KAZAKHMYS PLC

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KAZAKHMYS PLC TRADING UPDATE
FOR THE YEAR ENDED 31 DECEMBER 2009

This statement provides operational and unaudited financial results for Kazakhmys' managed businesses. The statement excludes the contribution from ENRC PLC, in which Kazakhmys has a 26% shareholding. A further announcement including this contribution will be released on 30 March 2010.

OPERATIONAL AND NON-FINANCIAL HIGHLIGHTS

- ***Production of all metals ahead of target***
  - Copper cathode equivalent production of 320 kt against a target of 300 kt
  - Benefited from stockpiled material and operational efficiencies

- ***Power Division shows robust progress***
  - Demand recovered strongly during the year
  - Tariffs benefited from improved market conditions

- ***Major strategic developments***
  - Arranged $2.7 billion funding for growth projects
  - Bozshakol copper mine moves to feasibility stage in 2010
  - Development of joint venture at Ekibastuz GRES-1

FINANCIAL

- ***EBITDA from managed businesses (excluding special items) of $1,211 million***
  - Reduction of 26%, reflecting lower copper prices, but partially offset by lower costs and improved efficiencies

- ***Net copper production costs for full year remain low at 72 US cents per pound***
  - Significant benefit from higher by-product prices in the second half of the year

- ***Substantial reduction in net debt***
  - Reflecting cash generation from operating activities
  - Receipt of $681 million from disposal of 50% of Ekibastuz GRES-1
  - Management action to reduce operating costs and capital expenditure

- ***Reinstatement of full year dividend of $48 million (9.0 US cents per share)***
  - Demonstrates confidence in the business and commodity prices
  - Funding for growth projects secured

2010 STRATEGY AND OUTLOOK

- ***Growth projects in progress***
  - Bozshakol to complete feasibility study in 2010
  - Bozymchak in development with first production end of 2010
  - Commencing refurbishment of Unit 8 at Ekibastuz GRES-1

- ***Target production of 300 kt of copper cathode equivalent in 2010***

$ million (unless otherwise stated)	**Year ended 31 December 2009**	Year ended 31 December 2008
Revenues[1]	**3,680**	5,151
EBITDA from managed businesses (excluding special items)[1]	**1,211**	1,627
Copper	**1,027**	1,597
Power	**120**	42
Other	**64**	(12)

[1] From all managed businesses (both continuing and discontinued operations).
All references to $ refer to US dollars unless otherwise stated.

Oleg Novachuk, Chief Executive of Kazakhmys PLC, said: "Against the challenging backdrop for 2009, the Group produced an outstanding performance, and ended the year in a far stronger position than it started. The management team controlled the cost base well, protected cash and enhanced operational efficiency. The completion of the Ekibastuz power joint venture has strengthened our balance sheet and, combined with the recent arrangement of our $2.7 billion loan facility, we have flexibility and confidence to deliver our growth projects and develop our business. We believe we have many opportunities and we approach 2010 with enthusiasm."

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

Although Kazakhmys believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements.

No part of these results constitutes, or shall be taken to constitute, an invitation or inducement to invest in Kazakhmys PLC, or any other entity, and shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the Rules of the UK Listing Authority and applicable law, Kazakhmys undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

TRADING UPDATE
This trading update covers the production and selected unaudited financial results of the Kazakhmys Group for the year ended 31 December 2009. A full consolidated preliminary results announcement will be made on 30 March 2010, after ENRC PLC has announced their results for 2009. The Group has a holding of 26% of ENRC PLC and the final results for Kazakhmys will include a proportionate share of ENRC's earnings, on an equity accounting basis. The results in this statement do not include any share of ENRC's earnings.

Summary for 2009 financial year

At the start of 2009 we were presented with a challenging environment. The instability in the global financial sector, which had begun in 2008, fed through to industrial activity with manufacturers uncertain about demand for their products and constrained by lack of funding. Reflecting the poor economic outlook, copper prices started 2009 at a depressed level of $3,071 per tonne, compared to their 2008 peak of $8,985 per tonne in July.

Against this background, the Board set two clear aims for 2009; to focus on efficiency and to conserve cash. These objectives were successfully achieved by operational management, so that despite a very challenging situation, the Group produced a very successful outcome.

Kazakhmys ended 2009 in a stronger position than it had started, toughened by the experience and with a full understanding of the importance of the value of production, rather than the volume.

At the end of 2008, we suspended four high cost operations and set a target to produce 300 kt of copper cathode equivalent in 2009. By making full use of stockpiled material and benefiting from previous capital investment, management exceeded this target and produced 320 kt. The emphasis on efficiency and conserving cash was also seen in unit costs, which were contained at 72 US cents per pound over the year, compared to the 116 US cents per pound reported in 2008.

Over the course of 2009, copper proved to be a resilient metal. Even in the worst periods, demand from our own customers remained steady. By the time of our half-yearly results in August 2009, the copper price had recovered to $6,305 per tonne and finished the year at $7,346 per tonne. Demand for copper from China, one of our principal markets, was helped by a successful government stimulus package. The key role that copper plays in a wide range of applications, and the tightness of copper supply, also assisted its price recovery during 2009.

Our realised copper price was $5,024 per tonne in 2009 compared to $6,714 per tonne in 2008. The lower copper price impacted revenue from continuing operations, which was $2,404 million compared to $3,276 million in 2008. Additional tonnage from stockpiled material and lower costs both assisted profitability, although EBITDA from managed businesses (excluding special items) declined to $1,211 million from $1,627 million in 2008 due to lower commodity prices.

Balance sheet and funding

The balance sheet has strengthened over the course of the year. Net cash was generated from operations of $820 million and, shortly after the year end, we completed the sale of 50% of Ekibastuz GRES-1 to Samruk for $681 million. These proceeds leave the Group with net debt of $689 million from continuing operations excluding the Power Division and MKM. We also recently arranged a loan facility of up to $2.7 billion, which places the Group in a strong position to deliver its growth projects.

Strategy

Our long-term strategy remains the same as that set at our Listing in 2005 – to optimise the performance of our assets, deliver our growth projects and take advantage of natural resource opportunities in Central Asia.

In 2009, we focused on the first part of our strategy with considerable success, as seen in these results. In 2010, there is still much work to be done on optimising and improving our efficiency, and we are in a good position to deliver on the second part of our strategy, and move our growth projects forward. We will continue to evaluate other opportunities for acquisition and development, the third part of our strategy, as they become available.

