets. Admission to the Kazakhstan stock exchange is expected to take place by the end of the year.

I would also like to report several changes in our management structure. Firstly, I would like to pay particular tribute to Y K Cha who will be standing down as Chief Executive with effect from 31 December 2006. Mr Cha has decided to spend more time in his native Korea pursuing other business opportunities. Mr Cha has been a key member of our management team since the mid-1990s. He instigated a strong sales and marketing strategy, developing a keen insight into the Chinese market and built deep relationships with Chinese end-users, which made a significant contribution to Kazakhmys' success in sales and marketing. He also played a significant role in the preparation and execution of our successful London Listing last year and has made a great contribution to the transformation of Kazakhmys PLC into a FTSE 100 company. Kazakhmys will continue to benefit from Mr Cha's experience as he will serve as a Special Adviser to the Board after the end of the year.

One of our non-executive directors, David Munro, has agreed to join our executive management team as Strategy Director with effect from 1 October 2006. David brings a wealth of mining and strategic development experience and we are confident that his knowledge and skills will be important in shaping our business going forward.

In line with our previous commitment, I am pleased to announce that Philip Aiken has agreed to join the Kazakhmys PLC Board with effect from 1 November 2006. There is no doubt that Philip's 35 years of industry experience, including several senior roles at BHP Billiton, will be invaluable to the Board. Philip will join the Audit, Remuneration and HSE committees. In addition, we are looking to further deepen the Board's range and experience by appointing another independent non-executive director in due course.

Looking forward, we believe the commodity price environment will continue to be favourable for the mining community. Supply fundamentals remain tight as uncertainty remains over production from a number of geographic regions. We see copper prices staying above long-term historical averages for the remainder of the year and into 2007. Over the full year, we continue to expect copper cathode production volumes to be moderately higher compared to 2005.

In conclusion, I would like to thank all our employees who contributed so much to Kazakhmys' strong performance in the first half of 2006 in spite of the challenging operating environment at the start of the year. Their dedication is an invaluable element in delivering on our commitments in the future.

Vladimir Kim
Executive Chairman
19 September 2006

Review of Operations

Highlights

- Extracted ore volumes slightly increased despite adverse weather conditions, with marginally improved grades
- Copper cathode produced from our own concentrate increased from the first to second quarter of 2006, totalling 169 thousand tonnes for the six months compared to 167 thousand tonnes in the corresponding period of 2005
- Copper cathode production from purchased concentrate was 32% lower, down from 25.6 to 17.5 thousand tonnes in line with the Group's plan to reduce purchased concentrate volumes
- Output of by-products such as zinc, gold and silver rose, in particular zinc which increased by 18% compared to the corresponding period of 2005

Copper

In the first half of 2006, the Group extracted 20,127 thousand tonnes of ore with an average copper grade of 1.10%, an increase from 1.03% of the corresponding period of 2005.

Copper cathode production over the first half of the year was 187.9 thousand tonnes, a 6% decrease compared to the same period of 2005. This is primarily due to lower volumes of copper produced from purchased concentrate and through tolling arrangements as a result of the Group's plan to reduce volumes of purchased concentrate.

In the first quarter of 2006, copper cathode production fell by 7%, compared to the same period of 2005, to 89.1 thousand tonnes due to the disruptions early in 2006 when temperatures in some parts of Kazakhstan remained below minus 40°C for nearly two weeks. Production volumes have improved in the second quarter, and we produced 98.8 thousand tonnes of copper cathode, an 11% increase compared to the first quarter.

In the first half of 2006, copper cathode produced from purchased concentrate fell by 32% compared to the same period of 2005, in line with our aim to reduce copper cathode production volumes from purchased concentrate. Purchased concentrate will be gradually substituted by increasing the contribution from the recently commissioned Abyz, Kosmurun and Nurkazgan mines. To accommodate increasing ore volumes from these mines, concentrator capacity at the Karagaily plant has been upgraded, increasing capacity by 50% to 1.5 million tonnes per year.

Copper rod production increased significantly from 5.9 thousand tonnes in the first half of 2005 to 14.3 thousand tonnes in the same period of 2006 due to more favourable market conditions.

At the Zhezkazgan Complex, extracted ore volumes were marginally higher with 2% growth in the first half of 2006 compared to the first half of 2005. Copper cathode production volumes were adversely affected by the scheduled maintenance shutdown of the Zhezkazgan copper smelter.

Although extracted ore volumes at the Balkhash Complex were down in the first six months of 2006 compared to the first six months of 2005, both copper concentrate and copper cathode production were up due to higher ore grades. Compared to the first half of 2005, copper concentrate production increased from 91.8 thousand tonnes to 133.0 thousand tonnes and copper cathode production excluding tolling rose from 75.2 thousand tonnes to 81.2 thousand tonnes.

East Region mines performed well, with higher copper grades from recently completed mines generating an increase in copper concentrate production from 241.2 thousand tonnes in the first half of 2005 to 259.5 thousand tonnes in the first half of 2006.

Mines at the recently established Karaganda Complex performed without any significant business interruptions, and the ramp-up at the recently completed Abyz, Nurkazgan and Kosmurun mines has progressed smoothly. Ore extraction volumes increased significantly from 455 thousand tonnes in the first six months of 2005 to 1,473 thousand tonnes in the same period of 2006. Copper concentrate production increased by 85% from 38.5 thousand tonnes to 71.2 thousand tonnes.

Zinc

The contribution from zinc-rich ores from the Artemyevskoe mine increased the average zinc grade in the first half of 2006 to 4% compared with 3% in the same period of 2005. Zinc metal production in the first half of 2006 stood at 33.8 thousand tonnes in comparison to 28.7 thousand tonnes of the first half of 2005, an 18% increase. The ramp-up at the zinc plant was slightly slower in the second quarter of 2006 due to technical problems with the coolers, which are currently being rectified.

Precious metals

In the first half of 2006, the Group produced 10.7 million ounces of silver, a level comparable to the same period for the prior year. Out of the 10.7 million ounces of refined silver produced, only 32 thousand ounces were produced under tolling arrangements.

The Group also produced 77.7 thousand ounces of gold, 24% higher than the same period in 2005. Out of the 77.7 thousand ounces of gold produced, 53.6 thousand ounces were produced from our own concentrate (a 15% increase compared to the first half of 2005). This increased gold production is the result of a larger ore contribution from the Abyz and Artemyevskoe mines that produce ores with a higher gold content. Gold production through tolling arrangements also increased from 16 thousand ounces for the first half of 2005 to 24 thousand ounces in the corresponding period of 2006.

MKM

For the first half of 2006, MKM total production was 135.3 thousand tonnes of copper products. The wire products business unit, the main volume driver for the period, produced 82.4 thousand tonnes, a 39% increase compared to the same period of 2005. Out of the 82.4 thousand tonnes produced, wire rod represented 62.5 thousand tonnes and drawn wire 19.9 thousand tonnes compared to 43.8 thousand tonnes and 15.4 thousand tonnes, respectively, for the same period of 2005. Total flat products manufactured were comparable to the corresponding period of 2005 and stood at 31.5 thousand tonnes, comprising 1.1 thousand tonnes of pre-rolled products, 7.7 thousand tonnes of sheets and 22.7 thousand tonnes of strips. MKM also produced 10.1 thousand tonnes of tubes and 11.3 thousand tonnes of bars against 9.5 thousand tonnes and 10.8 thousand tonnes, respectively, in the same period of 2005.

Financial Review

Basis of preparation

The financial information set out on pages 18 to 37 has been prepared using consistent accounting policies with those adopted in the financial statements for the year ended 31 December 2005. The Group has changed the segmental reporting presentation 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.

Summary of results

Buoyant commodity prices, particularly copper, seen throughout the first half of the year have resulted in substantial increases in revenues and profit before taxation of 90% and 166%, respectively, to $2,279.8 million and $955.9 million. Whilst sales volumes of copper cathode and rod remained flat at 178 thousand tonnes and adverse cost pressures were experienced in Kazakhstan, these factors were more than compensated for by the higher prices seen across the Group's main products.

A summary of the consolidated income statement is set out below:

Summary Group income statement

	Six months ended 30 June 2006 $ million	Six months ended 30 June 2005 $ million	Change %
Revenues	**2,279.8**	**1,202.1**	**90%**
Operating costs excluding depreciation, depletion, amortisation and special items	(1,198.5)	(719.3)	67%
EBITDA excluding special items	**1,081.3**	**482.8**	**124%**
Special items:			
Add/(less): write back/(off) of property, plant and equipment	10.2	(0.3)	
Less: loss on disposal of fixed assets	(4.0)	(10.6)	
Less: depreciation, depletion and amortisation	(103.0)	(112.4)	
Profit before taxation, finance items and negative goodwill	**984.5**	**359.5**	**174%**
Net finance expenses (including net foreign exchange losses)	(35.1)	(0.5)	
Recognition of negative goodwill	6.5	–	
Profit before taxation	**955.9**	**359.0**	**166%**
Income tax	(317.0)	(126.9)	
Profit for the period	**638.9**	**232.1**	**175%**
Minority interests	(6.2)	(6.0)	
Profit attributable to equity shareholders of the parent	**632.7**	**226.1**	**180%**
EPS – basic and diluted	**$1.35**	**$0.56**	**141%**
EPS based on Underlying Profit	**$1.32**	**$0.59**	**124%**

Following these results and in line with the Group's dividend policy, the Directors have declared an interim dividend of 12.8 US cents per share.

The improved earnings have strongly benefited the Group's cash flows and net liquid funds position, with the latter standing at $1,221.4 million as at 30 June 2006, rising to $1,514.4 million by 31 August 2006. The continued high commodity prices and healthy funding position leaves the Group well placed to pursue future organic growth and opportunistic acquisitions.

The definitions of our key financial indicators are shown in the Glossary and these measures are set out below:

Key financial indicators

	Six months ended 30 June 2006	Six months ended 30 June 2005
EBITDA excluding special items ($ million)	1,081.3	482.8
EPS based on Underlying Profit ($)	1.32	0.59
Free Cash Flow ($ million)	622.3	149.5
Return on Capital Employed (%)	27.7%	17.1%
Cash cost of copper after by-product credits ($/tonne)	563.1	869.4

Income statement

Revenues

As the Kazakh Mining and MKM businesses are different in nature, the two segments have been analysed separately. A summary of production and sales volumes, and revenues by major categories of products for the half year ended 30 June 2006 and 2005 are set out below:

Production and sales volumes/revenues

	Production		Sales			
	Six months ended 30 June 2006 kt	Six months ended 30 June 2005 kt	**Six months ended 30 June 2006 kt**	Six months ended 30 June 2005 kt	**Six months ended 30 June 2006 $ million**	Six months ended 30 June 2005 $ million
Copper cathodes:						
From own and purchased concentrate	187	193	163	173	1,060.2	595.5
From tolling	1	7	1	7	5.7	15.3
Zinc:						
Zinc metal	34	29	37	38	102.4	46.8
Zinc concentrate	154	109	81	8	59.1	1.6
Silver (koz)	10,692	10,638	10,835	10,963	117.8	77.2
Gold (koz):						
From own production	54	47	47	33	28.2	14.2
From tolling	24	16	24	16	1.9	1.1
Copper rod	14	6	15	5	98.6	20.1
Other	–	–	–	–	47.0	19.8
Kazakh Mining					**1,520.9**	**791.6**
MKM	**135**	**111**	**134**	**110**	**758.9**	**410.5**
Total					**2,279.8**	**1,202.1**

Revenues of the Kazakh Mining business increased from $791.6 million to $1,520.9 million, a 92% improvement against the prior period. The major contribution to revenues remained copper cathodes which accounted for 70% of revenues. With prices rising across all commodities, revenues from each of our main products showed substantial increases.