Growth projects

The Group has two major growth projects at Aktogay and Bozshakol, where pre-feasibility studies were completed in 2009. There is also a series of mid-sized projects which we are planning. Once commissioned, all these projects should lead to a significant increase in copper output within the next four years.

Funding has now been established for Bozshakol, through our new loan facility, and the feasibility study should be completed by the end of 2010. The pre-feasibility study showed the project making attractive returns and Bozshakol should be able to move into first production by early 2014. The feasibility study for Aktogay will commence as soon as we secure funding for the project.

ENRC holding

We continue to be the largest shareholder in ENRC PLC, with a holding of 26%. ENRC is a major mining company, listed in London, but principally operating in Kazakhstan. ENRC has a different suite of metals from us, producing iron ore, aluminium and ferrochrome. We believe that this holding diversifies our earnings and presents us with strategic options.

Power Division

At the end of 2009, we announced the sale of 50% of Ekibastuz GRES-1 to Samruk. When we purchased Ekibastuz GRES-1, we stated that we would bring in a partner and Samruk is well suited in many respects. Samruk will share the capital risk of investment, provide access to coal supplies and they have a sound understanding of the sector.

Output declined at the start of the year, with the economic downturn reducing demand for power. Demand recovered sharply during the year and in the future, Ekibastuz GRES-1 will benefit from rising demand in Kazakhstan and Russia. Through our 50% ownership of Ekibastuz GRES-1, we have secured the necessary power supply for all our future growth projects.

Shared with our new partner, we will be investing around $1 billion over the next seven years to restore the power station to its original 4,000 MW capacity. In 2009, higher ceiling power tariffs were set by the Government of Kazakhstan for the next six years, which will allow Ekibastuz GRES-1 to produce the cash required for reinvestment and provide sufficient economic return to justify this level of investment.

MKM

MKM is a downstream copper fabricating business in Germany which we acquired in 2004, before our Listing. MKM is a well managed business, with modern technology and some market leading positions, but it has limited synergies with our main copper mining business. The Directors have therefore decided to dispose of the business and early stage discussions with a number of potential buyers are in progress.

Sales

Each year we contract between 80% and 90% of our anticipated sales of copper and these contracts are evenly divided between Europe and China. Kazakhstan is an ideal location for serving these two major markets and remains a strength for the Group. We have an established group of customers in both markets and the value of these relationships was apparent over the past year. I should like to thank our customers for their support and we look forward to growing with them.

Corporate responsibility

The success of the Group is principally due to the efforts of our employees and this has been particularly evident in 2009. I should like to thank them for their assistance in this challenging year.

We continue to develop our reporting in the key areas of health and safety, environment and community. Kazakhmys has a strong commitment to support the local communities where we operate and this will be maintained. In 2009, we spent around $88 million on social investment, the largest programme of its kind in Kazakhstan. This expenditure included the completion of a major public college in Astana and our own second in-house training facility at Balkhash.

I regret to inform you that in 2009 there were 15 fatalities. This is the lowest level that there has been since Listing and there are some actions in this area starting to have an impact, although the challenges remain substantial. The Board is committed to zero fatalities and will provide whatever investment in education or equipment is required.

The Board

During 2009, two non-executive Directors were appointed to the Board, Peter Hickson and Clinton Dines. Peter brings considerable experience of the power industry whilst Clinton has worked in the resource industry in China for 30 years. Our Board not only has an exceptional range of experience, but each of our non-executive Directors has worked in an area relevant to the Group. This breadth and depth of knowledge is of great assistance and I should like to thank them for their continued guidance over the past year.

Share price and dividends

The recovery of the copper price over 2009 and the success of our own actions led to a sharp rise in our share price, from 231 pence at the beginning of the year to 1,328 pence at the end. This 475% increase made Kazakhmys shares the strongest performer in the FTSE 100 index during 2009.

The dividend policy followed by the Board remains the same as that set at the time of Listing - to take into account the profitability of the business, as well as its cash flows and growth requirements. With the strengthening of the balance sheet and the recovery in cash flows, we believe that it is appropriate to reinstate a dividend payment. The Board is recommending a final dividend of 9.0 US cents per share.

Outlook

Demand for our products remains sound and our sales contracts for 2010 have been completed. We anticipate producing just over 300 kt of copper cathode equivalent, similar to the target for 2009, and the emphasis will remain on value and profitability rather than volume. We will continue to focus on managing costs and we anticipate making good progress on our growth projects in 2010. I look forward to reporting on these next year.

Summary financials for 2009

The financial results for 2009 were dominated by the lower price of copper. Revenue from continuing operations was $2,404 million, a reduction of 27% from the previous year and EBITDA from continuing managed businesses (excluding special items) declined 36% to $1,015 million.

The average market price over the year was $5,164 per tonne, compared to $6,952 per tonne in the previous year. Our average realised price, of $5,024 per tonne, was lower than the average market price, because our production and sales were weighted to the first six months of the year.

Revenue in the Copper Division was $2,357 million, compared to $3,227 million in 2008, the reduction mainly being due to the lower copper price. EBITDA (excluding special items) in the Copper Division fell 36% to $1,027 million, as the decline in the copper price and sales volumes were only partially offset by a reduction in costs.

Revenue in the Power Division was $238 million. Sales at Ekibastuz GRES-1, on an annualised basis, were in line with the previous year. The increase in power tariffs matched the slight decline in power generated and the negative impact of the tenge devaluation.

At the start of 2009, we hedged 8.5 kt of copper sales per month for the year, around one third of our total output. This programme was put in place to protect some of our higher cost operations, and in particular to protect employment, in the event of prolonged weakness in the copper price. The programme offset the negative impact of copper prices falling below $3,000 per tonne at the cost of sacrificing the upside when the price rose above $4,000 per tonne. Given the subsequent rise in the price of copper, a loss was incurred of $129 million. No similar transactions are in place for 2010 or beyond, as it remains our general policy to be an unhedged copper producer.

Costs in the Copper Division fell sharply in 2009. Costs were assisted by a sharp devaluation of the tenge to 150 KZT/USD in February 2009, lower input prices and targeted action to improve efficiency. By-product credits benefited from rising prices over the course of the year. These changes led to a decline in net costs from 116 US cents per pound in 2008 to 72 US cents per pound in 2009. This achievement was significantly ahead of our net cost target at the start of 2009, of between 90 and 120 US cents per pound.

The presentation of our reported financial numbers has changed significantly this year. Following the Board's decision to dispose of MKM, it is now an asset held for sale and its results are included under discontinued operations. Following the sale of 50% of Ekibastuz GRES-1 in February 2010, it will in future be treated as a joint venture. Under IFRS requirements, for 2009, this business is also classified as an asset held for sale and is included within discontinued operations. Ekibastuz GRES-1 remains an important part of our Group.

Copper Division output for 2009

At the start of 2009, with low copper prices and concerns over the economic outlook, we focused on controlling costs, protecting margins and maximising cash flow generation. Four high cost mines were suspended, which led to a 9% decline in ore output to 32,409 kt. Lower ore output combined with a reduction in grade, from 1.26% to 1.18%, created a 15% decrease in mined metal output.

The reduction in mined metal, however, was offset by pro-active targeted actions such that the production of copper in own concentrate reduced by just 3% to 359 kt. These actions included improved productivity at continuing operations, the processing of stockpiled ore, the reprocessing of waste materials and higher recovery rates at the concentrators.

Production of copper cathode equivalent, our finished material, declined by 7% to 320 kt. This figure was ahead of the target of 300 kt, based on planned mine output, which we set at the beginning of 2009. The target was exceeded due to the management actions referred to previously. Sales of cathode equivalent were 341 kt, with additional volume coming from a reduction in inventory in the first half of the year. There was some rebuild of work in progress and inventory at the year end, which had been reduced to low levels during 2009.

By-product output for 2009
From our copper mines, we also produce by-products of zinc, silver and gold. By-product output in 2009 exceeded 2008, as the reduction in by-product metals mined during the year was offset by significant contributions from the processing of stockpiled polymetallic ores, higher recovery rates at the concentrators and lower levels of work in progress.

Power Division output for 2009
Annual net power generated at Ekibastuz GRES-1 in 2009 fell 6.4% from 2008, but the recovery through the year was dramatic. The demand for electricity declined significantly at the end of 2008 and remained low at the beginning of 2009. A moderate improvement in demand started in April 2009 and the trend strengthened during the rest of the year, led by rising industrial output in Kazakhstan and Russia and some shutdowns at other generators.

There is a tight supply demand balance for power in Kazakhstan and the sector needs investment to meet growing future demand for electricity. The Government of Kazakhstan, recognising this need, increased the ceiling tariffs for the years 2009 to 2015, in order to raise cash flows and allow greater investment in the sector. The tariff at Ekibastuz GRES-1 was an average of 3.19 KZT/kWh in 2009, compared to 2.42 KZT/kWh in 2008. Domestic tariffs finished the year in line with the ceiling tariff of 3.60 KZT/kWh.

Kazakhmys Gold output for 2009 and outlook
As anticipated, there was a decrease in ore extraction and metal production in the Gold Division during 2009. Zhaima mine closed in September 2008, and the grade was lower at the continuing operations of Mizek and Mukur.

The new Bozymchak gold/copper project in Kyrgyzstan has moved to full development, following the allocation of $100 million funding by the China Development Bank and Samruk.

Bozymchak should start production by the end of 2010 and has the potential annual output of 30 koz of gold and 7 kt of copper in concentrate. Subject to completing various technicalities, it is likely that the assets within the Gold Division will be absorbed within the Copper Division.

Kazakhmys Petroleum
Kazakhmys Petroleum has continued its drilling and testing programme at the Eastern Akzhar exploration block in western Kazakhstan. Remedial work is being carried out at the first two deep wells in order to continue testing, which encountered some technical difficulties during 2009. The drilling of a third deep well is planned to be completed in the first half of 2010.

The results of 3D seismic data covering the northwestern part of the licensed area will be available in early 2010 and it is expected that these results will be used to identify prospective locations for future deep well drilling. By the end of 2010, sufficient data should have been collected from the wells to give a fuller economic evaluation of the field.

ENRC
Our 26% holding in ENRC PLC was worth $4,879 million at the end of 2009, compared to $1,600 million at the start of the year. The increase in value reflects the recovery in commodity markets. ENRC is principally involved in ferrochrome, iron ore and alumina. During the year ENRC made further investments outside Central Asia including the purchase of Central African Mining and Exploration Company PLC, who have assets in Central and Southern Africa. These acquisitions potentially give ENRC greater exposure to base metals.

Funding
Over the course of the year we generated cash from operations including dividends received from ENRC PLC, before taxation and capital expenditure, of $1,084 million. In March 2009, we commenced capital repayments on our principal $2.1 billion five year debt facility, at the rate of $44 million per month. At the end of 2009, $1,662 million was outstanding on this facility and after cash and cash equivalents, there was net debt of $689 million relating to continuing operations.

Interest on our principal facility is 1.25% over USD LIBOR. In 2009, a portion of the interest payments were fixed via interest rate swaps to reduce volatility in our cash flows.

We may seek to lengthen the maturity profile of our debt, which more accurately reflects the nature of our business. However, any increase in the maturity profile of our debt would have to be set against the likely increase in costs as the interest rate on our existing facility is very competitive.

At the end of 2009, the Group was allocated up to $2.7 billion from a loan arranged between the China Development Bank and Samruk. Around $300 million is likely to be drawn during 2010 and interest is payable on the funds drawn, at a rate of 4.8% over USD LIBOR. This facility has several attractions, being long term, flexible in drawing and at a competitive rate.

Outlook for Copper Division in 2010

Mined ore output should rise slightly in 2010, but this will be offset by a general decline in grades. Given that mined metal output will be at a similar level to 2009, we are setting the same target for output of just over 300 kt of copper cathode equivalent. There is some stockpiled material, but not at the scale of 2009.

The four suspended mines will not be brought back into production in 2010. The most significant of these is Akbastau, where we are intending to build a concentrator close to the mine, in order to reduce transportation costs and maximise the value of the ore reserve. With funding now available from our new facility, we are now carrying out preliminary economic studies.