Copper prices escalated significantly during April and May 2006 reaching $8,788 per tonne on 12 May 2006. The average market and realised prices for our main products during the period are set out below:

Comparison of market and realised prices for main products

	Six months ended 30 June 2006		Six months ended 30 June 2005	
	Average market price	**Average realised price**	Average market price	Average realised price
Copper cathode ($/tonne)	6,070	6,510	3,328	3,458
Zinc metal ($/tonne)	2,762	2,767	1,294	1,231
Silver ($/oz)	10.95	10.87	7.06	7.04
Gold ($/oz)	590	600	427	430

The average realised prices for our main products do not differ significantly from market prices with the exception of copper. In line with industry practice, our sales agreements for copper cathodes provide for provisional pricing at the time of delivery with the final price based on the market price for future periods. With a higher proportion of our sales volumes in the second quarter (62% for the second quarter compared to 38% for the first quarter), pricing adjustments have generally been positive. Additionally, a premium over LME prices is incorporated into our sales agreements.

Offsetting higher commodity prices, sales volumes for copper cathodes declined compared to the prior period. Copper cathode production including tolling decreased by 6% compared to the prior period. Given that 68% of sales were to Europe, compared with 33% in the prior period, and the longer delivery time for European sales, a sizeable time lag arises between production and sales recognition for accounting purposes.

In addition, 14 thousand tonnes of copper cathodes were utilised in the manufacture of copper rods, whose sales volumes increased by 200%, reflecting improved customer demand in the Chinese market.

Financial Review continued

Sales volumes of zinc metal remained flat in line with production, although with the realised price increasing by 125%, revenues increased by 119% to $102.4 million. Similarly, sales volumes of silver were largely unchanged from the prior period reflecting flat production, but revenues increased by 53% to $117.8 million in line with the increase in realised prices. Sales volumes of gold increased by 42% reflecting higher production volumes due to the Artemyevskoe mine which was commissioned in March 2006.

Other revenues improved from $19.8 million to $47.0 million. These revenues relate to the sales of surplus electricity, heating and coal, and minor by-products arising from the copper cathode production process.

MKM's revenues increased by 85% to $758.9 million reflecting an increase in sales volumes of 22%, but more significantly, higher copper prices that are passed on to the customer in full. Of the $348.4 million increase in revenues, $270.8 million resulted from the increase in copper prices. Wire rods and drawn wire delivered the highest increase in sales volumes against the prior year, with an increase of 39%. Together, these wire products account for 61% of MKM's sales volumes.

Earnings

Profit before taxation, finance items and negative goodwill increased from $359.5 million to $984.5 million, an increase of 174%, split between $973.1 million for the Kazakh Mining business, $30.0 million for MKM less $18.6 million for unallocated corporate costs. A reconciliation of profit before taxation, finance items and negative goodwill to EBITDA excluding special items by business segment is set out below:

Reconciliation of EBITDA excluding special items

	Six months ended 30 June 2006 $ million	Six months ended 30 June 2005 $ million
Kazakh Mining		
Profit before taxation, finance items and negative goodwill	973.1	347.2
(Less)/add: (gain)/loss from special items	(6.6)	10.9
Add: depreciation, depletion and amortisation	92.3	102.0
EBITDA excluding special items	**1,058.8**	**460.1**
Revenues	**1,520.9**	**791.6**
EBITDA excluding special items margin	**70%**	**58%**
MKM		
Profit before taxation, finance items and negative goodwill	30.0	15.6
Less: gain from special items	(0.1)	–
Add: depreciation and amortisation	10.6	10.4
EBITDA excluding special items	**40.5**	**26.0**
Revenues	**758.9**	**410.5**
EBITDA excluding special items margin	**5%**	**6%**
Unallocated corporate costs excluding special items	(18.0)	(3.3)
Total EBITDA excluding special items	**1,081.3**	**482.8**

Kazakh Mining

The margin at the level of EBITDA, excluding special items for the Kazakh Mining segment, increased substantially from 58% in the prior period to 70% in the first half of 2006. The significant increase in copper prices seen since the beginning of 2006 had the most favourable impact on margins. To a lesser extent, margins also increased as the proportion of copper cathodes produced from purchased concentrate reduced from 13% to 10%, primarily resulting from an increase in mined ore and an improvement in mined ore grade from 1.03% to 1.10%.

However, the Kazakh Mining segment also experienced a number of adverse cost pressures, in common with other companies in the mining industry. Employee remuneration (production and administration) increased by 34% from the prior period to $106 million due to rising prosperity within Kazakhstan and the consequential wage pressures for the business, and a tightening market for skilled labour across the natural resources sector within the CIS.

Although the copper content of purchased concentrate within the production process decreased from 29 thousand tonnes to 19 thousand tonnes, rising copper prices increased the cost of this input raw material from $78.2 million to $96.0 million, a 23% increase. In common with other mining companies, there was also significant cost pressure from mining and processing consumables and fuel, which increased by around 27% to $136.8 million.

In addition, the Kazakhstan tenge appreciated against the US dollar by 3%, with the average exchange rate strengthening from 131.2 KZT/$ in the prior period to 127.1 KZT/$. As certain costs are denominated in US dollars, the strengthening of the Kazakhstan tenge resulted in higher costs for the Kazakh Mining business.

Selling and distribution costs increased by 77% to $24.5 million, reflecting a greater proportion of sales to Europe and the resulting higher transportation costs. Administration costs rose by 41% to $105.1 million, mainly reflecting higher employee remuneration costs in Kazakhstan and additional compliance and related costs following the Listing.

Depreciation, depletion and amortisation amounted to $92.3 million, a small decrease from the prior period. Although capital expenditure increased during 2005 and 2006 compared to earlier years, additional depreciation of $16.0 million was expensed in the first half of 2005 relating to the commissioning of the Balkhash zinc smelter.

The cash cost of copper after by-product credits amounted to $563.1 per tonne compared to $869.4 per tonne in the prior period. The significant increases in by-product revenues and the cost of purchased concentrate masked the underlying cost of production of copper cathode from own mined ore as explained above.

MKM

Although EBITDA excluding special items rose from $26.0 million to $40.5 million, the increase was largely attributable to a reduction of cost of sales of $27.5 million arising from increased stock valuation due to higher copper prices. The effect of this increased stock valuation does not translate into operating cash flows. Except for the effects of increased copper price on purchased raw materials, cost of sales remained comparable with the prior period.

With the increase in sales volumes of lower margin wire rods by 43%, the margin at the level of EBITDA excluding special items decreased from 6% to 5%. The continued production difficulties associated with the ContiM© equipment, which existed at the time of acquisition in December 2004, also depressed margins.

Net finance items

Net finance costs were $35.1 million which contrasted with net finance costs of $0.5 million during the prior period.

Included within net finance costs is a net foreign exchange loss of $63.8 million, which increased substantially from the prior year loss of $1.7 million due to the strong appreciation of the Kazakhstan tenge against the US dollar since the beginning of the year. Of the foreign exchange losses in the period, $92.7 million were attributable to losses arising on the revaluation of US dollar denominated deposits and trade receivable balances into Kazakhstan tenge within Kazakhmys LLC.

Interest income increased from $10.0 million to $34.0 million, primarily as a result of the utilisation of higher operating cash flows and of the Listing funds. Following the repayment of short-term credit lines within Kazakhmys LLC in early 2006, a minor amount of interest expense arose on the new loan facility entered into by MKM, which stood at $184.5 million as at 30 June 2006.

Negative goodwill

Negative goodwill of $6.5 million arose during the period upon the acquisition of ZhREK JSC, an electricity transmission company in Kazakhstan. The acquisition of this business will assist in maintaining tighter cost control over the transmission of electricity from our power plants to the operations.

Taxation

The effective tax rate for the period was 33.2% compared to a rate of 35.3% in the prior period. The overall tax charge was $317.0 million, an increase of $190.1 million compared to the prior period as a result of the significant increase in earnings within the Kazakh Mining business.

Excess profits tax is levied in addition to corporate tax on the profits attributable to certain subsoil contracts where the internal rate of return exceeds 20%. For the period, excess profits tax of $25.3 million was charged to earnings representing an incremental 2.6% to the effective tax rate.

Withholding taxes of $6.8 million were accrued during the period representing an incremental 0.7% to the effective tax rate. These withholding taxes relate to profits arising within Kazakhmys LLC which have either been, or will be, remitted to the UK for dividend purposes.

Financial Review continued

The effective rate of taxation has decreased from the prior period principally due to higher non-taxable income arising from the Balkhash zinc smelter for which Kazakhmys LLC benefits from a tax holiday, and the rate of excess profits tax and withholding taxes not having increased at the same proportion as earnings.

The effective tax rate is expected to remain above the statutory Kazakhstan rate of tax of 30% due to excess profits tax and the imposition of withholding taxes on the remittance of earnings to the UK.

Minority interests

Capital contributions of $186.7 million were made by Kazakhmys PLC to Kazakhmys LLC in the first quarter of 2006, and included subscribing to the rights of minorities who did not participate in the initial capital contribution. As a consequence, the Company's interest in Kazakhmys LLC increased from 98.68% as at 31 December 2005 to 99.08% as at 30 June 2006.

Despite the smaller interest held by minority shareholders in Kazakhmys LLC, their attributable share of earnings and assets increased slightly due to the higher earnings reported by Kazakhmys LLC in the period.

Underlying profit and earnings per share

A reconciliation of attributable profit to Underlying Profit is set out below:

Reconciliation to Underlying Profit

	Six months ended 30 June 2006 $ million	Six months ended 30 June 2005 $ million	Change %
Profit attributable to equity shareholders of the parent	632.7	226.1	180%
Special items:			
Recognition of negative goodwill	(6.5)	–	
Write (back)/off of property, plant and equipment	(10.2)	0.3	
Loss on disposal of fixed assets	4.0	10.6	
Tax effect of special items	(0.8)	(0.2)	
Minority interest effect of special items	0.1	(0.1)	
Underlying Profit	**619.3**	**236.7**	**162%**

The increase in Underlying Profit of 162% principally reflects the favourable impact of higher commodity prices on earnings.

Basic earnings per share rose from 56 US cents to 135 US cents, an increase of 141%. There is no difference between basic and diluted earnings per share figures.