Gross costs are likely to increase next year given rising input costs and lower grades. Inflation in Kazakhstan is currently just under 10%, which will put some pressure on domestic costs. The Kazakhstan tenge trades in a fixed band around the US dollar, which has recently been widened and could allow the currency to strengthen against the US dollar, again putting pressure on costs. There is unlikely to be further significant production of by-products from stockpiled material, so that the by-product credit will depend on mined metal and pricing.

Copper growth projects

The Group has two major copper growth projects, Aktogay and Bozshakol. These have both successfully completed their pre-feasibility stage. Both projects showed economic value on conservative pricing assumptions, with significant net present value at Bozshakol.

As mentioned last year, we delayed the move to feasibility stage until we had identified partners and external sources of funding for the projects. With the loan from the China Development Bank and Samruk, we now have committed funding for Bozshakol and the feasibility study commenced in January 2010. The study contractor is Aker Solutions. The feasibility study should be completed by the end of 2010, allowing the project to move into development in 2011 with first production of copper in concentrate by early 2014. Some items of large equipment are likely to be ordered towards the end of 2010. The total capital investment will be around $1.5 to $2 billion, but the feasibility study will define this figure more accurately.

The funding facility from the China Development Bank and Samruk will allow the consideration and potential development of other projects including the underground mine at Kosmurun, the new concentrator at Akbastau, the expansion of Zhomart and the development of the underground mine at Abyz.

We continue to look at funding alternatives for Aktogay and anticipate that progress will be achieved during the current financial year. At that point, the project will then move to feasibility study.

All of these future copper projects potentially represent over two-thirds of our current production. We are, therefore, in a position to not only replace the decline in our current production, but to significantly increase output in the medium term.

Kazakhmys Power outlook for 2010 and future expansion

With the overhaul of Unit 5 in 2009, the plant now has a capacity of 2,470 MW. During 2010, Unit 3 will undergo a major overhaul and we will start the complete rehabilitation of Unit 8. Ekibastuz GRES-1 will see a significant change in capacity when Unit 8 is completed in 2013. If demand continues to be strong, then the refurbishment of one of the other two dormant units may be brought forward.

As mentioned above, tariffs averaged 3.19 KZT/kWh, including Russian sales, which were at a lower price than sales in Kazakhstan. The ceiling for domestic sales in 2010 is 4.68 KZT/kWh and it is anticipated that the price will reach that level over the course of the year for domestic sales, though some power will still be exported at a lower price.

Conclusion

In 2010, the cost environment is expected to be more challenging than in 2009 and we will need to maintain output while controlling costs. The receipt of the loan facility from Samruk and the China Development Bank has transformed our ability to pursue our growth projects and we are now in an excellent position to take forward some of the largest and lowest risk copper projects that are currently available globally.

DIVISIONAL REVIEW

REVIEW OF KAZAKHMYS COPPER

KAZAKHMYS COPPER PRODUCTION SUMMARY

Copper

kt (unless otherwise stated)	**Year ended 31 December 2009**	Year ended 31 December 2008
Ore output	**32,409**	35,675
Copper grade (%)	**1.18**	1.26
Copper in concentrate from own production	**359**	371
Copper cathodes from own concentrate	**298**	340
Copper cathode equivalent from own concentrate[1]	**320**	343
Copper cathodes from purchased concentrate	**6**	38
Copper rod production	**10**	48

[1] Includes copper sold as concentrate and cathode converted to rods.

At the beginning of 2009, Kazakhmys Copper focused on operational efficiencies to protect profit margins in response to the lower commodity price environment and the uncertain economic outlook. A number of high cost mines were suspended, one of the Zhezkazgan smelter furnaces was closed for maintenance, and stockpiled materials built-up in previous periods were processed during the year.

Ore extraction decreased by 9% in 2009 compared to 2008 reflecting the reduction in the number of operating mines. The high cost mines suspended were Belousovsky, Konyrat, North Nurkazgan and sections of the West and North mines. The Kosmurun mine closed in the fourth quarter of 2008 due to the depletion of the open pit with plans for the mine to move underground currently being developed.

The main factor behind the lower production volumes was the closure of the Akbastau mine, which, in 2008, produced 2.4 MT of ore containing 59 kt of copper. The mine was suspended as the ore body is being preserved ahead of the construction of a new concentrator at the site which will reduce ore transportation costs. The loss of ore output from the mine closures was partially offset by the opening of the West Nurkazgan underground mine in early 2009 and an improved performance from the South mine following operational difficulties in the first half of 2008.

The copper grade was lower at 1.18% mainly due to no production taking place at the high grade Akbastau mine. The impact of the closure was partially offset by the average copper grade at the Zhomart mine increasing to 1.80% up from 1.39% in 2008 and the suspension of the low grade Konyrat mine.

Own copper in concentrate production was 359 kt, only 3% below 2008, despite a 15% reduction in copper in ore mined due to the lower ore volumes extracted and decline in copper grade. Production benefited from the processing of stockpiled materials and an improved concentrator recovery rate for copper of 86.0%, up from 84.6% in 2008. During the year, Kazakhmys Copper carried out upgrade work on several concentrators, including Nurkazgan and Karagaily, raising their copper and by-product recovery rates.

In 2009, 22.7 kt of copper in concentrate was sold to third parties, principally into China, whilst in the prior year, sales of only 3.5 kt took place. The sales to China were to test the marketplace and following a trial period, were largely stopped in July with concentrate produced thereafter processed internally into cathodes. Going forward, copper in concentrate sales may take place periodically, but due to Kazakhmys Copper maintaining sufficient smelting capacity, this is not expected to be on a large scale.

Own copper cathode equivalent production, which includes copper in concentrate sales, fell by 7% reflecting the lower concentrate production. In the fourth quarter of 2009, there was a build-up of copper in concentrate work in progress following a reduction earlier in the year, which is expected to be smelted into cathode during 2010. In the prior year, spare smelting capacity was utilised by the purchase of third party produced copper concentrate, however this largely ceased in 2009 and the reported production from purchased concentrate largely represents the rundown of inventory brought forward from the prior year.

The processing of cathodes into rod is dependent on market demand in China, which in 2009 did not generate sufficient premiums. The small volume of rod produced and sold in the year was to local customers in Kazakhstan.

In 2010, the average ore grade is expected to be lower, a combination of raised ore output from lower copper content mines and a drop in ore grade at certain mines. Overall ore output should rise, which, together with the processing of stockpiled copper in concentrate from the fourth quarter of 2009, is expected to result in own cathode equivalent output of at least 300 kt. As the premiums available for copper rod sales have improved on the prior year, approximately 10% of cathode production is contracted to be processed further into rods, for sale into China and to local customers.

The volume of third party copper concentrate processed at the smelters by Kazakhmys Copper is expected to be minimal in 2010.

Zinc

kt (unless otherwise stated)	**Year ended 31 December 2009**	Year ended 31 December 2008
Zinc grade (%)	**4.15**	3.10
Zinc in concentrate	**149**	137
Zinc metal	**9**	48

Zinc in concentrate production in 2009 was 9% higher than the prior year. The processing of stockpiled materials and an improved zinc recovery rate at the concentrators of 66.0%, up from 63.8%, was sufficient to offset a decrease in zinc metal in ore output of 55.5 kt.

The zinc grade rose year on year as the Akbastau mine, which had a grade of just 0.63%, was closed during 2009. The zinc smelter’s operations were suspended during 2009 as concentrate sales were commercially more attractive. The smelter cleared its work in progress over the first quarter, generating 8.6 kt of zinc metal production, with zinc concentrate production during the year being sold externally.

The production of zinc concentrate during 2010 is expected to fall from the level achieved in 2009 as the contribution from stockpiled ore is reduced. There are no plans at present to restart the zinc smelter, so all zinc concentrate produced will be sold externally to customers in Kazakhstan and China during 2010.

Precious metals

	Year ended 31 December 2009	Year ended 31 December 2008
Average silver grade (g/t)	**20.62**	21.05
Silver own production (koz)	**16,894**	16,710
Average gold grade (g/t)	**0.66**	0.85
Gold own production (koz)	**135**	124

The production of precious metals was impacted by the suspension of the Akbastau mine throughout the year and the gold rich Abyz mine remaining closed for stripping work for the first half of 2009. The average gold grade was lower in 2009, also impacted by the reduced output from the Akbastau and Abyz mines.

These factors led to a reduction in the volume of precious metal containing ore extracted, however, for both gold and silver the production of finished product exceeded the prior year due to the processing of previously stockpiled materials and, for gold, an improved recovery rate as the Karagaily concentrator was upgraded.

Gold production in 2010 is expected to remain in line with 2009 output, with the Abyz mine operating throughout the year whilst silver output is anticipated to decline due to reduced grades and a lower contribution from stockpiled materials.

Support services
Kazakhmys Copper's vertical integration includes three coal-fired power and heating plants at Karaganda, Balkhash and Zhezkazgan with a total capacity of 900 MW. The Karaganda plant supplies energy to Kazakhstan's national grid enabling other Kazakhmys Copper operations to receive electricity at only the cost of transmission. The total output in 2009 was 6,199 GWh, up from 5,910 GWh in 2008. The capital spend in 2008 resulted in an improved performance in 2009 with a reduced number of outages. The Karaganda station benefited from the installation of a 55 MW turbine, replacing a 50 MW turbine which was at the end of its economic life. The power and heating plants are supplied with fuel from Kazakhmys Copper's two coal mines which produced 7.5 MT of coal in 2009, in line with prior year output.

Kazakhmys Copper owns over 1,000 km of railway in Kazakhstan, a fleet of 100 locomotives and over 800 wagons which are managed on an outsourced basis to transport ore, concentrate and cathodes. In the East and Karaganda Regions there is less railroad infrastructure and Kazakhmys Copper operates road haulage fleets. A number of these routes have been outsourced to third party suppliers.

KAZAKHMYS COPPER FINANCIAL SUMMARY

$ million (unless otherwise stated)	**Year ended 31 December 2009**	Year ended 31 December 2008
Sales revenues:	**2,357**	3,227
Copper cathodes	**1,563**	2,272
Copper rods	**41**	314
Copper concentrate	**107**	19
Zinc (metal and concentrate)	**146**	149
Silver	**251**	251
Gold (excluding tolling)	**127**	109
Other	**122**	113
Average realised price of copper ($/tonne)	**5,024**	6,714
EBITDA (excluding special items)	**1,027**	1,597
Net cash costs excluding purchased concentrate (USc/lb)	**72**	116
Gross cash costs excluding purchased concentrate (USc/lb)	**159**	191
Capital expenditure	**310**	592
Sustaining	**216**	362
Expansionary	**94**	230

Revenues
Kazakhmys Copper's revenues decreased by 27% from $3,227 million in 2008 to $2,357 million in 2009. The fall in commodity prices, in particular copper, was the principal driver with the realised copper price $1,690 lower than the prior year at $5,024 per tonne. The 2009 realised price was 3% lower than the LME average for the year as Kazakhmys recorded 58% of its copper cathode sales in the first half of 2009, when the LME copper price was weaker. The 2009 annual sales volumes of copper products, including copper in concentrate, were 47 kt below the prior year, due to reduced production from both own and purchased copper concentrate. The impact of lower production on sales volumes was partially offset by a sell down of finished goods inventories at the start of the year, as copper sales volumes were 15.3 kt higher than production volumes.

Copper concentrate sales of 22.7 kt were made in 2009, up from 3.5 kt in 2008, as concentrate was shipped into China for the first seven months of the year. Copper rod sales were 8.5 kt in 2009 compared to 46.7 kt in 2008. The premium on sales into China was not sufficiently attractive so volumes were restricted to local demand in 2009.

Zinc revenues were impacted by an 11% fall in the average zinc price in 2009 and the decision to sell zinc concentrate rather than process it further into zinc metal. During 2009, zinc concentrate sales increased by 38% from 2008. Silver, the largest by-product based on revenue, experienced a 2% decrease in the average LBMA price which was compensated for by revenue from the silver content in concentrate sold. Gold revenues rose 17% to $127 million, the result of sales volumes increasing by 6% and a 12% rise in the LBMA average price compared to the prior year.

Other revenue is made up of a number of products including power, coal, lead dust, heating and sulphuric acid. The growth in other revenue compared to the prior year was largely driven by sales of power from the Karaganda plant and the ramp up of sulphuric acid production at Balkhash.