Earnings per share based on Underlying Profit was 132 US cents compared to 59 US cents for the prior period, a rise of 124%. At the time of Listing, 58.4 million shares were issued, and in the absence of other changes in issued share capital, these newly issued shares have resulted in the weighted average number of shares in issue increasing by 14%. If earnings per share based on Underlying Profit for the prior period was determined using the actual number of shares in issue for the current period, then earnings per share based on Underlying Profit would have shown an increase from 51 US cents to 132 US cents, a 159% increase.

Dividends

The Directors have declared an interim dividend of 12.8 US cents per share in respect of the 2006 financial year. This is in line with our dividend policy and takes account of the growth requirements for the Group.

The Board 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.

Cash flows

A summary of cash flows is shown in the table below:

Cash flow summary

	Six months ended 30 June 2006 $ million	Six months ended 30 June 2005 $ million
EBITDA	1,087.5	471.9
Recognition of negative goodwill	(6.5)	–
Write (back)/off of assets and impairment losses	(5.7)	3.6
Loss on disposal of property, plant and equipment	4.0	10.6
Foreign exchange loss adjustment	(14.4)	(2.5)
Working capital movements	(197.0)	(31.4)
Interest paid	(0.2)	(7.1)
Income tax paid	(169.2)	(190.2)
Net cash flows from operating activities	**698.5**	**254.9**
Sustaining capital expenditure	(76.2)	(105.4)
Free Cash Flow	**622.3**	**149.5**
Expansionary and new project capital expenditure	(95.4)	(50.0)
Interest received	46.5	6.3
Acquisition of subsidiaries, net of cash acquired	(2.0)	–
Dividends paid	(170.4)	(54.9)
Other movements	0.6	2.5
Cash flow movement in net liquid funds	**401.6**	**53.4**

Cash flows from operating activities during the period were $698.5 million, which compared to $254.9 million in the prior period. Despite adverse working capital movements compared to the prior period, the impact of higher earnings were seen in strong operating cash flows, and an increase in net liquid funds.

Adverse working capital movements were largely attributable to higher inventory levels due to the impact of rising commodity prices, increased sales volumes within MKM and the time lag between production and sales recognition as described earlier. These factors together accounted for an adverse movement of $179.2 million in working capital. Aside from these effects, working capital was tightly controlled within both businesses. The difference between the working capital movements across balance sheets, and those seen in the cash flow summary are mainly attributable to the appreciation of the Kazakhstan tenge which is a non-cash movement.

Income tax payments decreased by $21.0 million to $169.2 million. At the beginning of a financial year in Kazakhstan, a schedule of tax payments to be made during the course of the year is agreed with the tax authorities, and a final payment is remitted with the submission of the tax return by March of the following year. The payment schedule agreed for 2006 is at a similar level to the amount of tax paid in respect of 2005. The reduction in tax payments for the six month period results from a non-recurring amount of tax payable in Kazakhstan in the first half of 2005 relating to acquisitions undertaken by Kazakhmys LLC in previous years. Notwithstanding this effect, the overall amount of tax payable for the year as a whole is expected to show a significant increase compared to the prior year due to the higher earnings within the Kazakh Mining business.

Capital expenditure in aggregate (including expenditure on intangible assets and mine stripping costs) amounted to $171.6 million, split between $76.2 million for sustaining capital expenditure and $95.4 million for expansionary and new project capital expenditure. Significant items within the latter category related to $19.6 million for the final construction costs of the Zhaman-Aybat mine and $15.6 million for initial construction costs on the Aktogay project. Consistent with the Group's commitment to its employees and local communities, $12.9 million was invested in the construction of a new sports and social complex in Satpayev, which is one of the most advanced in Kazakhstan.

Financial Review continued

Interest received increased by $40.2 million to $46.5 million reflecting the higher net liquid funds position of the Group. Dividends paid during the period by the Company of $168.3 million related to the payment of the final dividend of 36 US cents per share for the 2005 financial year.

Given the strong cash flows generated by the Kazakh Mining business, the short term credit facilities were repaid early in the period. Financing for MKM, which had previously been undertaken by way of intercompany loans from Kazakhmys LLC, was provided by a new four year loan facility entered into with Deutsche Bank of $250.0 million, of which $184.5 million had been drawn down as at 30 June 2006. This facility carries an interest rate of Euribor +1.45%.

Balance sheet

Shareholders' funds were $3,346.3 million as at 30 June 2006, an increase of $746.5 million compared with the balance as at 31 December 2005. The increase reflected retained earnings for the period of $632.7 million, favourable currency translation differences of $273.4 million and a gain arising from a reduction in the minority interest of Kazakhmys LLC of $8.7 million offset by the final 2005 dividend declared during the period of $168.3 million. The currency translation differences were mainly attributable to the consolidation of the results and balances of Kazakhmys LLC into US dollars, as the functional currency of this company is the Kazakhstan tenge.

Property, plant and equipment increased by 17% to $1,988.3 million over the period after the effect of depreciation was more than offset by capital expenditure of $165.0 million and favourable currency translation differences of $216.0 million. Disposals of property, plant and equipment were not material during the period.

Net liquid funds increased from $829.5 million to $1,221.4 million on account of the increased operating cash flows, with $146.8 million held as cash and $1,259.2 million held in the form of deposits with varying maturities between one and 12 months.

Financial Highlights

	Six months ended 30 June 2006 $ million	Six months ended 30 June 2005 $ million	Year ended 31 December 2005 $ million
Group			
Revenues	2,279.8	1,202.1	2,597.5
Profit before taxation, finance items and negative goodwill	984.5	359.5	842.5
EBITDA excluding special items	1,081.3	482.8	1,073.5
EBITDA excluding special items margin (%)	47.4%	40.2%	41.3%
Net finance items and negative goodwill	(28.6)	(0.5)	5.6
Profit before taxation	955.9	359.0	848.1
Effective tax rate (%)	33.2%	35.3%	35.1%
Profit for the period	638.9	232.1	550.8
Equity minority interests (%)	1.0%	2.6%	2.2%
Profit attributable to equity shareholders	632.7	226.1	538.8
Underlying Profit	619.3	236.7	549.8
EPS:			
Basic and Diluted ($)	1.35	0.56	1.29
EPS based on Underlying Profit ($)	1.32	0.59	1.31
Dividend per share (US cents)[1]	12.8	12.0[2]	36.0
Return on Capital Employed (%)[3]	27.7%	17.1%	31.5%
Free Cash Flow	622.3	149.5	450.2
Net liquid funds	1,221.4	277.7	829.5
Cash cost of copper after by-products credits ($/tonne)	563.1	869.4	997.2
Kazakh Mining			
Revenues	1,520.9	791.6	1,740.9
Profit before taxation, finance items and negative goodwill	973.1	347.2	840.3
EBITDA excluding special items	1,058.8	460.1	1,053.7
EBITDA excluding special items margin (%)	69.6%	58.1%	60.5%
Net liquid funds	920.6	223.7	328.0
Cash cost of copper after by-product credits ($/tonne)	563.1	869.4	997.2
Average KZT/$ exchange rate	127.10	131.20	132.88
MKM			
Revenues	758.9	410.5	856.6
Profit before taxation and finance items	30.0	15.6	21.8
EBITDA excluding special items	40.5	26.0	39.1
EBITDA excluding special items margin (%)	5.3%	6.3%	4.6%
Net liquid (debt)/funds	(166.0)	25.3	(4.8)
Average Euro/$ exchange rate	0.81	0.78	0.80

1 Dividend per share is based on the earnings for that period.
2 Calculated based on the Company's dividend policy of interim and final dividends being paid in the approximate proportion of one-third and two-thirds of the total final annual dividend.
3 Return on Capital Employed is calculated based on profit before taxation, interest and negative goodwill for that period.

Interim Consolidated Income Statement
for the six months ended 30 June 2006

$ million	Notes	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
Revenues	4	**2,279.8**	**1,202.1**	**2,597.5**
Cost of sales		(1,153.4)	(724.5)	(1,506.6)
Gross profit		**1,126.4**	**477.6**	**1,090.9**
Selling and distribution expenses		(38.1)	(27.6)	(55.5)
Administrative expenses		(116.1)	(85.5)	(185.3)
Other operating income		19.9	21.1	39.0
Other operating expenses		(13.3)	(22.5)	(34.8)
Write back/(off) of assets and impairment losses	5	5.7	(3.6)	(11.8)
Profit before taxation, finance items and negative goodwill		**984.5**	**359.5**	**842.5**
Finance income	6	62.9	53.8	87.4
Finance costs	6	(98.0)	(54.3)	(81.8)
Recognition of negative goodwill	7	6.5	–	–
Profit before taxation		**955.9**	**359.0**	**848.1**
Income tax expense	8	(317.0)	(126.9)	(297.3)
Profit for the period		**638.9**	**232.1**	**550.8**
Attributable to:				
Equity shareholders of the parent		632.7	226.1	538.8
Minority interests		6.2	6.0	12.0
		638.9	**232.1**	**550.8**
Earnings per share attributable to equity shareholders of the parent:				
Basic and diluted	9	**$1.35**	**$0.56**	**$1.29**
EPS based on Underlying Profit	9	**$1.32**	**$0.59**	**$1.31**

Interim Consolidated Balance Sheet
as at 30 June 2006

$ million	Notes	**As at 30 June 2006**	As at 30 June 2005	As at 31 December 2005
Assets				
Non-current assets				
Intangible assets		30.3	21.2	21.6
Tangible assets		2,040.8	1,620.4	1,743.1
Property, plant and equipment	11	1,988.3	1,597.9	1,701.3
Mine stripping costs		52.5	22.5	41.8
Investments		7.3	5.8	5.8
		2,078.4	1,647.4	1,770.5
Current assets				
Inventories		541.2	319.7	377.7
Prepayments and other current assets		79.4	96.8	41.5
Trade and other receivables		304.2	141.1	210.8
Investments	12	823.8	313.5	356.5
Restricted cash		2.9	2.9	1.0
Cash and cash equivalents	13	582.2	169.0	522.0
		2,333.7	1,043.0	1,509.5
Total assets		**4,412.1**	**2,690.4**	**3,280.0**
Equity and liabilities				
Equity				
Share capital	14	173.3	151.1	173.3
Share premium	14	503.4	–	503.4
Foreign currency translation reserve	14	421.3	129.9	147.9
Reserve fund	14	37.6	9.4	9.4
Retained earnings		2,210.7	1,563.1	1,765.8
Equity attributable to shareholders of the parent		**3,346.3**	**1,853.5**	**2,599.8**
Minority interests		28.7	46.7	26.3
Total equity		**3,375.0**	**1,900.2**	**2,626.1**
Non-current liabilities				
Deferred tax liability		280.2	232.7	260.9
Employee benefits		32.7	27.2	28.7
Provisions		55.4	41.1	44.5
Borrowings	15	184.5	44.5	–
		552.8	345.5	334.1
Current liabilities				
Provisions		3.7	11.2	1.4
Borrowings		0.1	160.3	49.0
Trade and other payables		193.1	163.3	158.7
Dividend payable		1.9	1.1	3.1
Income tax payable		285.5	108.8	107.6
		484.3	444.7	319.8
Total liabilities		**1,037.1**	**790.2**	**653.9**
Total equity and liabilities		**4,412.1**	**2,690.4**	**3,280.0**

The interim consolidated financial statements were approved by the Board of Directors on 18 September 2006.