EBITDA (excluding special items)
EBITDA fell by $570 million or 36% in 2009 as copper revenues declined significantly. In response to the weakness in commodities, Kazakhmys Copper implemented a number of cost reduction measures which partially offset the loss in revenue, contributing to cost of sales falling 30% compared to the prior year. The major factors driving the lower costs include the suspension of high cost mines, lower input prices, a reduction in purchased concentrate and the impact of the tenge devaluation.

The suspension of high cost mines at the end of 2008 generated savings on fuel, consumables and transportation costs as ore output was 9% below the volume produced in 2008. Where possible, the workers and equipment at the affected mines were re-assigned to other operations. Salary costs were controlled by transferring staff at several operations to part-time work. The decision to suspend the zinc smelter in March 2009 removed the cost of processing concentrate further into ingots, as all zinc in concentrate is now sold externally.

In the fourth quarter of 2008, the economic downturn gave Kazakhmys the opportunity to renegotiate more favourable terms with suppliers. In addition, the decline in commodity prices had a beneficial impact on costs, for example, oil, steel and cement prices were all lower in 2009 than in 2008. However, improving economic conditions and higher commodity prices in the second half of the year led to a slight upward pressure on costs in that period.

The cost of purchased copper concentrate and blister copper used in copper production fell following the decision to phase out major purchases of copper concentrate, as one of the Zhezkazgan smelter furnaces was closed for maintenance. Small quantities of copper concentrate are still purchased to manage the level of sulphur in the Balkhash smelter. In 2008, 37.8 kt of copper cathodes were produced from purchased concentrate compared to 5.5 kt in 2009.

General and administrative expenses decreased by 5% in 2009 as the tenge devaluation contributed to the cost reduction in US dollar terms. In 2008, social spend included a number of one-off items in respect of the 10th anniversary celebration of the capital, Astana. In 2009, Kazakhmys focused on a number of on-going programmes and contractual obligations. During the year, Kazakhmys also made contributions towards the construction of a technical college in Astana.

In February 2009, the tenge devalued by 25% against the US dollar, moving from approximately 120 KZT/$ to 150 KZT/$. The devaluation reduced tenge denominated costs such as labour, local services and utilities. The currency was relatively stable against the US dollar for the remainder of 2009, trading within the National Bank of Kazakhstan’s target range of 145 to 155 KZT/$. The National Bank has indicated a wider target range for the tenge in 2010 of between 127.5 to 165 KZT/$ until March 2011 which could result in additional transactional and translational foreign exchange gains or losses going forward.

Early in 2009, to protect a number of marginal mines, Kazakhmys Copper entered into a hedging programme for approximately one third of monthly copper production. As the copper price rose across the remainder of the year, the hedging programme ended in December 2009 with a loss for the year of $129 million included in other operating expenses. There are no such hedges in place in 2010. Further details can be found in the Financial Review.

Cash costs
The gross cash cost of copper (before by-product credits) reduced from 191 US cents per pound in 2008 to 159 US cents per pound in 2009. The decline in operating costs noted above more than offset the lower volumes of copper sold in 2009.

The net cash cost of copper excluding purchased concentrate fell from 116 US cents per pound in 2008 to 72 US cents per pound in 2009. The lower cash operating costs, together with an increase in by-product credits, resulted in the net cash cost falling significantly.

In 2010, a lower copper grade will raise the unit cost of production. Expected inflationary rises in costs may be mitigated by price driven movements in by-product credits.

Capital expenditure
The scope of Kazakhmys Copper's capital expenditure programme in 2009 was constrained as the Group focused on conserving cash during the economic downturn. The reduction was achieved by rationing capital expenditure on new projects and negotiating lower prices.

Following a substantial spend on mining equipment in 2007 and 2008, the reduction in sustaining capital expenditure in 2009 did not have a material impact on achieving the production plan. Equipment from suspended operations was transferred to other mines.

Sustaining
Sustaining capital expenditure in 2009 included payments for mining equipment ordered in 2008. The scope of the 2009 equipment programme was reduced with the focus on essential replacements. Sustaining capital expenditure was incurred at the concentrators to replace and modernise equipment to maintain operations and improve recovery rates. A tailings dump at the Balkhash concentrator underwent an overhaul.

Work was conducted at Kazakhmys Copper's smelters during the year, including the installation of a copper anode production line at the Zhezkazgan smelter to improve the quality of copper cathodes. The second furnace at the Zhezkazgan smelter, closed during 2009, has now been repaired and is available to recommence operations as required.

Maintenance was conducted on Kazakhmys Copper's power stations. This spend included the installation of a replacement 55 MW turbine at the Karaganda power station and repairs to boiler units and turbines.

Sustaining capital expenditure in 2010 is expected to include the purchase of replacement equipment at mining operations as part of the ongoing renewal programme, repair work at the smelters and power station and replacing transportation infrastructure, particularly maintenance of Kazakhmys Copper's railway network.

Expansionary
In the Zhezkazgan Region, the increase of the capacity of the Zhomart mine continued along with the purchase of mining equipment. In the Karaganda Region, work was carried out to commence production from the new West Nurkazgan underground mine. Further expenditure will be made to increase the capacity of the underground mine and to develop the ore body further.

The East Region incurred expansionary capital expenditure on a number of mines to increase their production capacity and efficiency. This included the introduction of conveyors at the Orlovsky mine and the replacement of the ore lifting equipment to increase the capacity of the Artemyevsky mine. This capital expenditure will assist production from the mine when development of the deposit moves into the second stage.

In 2010, the capital programme for discretionary expenditure is expected to encompass work on a number of medium-term projects. These projects will include the development of the Kosmurun and Akbastau mines and associated concentrator, Zhomart second stage and the extension of the Abyz mine amongst other projects.

Kazakhmys Copper has two major long-term expansion projects comprising the large copper porphyry deposits at Bozshakol and Aktogay managed by a specialist internal team, Kazakhmys Projects.

Bozshakol
The pre-feasibility study was successfully completed for the Bozshakol sulphide ore deposit in April 2009. The study confirmed that Bozshakol is an economically viable project with net production costs expected to have an attractive position on the cost curve.

The study also identified value engineering opportunities to reduce capital costs, and additional engineering was completed in the latter half of 2009 to confirm these opportunities and enhance the robustness of the project's financial return.

The Bozshakol deposit is substantial with a management estimated geological resource of 1,169 MT of ore and a copper grade of 0.36%, a gold grade of 0.21 g/t, a silver grade of 4.9 g/t and molybdenum and rhenium by-products. Based on current projections of production levels, the resource base supports a mine life of 40 years.

In January 2010, Kazakhmys commenced the feasibility study on the deposit which will continue during 2010 to confirm the project's scope and execution strategy prior to moving to the development stage. Aker Solutions has been appointed as the study contractor and will develop the project in conjunction with the Kazakhmys Projects team. The feasibility study is expected to be completed in the fourth quarter of 2010 with the potential for construction to commence in 2011. The construction phase is estimated to be three to four years in duration.

The ore will be mined by an open pit truck and shovel operation, with total ore extraction volumes at the deposit increasing to 60 MT per annum. The Bozshakol processing plant is expected to be a conventional copper concentrator with an ultimate throughput rate of approximately 25 MT per annum. The feasibility study will consider the optimal sales options, which include the sale of concentrate to China or the sale of cathode after smelting internally.

The development of the project will be funded by the loan facility negotiated with the China Development Bank and Samruk. From the loan facility, Kazakhmys has allocated up to $2 billion to fund the development of the project.

Aktogay
The technical studies for the development of the Aktogay deposit have progressed during 2009 with a combined pre-feasibility study completed in October 2009 that incorporated the deposit's sulphide and oxide ore bodies.

The study demonstrates that Aktogay is a large resource containing nearly 5 MT of copper along with silver and molybdenum by-products. The current estimated mineable oxide resource contains 119 MT of ore with 0.37% copper grade, and a mineable sulphide resource of 1,268 MT of ore with 0.38% copper grade. Scope exists to expand the resource in the Aktogay deposit with further exploration work.

The deposit would be mined using a conventional open pit truck and shovel system. Based on the estimated production levels, the resource base supports a mine life of 40 years. The project would involve the construction of a processing plant and a copper concentrator.

Kazakhmys is currently evaluating the results of the 2009 pre-feasibility study to identify opportunities for improving the economics of the project and assessing financing options prior to its potential advancement to feasibility stage.

REVIEW OF KAZAKHMYS GOLD

KAZAKHMYS GOLD PRODUCTION SUMMARY

	Year ended 31 December 2009	Year ended 31 December 2008
Ore output (kt)	**1,564**	2,014
Average gold grade (g/t)	**1.39**	1.50
Gold doré production (koz)	**47**	56

During 2009, ore extraction took place at Kazakhmys Gold's two operating mines, Mizek Oxide and Central Mukur. The output figures for 2009 reflect the impact of the closure of the Zhaima mine in September 2008 and also lower output from Mizek Oxide. The lower gold grade is due to a fall in gold content as the mines continue to mature.

In 2010, output from the Kazakhstan operating mines may fall further as extraction becomes more challenging with the mines expected to cease output during 2011. The gold-copper development project in Kyrgyzstan, Bozymchak, is expected to commence output late in 2010. More details on this project can be found in the capital expenditure section below.

KAZAKHMYS GOLD FINANCIAL SUMMARY

$ million (unless otherwise stated)	**Year ended 31 December 2009**	Year ended 31 December 2008
Sales revenue	**47**	49
Average realised price ($/ounce)	**982**	878
EBITDA (excluding special items)	**24**	19
Cash cost ($/ounce)	**343**	440
Capital expenditure	**15**	13
Sustaining	**3**	3
Expansionary	**12**	10

Revenues
In 2009, Kazakhmys Gold sold doré under an annual contract to a European trader, with the price determined by reference to the LBMA price less refining charges. These arrangements are expected to remain unchanged in 2010.

Kazakhmys Gold's revenues decreased by only $2 million to $47 million in 2009, despite a reduction in gold sales volumes following the closure of the Zhaima mine in 2008, and the decrease in output from Mizek Oxide. The lower sales volumes were largely offset by the strength of gold prices in 2009, with an average realised price of $982 per ounce, 12% higher than in the prior year.

EBITDA (excluding special items)
The improved EBITDA in 2009 resulted from the higher realised gold price which maintained revenues at the same level as the prior year, whilst production volumes, and therefore costs, were lower. Kazakhmys Gold also benefited from the currency devaluation on its tenge denominated cost base and the price of various input materials fell compared to 2008.

Cash cost
The cash cost is lower in 2009 compared to the prior year due to the devaluation of the tenge and lower input prices. The cash cost in 2008 included royalty payments of $21 per ounce which are not present in 2009 following changes to the Kazakhstan tax code.

Capital expenditure

Sustaining
Sustaining capital expenditure of $3 million in 2009 was for the replacement of equipment at Kazakhmys Gold's existing mining operations.

Expansionary
Kazakhmys Gold's major focus in 2009 was the progression of the Bozymchak gold-copper project which successfully moved from the feasibility stage to development towards the end of the year. The project's development will be funded by the allocation of $100 million from the loan facility negotiated with the China Development Bank and Samruk.

The Bozymchak deposit is located in Kyrgyzstan and contains gold, copper and silver. The development of the Bozymchak deposit is proceeding with stripping work to commence in April 2010. The delivery of the concentrator is expected to take place in early 2010 and construction should be completed in the latter part of the year.

Bozymchak will commence operations as an open pit mine in late 2010, producing around 5 MT of ore over a six year period with a gradual transition to underground mining from 2014, which will produce a further 11 MT of ore.

The concentrator should reach an annual production capacity of 35 kt of concentrate by the end of 2011. The planned annual production of copper in concentrate is 7 kt, and 30 koz of gold, once fully commissioned.

During 2009, further technical studies were conducted on the Mizek Sulphide project located in northeast Kazakhstan. The technical studies are expected to be completed in the first half of 2010. The development of the Mizek Sulphide site will remain on hold until a viable option for the processing of ore is identified.

Exploration work at the Akjilga silver and copper deposit in Tajikistan continued in 2009 which improved the understanding of the ore body. At present, Kazakhmys does not believe Akjilga to be of sufficient scale to develop further and accordingly is reviewing options for the deposit.

REVIEW OF KAZAKHMYS POWER

Kazakhmys acquired the Ekibastuz GRES-1 coal-fired power plant and the Maikuben West coal mine in May 2008. Under an agreement put in place as part of the acquisition, the assets were managed by AES Corporation, the previous owner of the power plant and coal mine. In the second quarter of 2009, Kazakhmys and AES Corporation ended the management services agreement following which the power plant and coal mine have been under Kazakhmys' direct management.