Interim Consolidated Cash Flow Statement
for the six months ended 30 June 2006

$ million	Notes	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
Cash flows from operating activities				
Cash receipts from customers		2,340.4	1,209.6	2,529.4
Cash paid to employees and suppliers		(1,472.5)	(757.4)	(1,561.5)
Cash inflow before interest and tax paid		867.9	452.2	967.9
Interest paid		(0.2)	(7.1)	(9.0)
Income tax paid		(169.2)	(190.2)	(333.3)
Net cash inflow from operating activities	16	**698.5**	**254.9**	**625.6**
Cash flows from investing activities				
Interest received		46.5	6.3	17.3
Proceeds from disposal of property, plant and equipment		0.1	3.9	7.3
Purchase of property, plant and equipment		(165.0)	(144.6)	(333.7)
Mine stripping costs		(5.9)	(7.0)	(26.5)
Purchase of intangible assets		(0.7)	(3.8)	(5.2)
Licence payments for subsoil contracts		(0.9)	(0.4)	(0.9)
Proceeds from disposal of non-current investments		1.1	0.2	0.2
Acquisition of non-current investments		(1.3)	(1.2)	(3.0)
Proceeds from disposal of available for sale securities		1.0	0.5	0.5
Acquisition of available for sale securities		–	(0.7)	(1.0)
Investment in short term bank deposits, net		(447.2)	(56.8)	(98.3)
Acquisition of subsidiaries, net of cash acquired		(2.0)	–	–
Acquisition of Apro business		–	–	(1.0)
Net cash flows used in investing activities		**(574.3)**	**(203.6)**	**(444.3)**
Cash flows from financing activities				
Proceeds on issue of shares by parent 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		167.0	326.0	525.6
Repayment of borrowings		(41.4)	(222.8)	(580.3)
Dividends paid by the Company		(168.3)	–	(109.9)
Dividends paid by subsidiary to former shareholders		–	(53.6)	(53.6)
Dividends paid by subsidiary to minority interests		(2.1)	(1.3)	(1.3)
Net cash flows (used in)/from financing activities		**(43.2)**	**48.3**	**271.7**
Net increase in cash and cash equivalents		81.0	99.6	453.0
Cash and cash equivalents at the beginning of the period		522.0	74.1	74.1
Effect of exchange rate changes on cash and cash equivalents		(20.8)	(4.7)	(5.1)
Cash and cash equivalents at the end of the period	13	**582.2**	**169.0**	**522.0**

Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2006

$ million	Notes	Attributable to equity shareholders of the parent Share capital	Share premium	Foreign currency translation reserve	Reserve fund	Retained earnings	Total	Minority interests	Total equity
At 31 December 2004		**151.1**	**–**	**218.3**	**14.8**	**1,382.4**	**1,766.6**	**47.2**	**1,813.8**
Profit for the six months		–	–	–	–	226.1	226.1	6.0	**232.1**
Transfer from reserve fund		–	–	–	(5.4)	5.4	–	–	**–**
Equity dividends paid by subsidiary to minority shareholders		–	–	–	–	–	–	(2.9)	**(2.9)**
Equity dividends paid by subsidiary prior to share exchange transactions	10	–	–	–	–	(50.8)	(50.8)	(1.3)	**(52.1)**
Currency translation differences		–	–	(88.4)	–	–	(88.4)	(2.3)	**(90.7)**
At 30 June 2005		**151.1**	**–**	**129.9**	**9.4**	**1,563.1**	**1,853.5**	**46.7**	**1,900.2**
At 31 December 2004		**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**
Transfer from reserve fund		–	–	–	(5.4)	5.4	–	–	**–**
Shares issued pursuant to Kinton Trade Limited transaction		1.9	32.5	–	–	–	34.4	(25.9)	**8.5**
Shares issued pursuant to Listing of the Company		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	10	–	–	–	–	(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	10	–	–	–	–	(110.0)	(110.0)	–	**(110.0)**
Currency translation differences		–	–	(70.4)	–	–	(70.4)	(0.4)	**(70.8)**
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 six months		–	–	–	–	632.7	632.7	6.2	**638.9**
Contribution to charter capital of subsidiary by minority shareholders		–	–	–	–	–	–	1.6	**1.6**
Transfer to reserve fund		–	–	–	28.2	(28.2)	–	–	**–**
Gain from dilution of minority interest in subsidiary		–	–	–	–	8.7	8.7	(8.7)	**–**
Acquisition of minority interest in subsidiary	7	–	–	–	–	–	–	0.9	**0.9**
Equity dividends paid by subsidiary to minority shareholders		–	–	–	–	–	–	(0.9)	**(0.9)**
Equity dividends paid by the Company	10	–	–	–	–	(168.3)	(168.3)	–	**(168.3)**
Currency translation differences		–	–	273.4	–	–	273.4	3.3	**276.7**
At 30 June 2006		**173.3**	**503.4**	**421.3**	**37.6**	**2,210.7**	**3,346.3**	**28.7**	**3,375.0**

Notes to the interim consolidated financial statements
for the six months ended 30 June 2006

1. General information
Kazakhmys PLC (the 'Company', formerly KCC International PLC) 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 Group's operations are primarily conducted through the Company's principal subsidiary, Kazakhmys Corporation LLC ('Kazakhmys LLC'), in which the Company acquired a 97.40% interest as a result of a share exchange representing a combination of businesses under common control on 23 November 2004. The share exchange is described in Note 2(b). Subsequent to this share exchange, the Company's interest in Kazakhmys LLC increased from 97.40% to 98.68% as a result of a further share exchange with Kinton Trade Limited, a minority shareholder in Kazakhmys LLC, on 26 September 2005 (refer Note 14(b)). As the result of additional capital contributions to the charter capital of Kazakhmys LLC during the six months ended 30 June 2006, the Company's interest in Kazakhmys LLC increased from 98.68% as at 31 December 2005 to 99.08% as at 30 June 2006 (refer Note 14(e)).

The Group operates in the mining industry. Its major business is the mining and processing of copper ore into cathode copper and copper wire, and the refining and sale of precious metals and other by-products of its copper mining process. It also provides other services to various external customers.

These interim consolidated financial statements are for the six months ended 30 June 2006. The information for the year ended 31 December 2005 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards ('IFRS') 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 2005, has been delivered to the Register of Companies. The auditors' report under section 235 of the Companies Act 1985 in relation to those accounts was unqualified.

2. Basis of preparation
(a) Interim Consolidated Financial Statements
The interim consolidated financial statements have been prepared in accordance with IAS 34, *'Interim Financial Reporting'*. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2005.

(b) Accounting for the share exchange agreements relating to the acquisition of Kazakhmys LLC
Pursuant to various share exchange agreements entered into as a result of the offer made by the Company to shareholders of Kazakhmys LLC, the Company acquired Kazakhmys LLC on 23 November 2004 in consideration for the allotment of ordinary shares of £5 each in the Company or for a cash payment. The consideration offered for each Kazakhmys LLC share was one ordinary share in the Company or a cash payment of Kazakhstan tenge ('KZT') 4,736. No shareholder elected to take the cash option and the offer period closed on 7 January 2005.

Pursuant to the share exchange agreements, the Company issued 15,580,210 ordinary shares of £5 each on or around 25 November 2004. A further 568,738 ordinary shares of £5 each were issued in the period 29 December 2004 to 23 August 2005 and an additional 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 which took place on 23 September 2005 (refer to Note 14) in which the Company's share capital was redenominated into ordinary shares of 20 pence each). Immediately after the initial issue of shares pursuant to the share exchange agreements, the Company's interest in Kazakhmys LLC was 93.96%. This interest increased to 97.40% upon completion of share allotments relating to the share exchange agreements.

As this transaction involved the combination of businesses under common control, the pooling of interests method of accounting has been applied in the presentation of the interim consolidated financial statements, which present the results of the Group as if the Company had always been the parent company of Kazakhmys LLC.

(c) Comparative figures
Where a change in the presentational format of the interim consolidated financial statements has been made during the period, comparative figures have been restated accordingly.

3. Significant accounting policies

The interim consolidated financial statements have been prepared under 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 at that date, and derivative financial instruments which have been measured at fair value. The interim consolidated financial statements are presented in US dollars ('$') and all monetary amounts are rounded to the nearest million ('$ million') except when otherwise indicated.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

In preparing the consolidated financial statements the Group has adopted all the extant accounting standards issued by the IASB and all the extant interpretations issued by the IFRIC as at 30 June 2006. The Group has not applied IFRS 7 *'Financial Instruments: Disclosures'* and consequential amendments IAS 1 *'Presentation of Financial Statements'* which are effective for annual periods beginning on or after 1 January 2007.

The following foreign exchange rates vs. the US dollar have been used in the preparation of the interim consolidated financial statements:

	30 June 2006		30 June 2005		31 December 2005	
	Spot	**Average**	Spot	Average	Spot	Average
Kazakhstan tenge	118.69	127.10	135.26	131.20	133.77	132.88
Euro	0.80	0.81	0.84	0.78	0.84	0.80
UK pound sterling	0.55	0.56	0.55	0.53	0.58	0.55

Where applicable, comparatives have been adjusted on the same basis as current period figures. The material adjustments to the comparatives are the reclassification within segment information of corporate head office costs, assets and liabilities from Kazakh Mining to unallocated items.

4. Segment information

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.

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, income taxes payable, deferred taxes and dividends payable/receivable.

The Group's activities principally relate to:

- Kazakh Mining business which involves the production and sale of:
  - copper cathodes and copper rod;
  - zinc and zinc concentrate;
  - gold and silver; and
  - other by-product metals (lead, rhenium and selenium).
- German copper processing operation.

(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 mines substantially all the copper ore it processes 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.

Notes to the Interim Consolidated Financial Statements continued
for the six months ended 30 June 2006

4. Segment information continued
(a) Business segments continued
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 with 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 the prevailing price of commodities as determined by the LME.

At the end of 2004, the Group acquired MKM, which operates from 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 in two distinct business segments. Segmental information in respect of these two business segments for the periods ended 30 June 2006, 30 June 2005 and 31 December 2005 is presented below.

(i) Income statement information

	Six months ended 30 June 2006			Six months ended 30 June 2005			Year ended 31 December 2005		
$ million	Kazakh Mining	MKM	Total	Kazakh Mining	MKM	Total	Kazakh Mining	MKM	Total
Sales to external customers	**1,520.9**	**758.9**	**2,279.8**	**791.6**	**410.5**	**1,202.1**	**1,740.9**	**856.6**	**2,597.5**
Gross profit	**1,073.0**	**53.4**	**1,126.4**	**439.0**	**38.6**	**477.6**	**1,024.8**	**66.1**	**1,090.9**
Operating costs	(99.9)	(23.4)	(123.3)	(91.8)	(23.0)	(114.8)	(184.6)	(44.3)	(228.9)
Segment results	**973.1**	**30.0**	**1,003.1**	**347.2**	**15.6**	**362.8**	**840.2**	**21.8**	**862.0**
Unallocated corporate costs			(18.6)			(3.3)			(19.5)
Profit before taxation, finance items and negative goodwill			**984.5**			**359.5**			**842.5**
Net finance (costs)/income			(35.1)			(0.5)			5.6
Recognition of negative goodwill			6.5			–			–
Profit before taxation			**955.9**			**359.0**			**848.1**
Income tax expense			(317.0)			(126.9)			(297.3)
Profit for the period			**638.9**			**232.1**			**550.8**

4. Segment information continued
(a) Business segments continued
(ii) Balance sheet information

$ million	As at 30 June 2006 Kazakh Mining	As at 30 June 2006 MKM	As at 30 June 2006 Total	As at 30 June 2005 Kazakh Mining	As at 30 June 2005 MKM	As at 30 June 2005 Total	As at 31 December 2005 Kazakh Mining	As at 31 December 2005 MKM	As at 31 December 2005 Total
Assets									
Tangible and intangible assets	1,900.1	167.8	2,067.9	1,465.7	175.3	1,641.0	1,598.1	165.8	1,763.9
Non-current investments	4.1	3.2	7.3	2.8	3.0	5.8	2.7	3.1	5.8
Operating assets[1]	712.3	387.8	1,100.1	360.9	378.3	739.2	593.1	220.0	813.1
Current investments	823.8	–	823.8	313.5	–	313.5	356.5	–	356.5
Cash and cash equivalents	96.8	18.6	115.4	14.4	25.8	40.2	13.1	2.6	15.7
Segment assets	**3,537.1**	**577.4**	**4,114.5**	**2,157.3**	**582.4**	**2,739.7**	**2,563.5**	**391.5**	**2,955.0**
Unallocated assets:									
Non-current assets – Corporate			3.2			0.6			0.8
Current assets – Corporate			21.6			112.3			13.3
Dividends receivable – Corporate			–			–			164.5
Cash and cash equivalents – Corporate			466.8			128.8			506.3
Elimination			(194.0)			(291.0)			(359.9)
Total assets			**4,412.1**			**2,690.4**			**3,280.0**
Liabilities									
Employee benefits and provisions	82.9	8.9	91.8	69.4	10.1	79.5	67.3	7.3	74.6
Operating liabilities[2]	145.9	20.3	166.2	107.5	36.2	143.7	273.5	29.6	303.1
Borrowings	–	378.6	378.6	204.2	191.5	395.7	41.6	202.8	244.4
Segment liabilities	**228.8**	**407.8**	**636.6**	**381.1**	**237.8**	**618.9**	**382.4**	**239.7**	**622.1**
Unallocated liabilities:									
Other payables – Corporate			26.9			119.7			20.1
Deferred tax liability – Group			280.2			232.7			260.9
Income tax payable – Group			285.5			108.8			107.6
Dividend payable – Group			1.9			1.1			3.1
Elimination			(194.0)			(291.0)			(359.9)
Total liabilities			**1,037.1**			**790.2**			**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 to the Company.

Notes to the Interim Consolidated Financial Statements continued

for the six months ended 30 June 2006

4. Segment information continued

(a) Business segments continued

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

	Six months ended 30 June 2006				Six months ended 30 June 2005				Year ended 31 December 2005			
$ million	**Kazakh Mining**	**MKM**	**Corporate unallocated**	**Total**	Kazakh Mining	MKM	Corporate unallocated	Total	Kazakh Mining	MKM	Corporate unallocated	Total
Profit before taxation, finance items and negative goodwill	973.1	30.0	(18.6)	984.5	347.2	15.6	(3.3)	359.5	840.3	21.7	(19.5)	842.5
Special items:												
(Less)/add: write (back)/off of property, plant and equipment	(10.2)	–	–	(10.2)	0.3	–	–	0.3	6.8	–	–	6.8
Add/(less): loss/(gain) on disposal of property, plant and equipment	3.6	(0.1)	0.5	4.0	10.6	–	–	10.6	8.6	(4.0)	–	4.6
Profit before taxation, finance items and negative goodwill excluding special items	**966.5**	**29.9**	**(18.1)**	**978.3**	**358.1**	**15.6**	**(3.3)**	**370.4**	**855.7**	**17.7**	**(19.5)**	**853.9**
Add: depreciation and depletion	91.4	10.4	0.1	101.9	101.4	10.3	–	111.7	196.5	21.0	0.2	217.7
Add: amortisation	0.9	0.2	–	1.1	0.6	0.1	–	0.7	1.5	0.4	–	1.9
EBITDA excluding special items	**1,058.8**	**40.5**	**(18.0)**	**1,081.3**	**460.1**	**26.0**	**(3.3)**	**482.8**	**1,053.7**	**39.1**	**(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

	Six months ended 30 June 2006				Six months ended 30 June 2005				Year ended 31 December 2005			
$ million	**Kazakh Mining**	**MKM[1]**	**Corporate unallocated**	**Total**	Kazakh Mining	MKM[1]	Corporate unallocated[2]	Total	Kazakh Mining	MKM[1]	Corporate unallocated	Total
Cash and cash equivalents	96.8	18.6	466.8	582.2	14.4	25.8	128.8	169.0	13.1	2.6	506.3	522.0
Current investments	823.8	–	–	823.8	313.5	–	–	313.5	356.5	–	–	356.5
Borrowings	–	(378.5)	–	(378.5)	(204.2)	(191.0)	(100.0)	(495.2)	(41.6)	(202.6)	–	(244.2)
Inter-segment borrowings[1,2]	–	194.0	–	194.0	100.0	191.0	–	291.0	–	195.4	–	195.4
Finance leases	–	(0.1)	–	(0.1)	–	(0.5)	–	(0.5)	–	(0.2)	–	(0.2)
Redeemable preference shares	–	–	–	–	–	–	(0.1)	(0.1)	–	–	–	–
Net liquid funds/(debt)	**920.6**	**(166.0)**	**466.8**	**1,221.4**	**223.7**	**25.3**	**28.7**	**277.7**	**328.0**	**(4.8)**	**506.3**	**829.5**

1 Borrowings of MKM include amounts borrowed from the Kazakh Mining segment.
2 Borrowings of Kazakh Mining include amounts borrowed from the Corporate head office as at 30 June 2005.

4. Segment information continued
(a) Business segments continued
(v) Capital expenditure, depreciation, write (back)/off and impairment losses by business segments

$ million	Six months ended 30 June 2006				Six months ended 30 June 2005				Year ended 31 December 2005			
	Kazakh Mining	**MKM**	**Corporate unallocated**	**Total**	Kazakh Mining	MKM	Corporate unallocated	Total	Kazakh Mining	MKM	Corporate unallocated	Total
Property, plant and equipment	159.0	3.0	3.0	165.0	137.0	7.1	0.5	144.6	320.7	12.5	0.5	333.7
Mine stripping costs	5.9	–	–	5.9	7.0	–	–	7.0	26.5	–	–	26.5
Intangible assets	0.7	–	–	0.7	3.4	–	0.4	3.8	4.2	1.0	–	5.2
Capital expenditure	**165.6**	**3.0**	**3.0**	**171.6**	**147.4**	**7.1**	**0.9**	**155.4**	**351.4**	**13.5**	**0.5**	**365.4**
Depreciation and depletion	91.4	10.4	0.1	101.9	101.4	10.3	–	111.7	196.5	21.0	0.2	217.7
Amortisation	0.9	0.2	–	1.1	0.6	0.1	–	0.7	1.5	0.4	–	1.9
Depreciation, depletion and amortisation	**92.3**	**10.6**	**0.1**	**103.0**	**102.0**	**10.4**	**–**	**112.4**	**198.0**	**21.4**	**0.2**	**219.6**
Write (back)/off of assets and impairment losses	**(7.0)**	**1.3**	**–**	**(5.7)**	**3.6**	**–**	**–**	**3.6**	**11.4**	**–**	**0.4**	**11.8**

(b) Revenues by product

$ million	**Six months ended 30 June 2006**	Six months ended 30 June 2005	Year ended 31 December 2005
Kazakh Mining			
Copper cathodes	1,060.2	595.5	1,377.2
Silver in granules	117.8	77.2	147.3
Zinc metal	102.4	46.8	64.3
Copper rods	98.6	20.1	26.5
Zinc concentrate	59.1	1.6	15.0
Gold bullion	28.2	14.2	37.7
Other by-products	14.7	10.0	14.5
Other revenue	39.9	26.2	58.4
	1,520.9	**791.6**	**1,740.9**
MKM			
Wire	**416.5**	178.5	389.1
Sheet steel and steel strips	**190.6**	125.3	252.3
Tubes and bars	**119.5**	79.4	167.3
Metal trade	**32.3**	27.3	47.9
	758.9	**410.5**	**856.6**
Total revenues	**2,279.8**	**1,202.1**	**2,597.5**

Notes to the Interim Consolidated Financial Statements continued
for the six months ended 30 June 2006

4. Segment information continued
(b) Revenues by product continued
Provisional pricing
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 six months ended 30 June 2006 gains of $57.5 million (six months ended 30 June 2005: $8.4 million, year ended 31 December 2005: $52.4 million) relating to the difference between provisional pricing and final pricing have been included within revenues.

At 30 June 2006, copper sales totalling 2,496 tonnes (30 June 2005: 15,375 tonnes, 31 December 2005: 20,881 tonnes) remained to be finally priced and were recorded at that date at an average price of $8,474 per tonne (30 June 2005: $3,323 per tonne, 31 December 2005: $4,342 per tonne) based on provisional invoices.

The loss on sales contracts of $1.6 million arising in July 2006 and relating to contracts previously priced in June 2006, will be recognised in the second half of the year ended 31 December 2006.

(c) Revenues by destination

	Six months ended 30 June 2006			
$ million	**Europe**	**China**	**Other**	**Total**
Sales to third parties	1,659.2	302.5	318.1	2,279.8

	Six months ended 30 June 2005			
$ million	Europe	China	Other	Total
Sales to third parties	607.4	423.3	171.4	1,202.1

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

5. Write back/(off) of assets and impairment losses

$ million	**Six months ended 30 June 2006**	Six months ended 30 June 2005	Year ended 31 December 2005
Write back/(off) of property, plant and equipment	10.2	(0.3)	(6.8)
Release of provisions for/(provisions against) prepayments and other current assets	1.2	(2.7)	(3.8)
Impairment of investments	–	–	(1.8)
Write-off of goodwill	–	(0.4)	(0.4)
Provisions against trade and other receivables	(1.1)	(0.2)	(0.3)
(Provisions against)/release of provisions for obsolete inventories	(4.6)	–	1.3
	5.7	**(3.6)**	**(11.8)**

6. Finance income and finance costs

$ million	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
Finance income:			
Interest income	34.0	10.0	30.6
Foreign exchange gains	28.9	43.8	56.8
Total finance income	**62.9**	**53.8**	**87.4**
Finance costs:			
Interest expense	(1.7)	(6.3)	(8.8)
Interest on employee obligations	(1.0)	(0.4)	(2.0)
Unwinding of discount on provisions	(2.6)	(2.1)	(3.2)
Finance costs before foreign exchange losses	(5.3)	(8.8)	(14.0)
Foreign exchange losses	(92.7)	(45.5)	(67.8)
Total finance costs	**(98.0)**	**(54.3)**	**(81.8)**

7. Business combination

On 10 February 2006, the Group acquired 90% of ZhREK JSC, a power transmission company in Kazakhstan, for $2.3 million. The fair value of the net identifiable assets was $9.7 million, minority interests were $0.9 million and negative goodwill on acquisition was $6.5 million. Upon acquisition, the Group acquired cash of $0.3 million.

8. Income tax

(a) Income tax expense

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

$ million	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
Current income tax			
Corporate income tax – current period (UK)	0.2	1.0	2.2
Corporate income tax – current period (overseas)	281.0	137.9	269.8
Corporate income tax – prior periods	15.0	1.3	1.3
Excess profits tax	24.3	13.8	27.0
	320.5	154.0	300.3
Deferred income tax			
Corporate income tax – current period	(4.5)	(26.1)	(8.1)
Excess profits tax	1.0	(1.0)	5.1
	(3.5)	(27.1)	(3.0)
Income tax expense	**317.0**	**126.9**	**297.3**

Notes to the Interim Consolidated Financial Statements continued
for the six months ended 30 June 2006

8. Income tax continued
(b) Income tax reconciliation
The tax assessed on the profit for the period 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	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
Profit before taxation	955.9	359.0	848.1
At statutory income tax rate of 30%	286.8	107.7	254.4
Underprovided in previous periods	15.0	1.3	1.3
Unrecognised tax losses	5.6	2.4	4.7
Effect of higher tax rate in Germany	1.4	1.0	1.0
Change in the tax rate in Germany	–	–	(2.7)
Unremitted overseas earnings	6.8	4.8	11.9
Non deductible expenses/(non taxable income):			
Non taxable income of zinc plant	(26.5)	(4.0)	(8.3)
Recognition of negative goodwill	(2.0)	–	–
Non deductible expenses	4.6	0.9	2.9
Excess profits tax	25.3	12.8	32.1
At effective income tax rate of 33.2% (30/06/05: 35.3%, 31/12/05: 35.1%)	**317.0**	**126.9**	**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% (30 June 2005 and 31 December 2005: 35.98%) and relates to German corporate income tax and trade tax. The Directors have estimated the tax expense for the six months period ended 30 June 2006 based on the projected tax rate for the Group for the 12 months to 31 December 2006.

Excess profits tax is levied on profitable subsoil contracts where the Internal Rate of Return for the current period exceeds 20%. The effective rate for excess profits tax for those subsoil contracts liable to this tax is 36% (30 June 2005: 35%, 31 December 2005: 37%).

9. 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 2004 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 26 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 of 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 period attributable to equity shareholders of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the period. The Company has no dilutive potential ordinary shares.

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

$ million	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
Net profit attributable to equity shareholders of the Company	632.7	226.1	538.8

9. Earnings per share continued

(a) Basic and diluted EPS continued

	Six months ended 30 June 2006 No.	Six months ended 30 June 2005 No.	Year ended 31 December 2005 No.
Number of shares			
Weighted average number of ordinary shares of 20 pence each for EPS calculation	467,474,200	403,725,750	418,105,627
EPS – basic and diluted	**$1.35**	**$0.56**	**$1.29**

(b) EPS based on Underlying Profit

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

The following 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	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
Net profit attributable to equity shareholders of the Company	632.7	226.1	538.8
Special items:			
Recognition of negative goodwill	(6.5)	–	–
Write (back)/off of property, plant and equipment	(10.2)	0.3	6.8
Loss on disposal of property, plant and equipment	4.0	10.6	4.6
Tax effect of special items	(0.8)	(0.2)	(0.5)
Minority interest effect of special items	0.1	(0.1)	0.1
Underlying Profit	**619.3**	**236.7**	**549.8**

	Six months ended 30 June 2006 No.	Six months ended 30 June 2005 No.	Year ended 31 December 2005 No.
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	467,474,200	403,725,750	418,105,627
EPS based on Underlying Profit – basic and diluted	**$1.32**	**$0.59**	**$1.31**

Notes to the Interim Consolidated Financial Statements continued

for the six months ended 30 June 2006

10. Dividends paid and proposed

The dividend per share disclosures below have been calculated using the number of shares in issue at the date of payment after reflecting the share split that occurred on 26 September 2005 for comparability purposes. The dividends declared and paid during the six months ended 30 June 2006 and 2005, and the year ended 31 December 2005 are as follows:

	Per share $	Amount $ million
Six months ended 30 June 2006		
Declared by the Company:		
Final dividend in respect of year ended 31 December 2005 (sourced from 2005 earnings)	0.36	168.3
Six months ended 30 June 2005		
Declared by Kazakhmys LLC:		
Interim dividend payable to former shareholders (sourced from 2004 earnings)	0.13	52.1
Year ended 31 December 2005		
Declared by the Company:		
Interim dividend in respect of year ended 31 December 2005 (sourced from 2004 earnings)	0.27	110.0
Declared by Kazakhmys LLC:		
Interim dividend payable to former shareholders (sourced from 2004 earnings)	0.13	52.1
	0.40	**162.1**

The dividends shown above are those that have been declared and paid 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.

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 interim consolidated financial statements as cash outflows for the Group, consistent with the pooling of interests method of accounting.

Dividends 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 from 2004 earnings 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 from 2005 earnings by way of payment of the interim dividend in respect of the year ended 31 December 2005 by Kazakhmys LLC.

Dividend declared by the Company

	Per share $	Amount $ million
Declared by Directors on 18 September 2006 (not recognised as a liability as at 30 June 2006)		
Interim dividend in respect of year ended 31 December 2006	0.13	59.8

11. Property, plant and equipment

During the six months ended 30 June 2006, the Group acquired assets with a cost of $165.0 million (30 June 2005: $144.6 million, 31 December 2005: $333.7 million), of which $95.4 million related to new and expansionary projects (30 June 2005: $50.0 million, 31 December 2005: $181.4 million).

Assets with a book value of $4.1 million were disposed of by the Group during the six months ended 30 June 2006 (30 June 2005: $14.5 million, 31 December 2005: $11.9 million) resulting in a loss on disposal of $4.0 million (30 June 2005: $10.6 million, 31 December 2005: $4.6 million).

In addition to the above additions and disposals, during the six months ended 30 June 2006 property, plant and equipment:
- increased by $216.0 million as a result of foreign exchange movements on translation;
- increased by $10.2 million as a result of write backs;
- decreased by $100.1 million as a result of depreciation expense.

12. Current investments

Current investments include bank deposits of $823.8 million (30 June 2005: $313.0 million, 31 December 2005: $355.5 million) and available for sale securities of nil (30 June 2005: $0.5 million, 31 December 2005: $1.0 million). Bank deposits are deposits held at ABN Amro Bank, Citibank Kazakhstan, Bank Turan Alem, HSBC Bank Kazakhstan and Halyk Bank.

13. Cash and cash equivalents

$ million	As at 30 June 2006	As at 30 June 2005	As at 31 December 2005
Cash deposits with maturities of less than three months	435.4	–	496.7
Cash at bank	146.6	168.8	25.1
Petty cash	0.2	0.2	0.2
	582.2	**169.0**	**522.0**

Cash deposits are principally held at Credit Suisse First Boston, ABN Amro Bank and HSBC Bank.

14. Share capital and reserves

(a) Authorised and allotted share capital

As described in the annual financial statements for the year ended 31 December 2005, a pooling of interests method of accounting has been applied in the presentation of the financial information. This method presents the results of the Group as if the Company had always been the parent company. This has the effect that, despite the Company not being incorporated until 15 July 2004, the ordinary share capital shown throughout the period of the financial information is that of the Company resulting from the share exchange with the previous shareholders of Kazakhmys LLC.

On 23 September 2005, a share split took place in which each ordinary share of £5 was sub-divided into 25 ordinary shares of 20 pence each.

	Number	£ million	$ million
Authorised			
As at 30 June 2006	750,000,000	150.0	–
Allotted and called up share capital[1]			
As at 30 June 2006	467,474,200	93.5	173.3
As at 30 June 2005	403,725,750	80.7	151.1
As at 31 December 2005	467,474,200	93.5	173.3

1 Excluding the one special share of £1 each which was cancelled on 23 May 2005 (refer Note 14(c)).

The changes in share capital, including the impact of the share split are shown below:

	Number of shares	Share capital $ million	Share premium $ million	Total $ million
Ordinary shares of £5 each issued and fully paid				
Issued to initial shareholders	2	–	–	–
Issued pursuant to share exchange agreements[1]	16,149,028	151.1	–	151.1
At 23 September 2005	**16,149,030**	**151.1**	**–**	**151.1**
Share capital following the share split:				
Ordinary shares of 20 pence each issued and fully paid				
Shares in issue at 23 September 2005	403,725,750	151.1	–	151.1
Issued pursuant to transaction with Kinton Trade Limited	5,314,425	1.9	32.5	34.4
Issued pursuant to the Company's Listing (net of expenses $57.2 million)	58,434,025	20.3	470.9	491.2
At 31 December 2005 and 30 June 2006	**467,474,200**	**173.3**	**503.4**	**676.7**

1 Includes 80 ordinary shares of £5 each which were actually issued on 29 December 2005 as 2,000 ordinary shares of 20 pence each. These shares have been included in the proforma number of shares issued pursuant to the share exchange agreements to reflect the pooling of interests method of accounting for the transaction rather than its legal form.

Notes to the Interim Consolidated Financial Statements continued

for the six months ended 30 June 2006

14. Share capital and reserves continued

(b) Ordinary shares

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 in the capital of the Company into 25 ordinary shares of 20 pence each; and
- 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 at 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 were ordinary shares of 20 pence each 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 30 June 2005 and 31 December 2005 the Company had one 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) 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.

(ii) Reserve fund

In accordance with legislation of the Republic of Kazakhstan the reserve fund comprises prescribed transfers from retained earnings amounting to 15% of Kazakhmys LLC's charter capital. During the six months ended 30 June 2006, the reserve fund was increased by $28.2 million as a result of the contributions to charter capital of Kazakhmys LLC (see Note 14(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.

(e) Capital contributions to charter capital of Kazakhmys LLC

Between 31 January 2006 and 14 March 2006, the Company made capital contributions of $186.7 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 share in Kazakhmys LLC increased from 98.68% at 31 December 2005 to 99.08% at 30 June 2006.

15. Borrowings

During the period, the Group via its subsidiary MKM, obtained a borrowing facility from Deutsche Bank. The maximum amount that can be borrowed under the facility is conditional upon a maximum of 80% of trade debtors plus the market value of inventory minus the trade creditors for metal purchases but not more than $250.0 million, of which $184.5 million has been drawn down at 30 June 2006. The loan bears interest at Euribor +1.45% and is repayable over four years. The loan is secured over the receivables and inventory of MKM. Proceeds of the loan were used to repay borrowings of $25.4 million from Kazakhmys LLC and support additional working capital requirements of MKM.

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

$ million	Six months ended 30 June 2006	Six months ended 30 June 2005	Year ended 31 December 2005
Profit before taxation	**955.9**	**359.0**	**848.1**
Interest income	(34.0)	(10.0)	(30.6)
Interest expense	1.7	6.3	8.8
Depreciation and depletion	101.9	111.7	217.7
Amortisation	1.1	0.7	1.9
Recognition of negative goodwill	(6.5)	–	–
Write (back)/off of assets and impairment losses	(5.7)	3.6	11.8
Loss on disposal of property, plant and equipment	4.0	10.6	4.6
Unrealised foreign exchange loss	46.5	1.7	0.3
Operating cash flows before changes in working capital and provisions	**1,064.9**	**483.6**	**1,062.6**
Increase in inventories	(123.0)	(42.6)	(97.1)
(Increase)/decrease in prepayments and other current assets	(31.0)	(28.6)	18.0
Increase in trade and other receivables	(7.3)	(17.5)	(69.5)
(Increase)/decrease in restricted cash	(1.7)	27.5	29.0
Increase in employee benefits	0.7	0.1	1.2
(Decrease)/increase in provisions	(9.5)	0.3	3.4
(Decrease)/increase in trade and other payables	(25.2)	29.4	20.3
Cash flows from operations before income taxes and interest	**867.9**	**452.2**	**967.9**
Interest paid	(0.2)	(7.1)	(9.0)
Income taxes paid	(169.2)	(190.2)	(333.3)
Net cash inflow from operating activities	**698.5**	**254.9**	**625.6**

17. Movement in net liquid funds

$ million	As at 1 January 2006	Cash flow	Net exchange adjustments	Other non cash movements[1]	As at 30 June 2006
Cash and cash equivalents	522.0	81.0	(20.8)	–	582.2
Current investments	356.5	446.2	73.2	(52.1)	823.8
Borrowings	(48.8)	(125.7)	(10.8)	0.8	(184.5)
Finance leases	(0.2)	0.1	–	–	(0.1)
Net liquid funds	**829.5**	**401.6**	**41.6**	**(51.3)**	**1,221.4**

$ million	As at 1 January 2005	Cash flow	Net exchange adjustments	Other non cash movements[1]	As at 30 June 2005
Cash and cash equivalents	74.1	99.6	(4.7)	–	169.0
Current investments	259.9	57.0	(12.6)	9.2	313.5
Borrowings	(101.0)	(103.6)	6.5	(6.1)	(204.2)
Finance leases	(1.0)	0.4	0.1	–	(0.5)
Redeemable preference shares	(0.1)	–	–	–	(0.1)
Net liquid funds	**231.9**	**53.4**	**(10.7)**	**3.1**	**277.7**

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

Notes to the Interim Consolidated Financial Statements continued

for the six months ended 30 June 2006

17. Movement in net liquid funds continued

$ million	As at 1 January 2005	Cash flow	Net exchange adjustments	Other non cash movements[1]	As 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	2.5	(4.3)	(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**	**(11.0)**	**2.0**	**829.5**

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

18. Commitments and contingencies

There have been no material changes in commitments and contingencies since 31 December 2005.

19. Related party disclosures

(a) Transactions with related parties

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

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

$ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Apro Limited:				
Six months to 30 June 2006	–	–	–	–
Six months to 30 June 2005	20.6	–	–	–
Year to 31 December 2005	20.6	–	–	–
HOZU Corporation:				
Six months to 30 June 2006	–	–	–	–
Six months to 30 June 2005	–	0.1	13.5	–
Year to 31 December 2005	–	0.2	0.2	–
Companies under trust management:				
Six months to 30 June 2006	5.1	4.2	13.7[1]	2.2
Six months to 30 June 2005	5.5	4.0	14.9[1]	–
Year to 31 December 2005	15.7	7.6	12.4[1]	1.6
Other companies:				
Six months to 30 June 2006	7.9	1.3	5.9	0.5
Six months to 30 June 2005	0.2	0.2	–	–
Year to 31 December 2005	7.1	7.2	1.8	2.0

1 A provision of $9.7 million (30 June 2005: $21.2 million, 31 December 2005: $13.9 million) has been set against the balance.

The Group operates a number of companies under trust management agreements with local and state authorities. The activities include heating distribution systems, road maintenance and aviation services. The purpose of these agreements is to provide public and social services without any material financial benefit for the Group. Transactions between the Group and these companies are conducted on an arm's length basis.

19. Related party disclosures continued

(b) Option agreement with Executive Chairman

On 14 March 2006, the Company announced that a vehicle wholly owned by the Company's Executive Chairman, Mr 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 Mr Kim's shareholding in EKH. The terms of the call option allow the Company, at its absolute discretion, from 1 January 2007 to and until 31 December 2007, to call for Mr 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 Mr 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. Mr 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. Specifically, they should be measured at cost, less impairment, if their fair value cannot be reliably measured. The Directors have considered the requirements of IAS 39 in this regard and are of the view that the fair value 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 of 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 with Mr Kim.

(c) Directors' interests

The interests of the Directors who were in office at 30 June 2006 in the share capital of the Company were as follows:

	30 June 2006	31 December 2005
Mr Vladimir Kim[1]	186,685,950	186,685,950
Mr Yong Keu Cha[2,3]	72,946,982	72,946,982
Mr Oleg Novachuk[4]	51,462,545	51,462,545
Mr David Munro	41,211	41,211
Mr Vladimir Ni	–	–
Mr James Rutland	–	–
Lord Renwick	–	–

1 Mr Kim's interest is represented through a 100% interest in Cuprum Holding B.V. and a 50% interest in Harper Finance Limited. Additionally, Mr Kim is registered and beneficial holder of 6,175 ordinary shares (31 December 2005: 6,175).
2 Mr Cha's interest is represented through a 100% interest in Perry Partners S.A.
3 Mr Cha will cease to be a Director effective from 31 December 2006.
4 Mr Novachuk's interest is represented through a 44.94% interest in Harper Finance limited. In addition, Mr Novachuk holds a 50% interest in Kinton Trade Limited, a minority shareholder of the Company, which owns 11,723,045 ordinary shares.

20. Events after the balance sheet date

On 18 September 2006 the Directors declared an interim dividend in respect of the year ended 31 December 2006 of 12.8 US cents per ordinary share. The dividend shall be paid on 27 October 2006 to shareholders on the register as at 29 September 2006.

Independent Review Report to Kazakhmys PLC

Introduction
We have been instructed by Kazakhmys PLC to review the financial information of Kazakhmys PLC and it subsidiaries ('the Group') for the six months ended 30 June 2006 which comprises the interim consolidated balance sheet and the related interim consolidated income statement, interim consolidated cash flow statement, and the interim consolidated statement of changes in equity and related notes 1 to 20. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 *'Review of Interim Financial Information'* issued by the United Kingdom Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'* ('IAS 34'). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
London, United Kingdom
18 September 2006

Interim Dividend

Interim dividend on the Company's ordinary share capital in respect of the six months ended 30 June 2006 will be paid as follows:

Amount to be paid in US dollars	12.8 US cents per ordinary share
Currency conversion dates (five business days)	12-18 September 2006
Ex-dividend date	27 September 2006
Record date	29 September 2006
Dividend warrants posted	26 October 2006
Payment date of dividend	27 October 2006

The interim dividend will be paid on 27 October 2006 to shareholders on the register at close of business on 29 September 2006.

Production and Sales Figures
for the six months ended 30 June 2006

1. Summary of significant production and sales figures

	30 June 2006	30 June 2005
Kazakh Mining:		
Ore mined (kt)	20,127	19,458
Copper content in ore mined (%)	1.10	1.03
Copper cathode production (kt):		
From own concentrate	169	167
From purchased concentrate	18	26
Total copper cathodes produced (excluding tolling) (kt)	**187**	**193**
Tolling (kt)	1	7
Total copper cathodes produced (including tolling) (kt)	**188**	**200**
Total copper cathodes and copper rods sold (kt)	**178**	**178**
MKM:		
Wire sales (kt)	82	59
Flat sales (kt)	31	30
Tubes and Bars sales (kt)	21	20
Total MKM sales (kt)	**134**	**109**

2. Mining

Metal Mining

	Ore mined		Copper		Zinc		Gold		Silver	
	30 June 2006 kt	30 June 2005 kt	30 June 2006 %	30 June 2005 %	30 June 2006 %	30 June 2005 %	30 June 2006 g/t	30 June 2005 g/t	30 June 2006 g/t	30 June 2005 g/t
Zhezkazgan Complex:										
North	1,620	1,705	0.67	0.74	–	–	–	–	7.31	10.46
South	3,434	3,541	0.73	0.87	–	–	–	–	12.82	13.45
Stepnoy	1,693	1,769	0.79	0.76	–	–	–	–	17.42	18.50
East	2,886	2,815	0.91	1.01	–	–	–	–	20.04	27.47
West	1,386	1,594	0.40	0.69	–	–	–	–	12.93	22.66
Annensky	2,435	2,328	1.13	1.11	–	–	–	–	22.17	21.26
Zhaman-Aybat	596	–	1.11	–	–	–	–	–	5.46	–
Total	**14,050**	**13,752**	**0.82**	**0.89**	**–**	**–**	**–**	**–**	**15.54**	**18.99**
Balkhash Complex:										
Kounrad	1,175	1,828	0.34	0.29	–	–	–	–	1.89	1.62
Shatyrkul	244	217	2.04	2.34	–	–	0.29	0.33	2.48	2.65
Sayak I and Sayak III	867	778	1.12	1.21	–	–	0.25	0.31	5.95	6.11
Total	**2,286**	**2,823**	**0.82**	**0.70**	**–**	**–**	**0.26[1]**	**0.31[1]**	**3.49**	**2.94**
East Region:										
Orlovskoe	833	833	4.28	4.34	3.90	3.92	0.57	0.54	54.47	53.21
Belousovskoe	132	116	0.91	0.72	3.26	2.40	0.50	0.47	49.85	46.50
Irtyshskoe	252	219	1.19	1.02	2.63	2.45	0.29	0.31	40.02	43.85
Nikolaevskoe	380	1,108	1.06	1.00	2.07	1.84	0.21	0.17	22.04	16.88
Yubileyno-Snegirikhinskoe	189	152	4.32	3.62	3.17	4.97	0.57	0.65	42.74	45.14
Artemyevskoe	532	–	1.68	–	6.85	–	1.75	–	161.32	–
Total	**2,318**	**2,428**	**2.63**	**2.30**	**4.04**	**2.83**	**0.75**	**0.35**	**70.90**	**34.96**
Karaganda Region:										
Abyz	184	233	1.68	0.80	3.47	4.71	3.71	6.38	47.65	62.62
Nurkazgan	1,023	222	1.22	0.35	–	–	0.31	0.13	3.76	1.24
Kosmurun	266	–	4.29	–	–	–	1.53	–	22.7	–
Total	**1,473**	**455**	**1.83**	**0.58**	**3.47[2]**	**4.71[2]**	**0.96**	**3.33**	**12.67**	**32.67**
Total Kazakh Mining	**20,127**	**19,458**	**1.10**	**1.03**	**4.00[3]**	**2.99[3]**	**0.70[4]**	**0.69[4]**	**20.34**	**18.97**

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

Coal Mining

	Coal mined		Waste stripped		Strip ratio	
	30 June 2006 kt	30 June 2005 kt	30 June 2006 kbcm	30 June 2005 kbcm	30 June 2006 bcm:t	30 June 2005 bcm:t
Borlynskoe	3,231	2,738	4,699	2,874	1.45	1.05
Kuu-Chekinskoe	500	600	2,048	2,352	4.09	3.92
Total	**3,731**	**3,338**	**6,747**	**5,226**	**1.81**	**1.57**

Production and sales figures continued

for the six months ended 30 June 2006

3. Processing

Copper processing

	Copper concentrate produced		Copper in concenrate	
	30 June 2006 kt	30 June 2005 kt	30 June 2006 %	30 June 2005 %
Zhezkazgan Complex:				
Zhezkazgan No.1	90	96	39.6	40.3
Zhezkazgan No.2	104	118	39.5	39.6
Satpayev	86	86	28.0	26.9
Total	**280**	**300**	**36.0**	**36.2**
Balkhash Complex:				
Balkhash	133	92	18.3	18.0
Total	**133**	**92**	**18.3**	**18.0**
East Region:				
Orlovskoe	160	158	20.1	20.7
Belousovskoe	6	5	13.5	15.1
Irtyshskoe	13	10	13.4	14.3
Nikolaevskoe	81	68	16.0	14.4
Total	**260**	**241**	**18.4**	**18.5**
Karaganda Region:				
Karagaily (Abyz)	44	39	3.8	2.1
Karagaily (Kosmurun)	27	–	17.3	–
Total	**71**	**39**	**9.0**	**2.1**
Own copper concentrate processed by third party	17	14	24.2	15.8
Total (own concentrate)	**761**	**686**	**24.1**	**25.2**
Purchased concentrate	91	138	21.0	20.1
Total (own and purchased concentrate)	**852**	**824**	**23.8**	**24.3**

4. Zinc and precious metals processing

	Zinc contrentrate produced		Zinc in concentrate		Silver		Gold	
	30 June 2006 kt	30 June 2005 kt	30 June 2006 %	30 June 2005 %	30 June 2006 g/t	30 June 2005 g/t	30 June 2006 g/t	30 June 2005 g/t
Zhezkazgan Complex:								
Zhezkazgan No.1	–	–	–	–	776.6	825.5	–	–
Zhezkazgan No.2	–	–	–	–	701.3	939.3	–	–
Satpayev	–	–	–	–	576.9	488.0	–	–
Total	**–**	**–**	**–**	**–**	**687.5**	**772.8**	**–**	**–**
Balkhash Complex:								
Balkhash	–	–	–	–	54.4	54.8	2.8	2.1
Total	**–**	**–**	**–**	**–**	**54.4**	**54.8**	**2.8**	**2.1**
East Region:								
Orlovskoe	51	54	45.0	42.3	106.7	120.2	1.2	1.2
Belousovskoe	7	5	43.9	43.8	590.8	611.6	5.7	5.8
Irtyshskoe	7	7	38.4	35.9	422.9	460.6	2.3	2.1
Nikolaevskoe	28	27	40.9	35.4	137.2	90.3	1.4	0.7
Yubileyno-Snegirikhinskoe (KazZinc)	–	8	–	32.0	–	177.5	–	2.0
Artemyevskoe (KazZinc)	56	–	51.7	–	2,697.5	–	14.5	–
Total	**149**	**101**	**43.2**	**39.9**	**143.2**	**135.9**	**1.4**	**1.2**
Karaganda Region:								
Karagaily	5	8	33.8	34.8	124.7	178.9	8.4	18.3
Total	**5**	**8**	**33.8**	**34.8**	**124.7**	**178.9**	**8.4**	**18.3**
Total Kazakh Mining	**154**	**109**	**42.7**[1]	**39.5**[1]	**330.5**[1]	**411.7**[1]	**2.9**[1]	**3.2**[1]

1 Production from own concentrators within East Region and Karaganda Region.

5. Copper Smelter/Refinery – copper cathodes production

	Concentrate smelted		Copper in concentrate		Copper cathodes	
	30 June 2006 kt	30 June 2005 kt	30 June 2006 %	30 June 2005 %	30 June 2006 kt	30 June 2005 kt
Zhezkazgan Complex:						
Own concentrate	317	316	34.0	34.9	102	108
Purchased concentrate	9	27	26.8	24.7	3	7
Other[1]	71	77	–	–	1	3
Total	**397**	**420**	**28.6**	**28.7**	**106**	**118**
Balkhash Complex:						
Own concentrate	461	345	16.6	17.1	65	56
Purchased concentrate	83	107	20.1	18.8	15	19
Other[1]	46	79	–	–	1	–
Total	**590**	**531**	**16.0**	**15.2**	**81**	**75**
Total Kazakh Mining (excluding tolling)	**987**	**951**	**21.2**	**21.2**	**187**	**193**
Tolling	–	6	83.0	82.2	1	7
Total Kazakh Mining (including tolling)	**987**	**957**	**21.1**	**21.5**	**188**	**200**

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

Production and Sales Figures continued
for the six months ended 30 June 2006

6. Copper Smelter/Refinery – copper rod and acid production

	Copper rod		Acid production	
	30 June 2006 kt	30 June 2005 kt	30 June 2006 kt	30 June 2005 kt
Zhezkazgan	14	6	106	117
Balkhash	–	–	–	–
Total	**14**	**6**	**106**	**117**

7. Zinc Smelter/Refinery – zinc metal production

	Zinc concentrate smelted		Zinc in concentrate		Zinc metal	
	30 June 2006 kt	30 June 2005 kt	30 June 2006 %	30 June 2005 %	30 June 2006 kt	30 June 2005 kt
Total (all Balkhash Complex)	**85**	**113**	**45.7**	**41.1**	**34**	**29**

8. Precious metal production

	Silver		Gold	
	30 June 2006 koz	30 June 2005 koz	30 June 2006 koz	30 June 2005 koz
Kazakhmys	10,660	10,593	54	47
Tolling	32	45	24	16
Total (including tolling)	**10,692**	**10,638**	**78**	**63**

9. Other production – Kazakh Mining

	30 June 2006	30 June 2005
Electricity power space (GWh)	3,358	3,137
Heating power (KGcal)	2,431	2,444
Enamel wire (t)	195	264
Lead dust (t)	7,236	7,443

10. Kazakh Mining sales

	30 June 2006		30 June 2005	
	kt[1]	$ million	kt[1]	$ million
Copper cathode	163	1,060.2	173	595.5
Copper rod	15	98.6	5	20.1
Total copper sales	**178**	**1,158.8**	**178**	**615.6**
Zinc concentrate	81	59.1	8	1.6
Zinc metal	37	102.4	38	46.8
Silver (koz)	10,835	117.8	10,963	77.2
Gold (koz)	47	28.2	33	14.2

1 Kilotonne unless stated.

11. Average realised prices

	30 June 2006	30 June 2005
Copper ($/t)	6,510	3,458
Zinc ($/t)	2,767	1,231
Silver ($/oz)	10.87	7.04
Gold ($/oz)	600	430

12. MKM production and sales

	30 June 2006		30 June 2005	
	Production kt	Sales kt	Production kt	Sales kt
Wire rod	62.5	62.2	43.8	43.4
Drawn wire	19.9	19.6	15.4	15.6
Total wire	**82.4**	**81.8**	**59.2**	**59.0**
Pre-rolled	1.1	1.2	3.8	3.8
Sheets	7.7	7.6	6.3	5.9
Strips	22.7	22.6	20.9	20.6
Total flat	**31.5**	**31.4**	**31.0**	**30.3**
Tubes	10.1	9.9	9.5	9.3
Bars	11.3	11.1	10.8	10.9
Total tubes and bars	**21.4**	**21.0**	**20.3**	**20.2**
Total MKM	**135.3**	**134.2**	**110.5**	**109.5**

Glossary

AGM or Annual General Meeting
The Annual General Meeting of the Company which was held on 23 May 2006

Apro
Apro Limited, a company incorporated in England, and a related party of the Group

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

Board or Board of Directors
The board of directors of the Company

Capital Employed
The aggregate of equity attributable to shareholders, minority interests and borrowings

Cash cost of copper after by-product credits
The US dollar cash cost of copper per metric tonne after revenues arising from by-products

CIS
Commonwealth of Independent States

Company or Kazakhmys
Kazakhmys PLC

Directors
The directors of the Company

Dollar or $
United States dollars, the currency of the United States of America

EBITDA
Earnings before interest, tax, depreciation and amortisation

EKH
ENRC Kazakhstan Holding B.V., the holding company for certain assets of the Eurasia Natural Resources group's metals and mining business

EURIBOR
European Inter Bank Offer Rate

EPS
Earnings per share

EPS based on Underlying Profit
Earnings per share based on Underlying Profit is calculated by dividing Underlying Profit by the weighted average number of ordinary shares of 20 pence each outstanding during the year

EPT
Excess profits tax

Free Cash Flow
Net cash flows from operating activities less sustaining capital expenditure on tangible and intangible assets and investment in mine stripping costs

FTSE 100
Financial Times Stock Exchange top 100 companies

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

g/t
grammes per metric tonne

The Group
Kazakhmys PLC and its subsidiary companies

HSE Committee
Health Safety and Environment Committee

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

Kazakh Mining business
The Kazakh mining operations, which involve the processing and sale of copper and other metals

Kazakhmys LLC
Kazakhmys Corporation LLC, the Group's principal operating subsidiary in Kazakhstan

Kazakhstan
The Republic of Kazakhstan

kbcm
Thousand bank cubic metres

KGcal
One thousand Gigacalories, units of heat energy

koz
Thousand ounces

kt
Thousand metric tonnes

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

LME
London Metal Exchange

LSE
London Stock Exchange

MKM
Mansfelder Kupfer und Messing GmbH, the Group's operating subsidiary in the Federal Republic of Germany

ROCE
Return On Capital Employed, defined as profit before taxation, finance items and negative goodwill over capital employed

$/t , $/tonnes
US dollars per metric tonne

Special Items
Those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. Special Items are set out in note 4(a) to the financial information

t
Metric tonnes

Tenge or KZT
The official currency of the Republic of Kazakhstan

Underlying Profit
Profit for the year after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and minority interest effects

Notes

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **020 7729 9090** **www.emperordesign.co.uk**

Kazakhmys PLC
6th Floor
Cardinal Place
100 Victoria Street
London SW1E 5JL
United Kingdom

T: 0845 080 2369
T: +44 (0)20 7901 7800 (international)
F: 0845 080 2572
E: info@kazakhmys.com

www.kazakhmys.com