In October 2008, Samruk announced its intention to acquire a stake in the power plant, and completed the acquisition of a 50% stake in Ekibastuz GRES-1 in February 2010. Under the joint venture agreement introduced as part of the transaction, the power plant will be operationally managed by a Kazakhmys appointed team for the next five years, following which, a team selected by Samruk will assume management for a five year term. A supervisory board has been created, containing representatives of both owners, to oversee the plant's management team. The business has been classified as held for sale at the 2009 year end under IFRS, as, following the sale of 50% of Ekibastuz GRES-1 to Samruk, the business will be equity accounted as a joint venture.

Going forward, Ekibastuz GRES-1 is expected to source coal almost exclusively from the Bogatyr mine, which is jointly owned by Samruk and UC RUSAL. The strategic value in owning the Maikuben West coal mine has consequently been reduced and Kazakhmys has determined that the mine is now held for sale.

KAZAKHMYS POWER PRODUCTION SUMMARY

	Year ended 31 December 2009	Year ended 31 December 2008
Net power generated (GWh)	**9,737**	10,402
Net power generated attributable to Kazakhmys[1] (GWh)	**9,737**	5,774
Net dependable capacity (MW)	**2,012**	1,946
Coal extraction (kt)	**3,688**	3,600
Coal extraction attributable to Kazakhmys[1] (kt)	**3,688**	2,170

[1] 2008 comparatives are for the period from acquisition on 29 May 2008.

Net power generated in 2009 was primarily demand driven as the power plant had spare capacity throughout the year. Demand for power in Kazakhstan declined at the end of 2008 and remained subdued in early 2009 but recovered strongly over the second half of the year. Of the 9,737 GWh net power generated in 2009, 61% was in the second half, representing growth of 21% over the same period in 2008. Ekibastuz GRES-1 completed its scheduled annual maintenance work on the units in September 2009, ahead of neighbouring power stations, enabling it to take advantage of the uplift in demand and increase its supply to existing and new customers over the latter months of the year.

The increase of 3% in net dependable capacity from the prior year reflects the overhaul work carried out on Unit 6 in 2008, which returned to operation in October of that year. In 2009, the overhaul of Unit 5 was completed in November.

Coal extraction from Maikuben West was in line with the prior year with shipments to Ekibastuz GRES-1 and to third parties.

In 2010, demand for electricity is expected to be at least at the levels seen in 2009 as the recovery in demand continues. All of the five operating units at the power plant will undergo annual maintenance which is scheduled to take units offline at different times and avoid peak demand periods to minimise the potential impact on sales. Unit 3 is scheduled to undergo an overhaul during 2010, with the completion of the first phase of the overhaul planned prior to the winter season.

KAZAKHMYS POWER FINANCIAL SUMMARY

$ million (unless otherwise stated)	**Year ended 31 December 2009**	Year ended 31 December 2008
Sales revenues[1]	**238**	156
Average tariff price (KZT/kWh)	**3.19**	2.42
Domestic sales	**3.30**	2.59
Export sales	**2.78**	1.59
Average cost[1] (KZT/kWh)	**1.54**	1.72
EBITDA (excluding special items)[1]	**120**	42
Capital expenditure[1]	**61**	39
Sustaining	**17**	4
Expansionary	**44**	35

[1] 2008 comparatives are for the period from acquisition on 29 May 2008.

Revenues
Revenue for 2009 represents Kazakhmys Power’s first full year under Kazakhmys’ ownership during which sales benefited from electricity tariff increases in Kazakhstan and Russia, but were negatively impacted by low sales volumes in the first half of 2009 due to the economic downturn. The revenues, as presented in US dollars, were also negatively impacted by the tenge devaluation in February 2009.

The average realised electricity price for Ekibastuz GRES-1 in Kazakhstan rose from 2.79 KZT/kWh in January 2009 to 3.58 KZT/kWh in December 2009. The strength in demand in Kazakhstan during the second half of the year enabled the power plant to raise prices and grow sales volumes at the same time, assisted by the recovery in industrial production, reduced supply from competitors, and upgrade of the transmission lines giving access to new customers.

The average electricity tariff price achieved in the year, as shown in the table above, includes sales to Russia at rates below those in Kazakhstan. Approximately 20% of sales volumes are exported to Russia, however in 2009, there were no export sales in the first two months due to extended price negotiations.

Kazakhmys Power’s revenues of $238 million included $29 million from the Maikuben West coal mine from sales to residential and industrial users. Third party coal sales volumes decreased by 33% due to the downturn in electricity demand in Russia compared with the prior year. Coal prices for sales to third parties remained largely unchanged from 2008.

EBITDA (excluding special items)
Almost 90% of Kazakhmys Power’s EBITDA is generated by Ekibastuz GRES-1. Due to the challenging marketplace in the first half of the year, Kazakhmys Power’s EBITDA by the end of June 2009 was only $41 million, compared to the second half EBITDA of $79 million, driven by higher sales volumes and prices.

The coal used by Ekibastuz GRES-1, largely sourced from the nearby Bogatyr mine, forms the main operating cost of the power plant. Coal prices at the start of the year were 10% above those in 2008.

During the year, Bogatyr raised prices further and Ekibastuz GRES-1 began purchasing varying grades of coal to keep the average cost down. To further control costs, Kazakhmys Power took a number of actions in 2009 including carrying out repair and maintenance work internally and implementing projects to improve the efficiency of the power plant.

The majority of Kazakhmys Power's operating costs are denominated in tenge and therefore partially mitigated the impact of the tenge devaluation on revenues when reported in US dollars.

Average cost
The cash cost per kWh of electricity decreased by 10% in 2009 due to the measures taken to control costs. Coal costs comprise approximately 49% of all cash costs; the remaining 51% is made up of transmission costs, emission taxes, fuel, water, labour, repair and administrative costs.

Capital expenditure

Sustaining
Sustaining capital expenditure in 2009 related to work at Ekibastuz GRES-1 to maintain and improve the operational efficiency of the existing units. This annual maintenance work was mainly carried out over the summer period with short term outages. At the Maikuben West coal mine, replacement equipment was purchased in order to fulfil the targeted level of stripping works at the mine and to maintain the mine's railway network.

Expansionary
The overhaul of Unit 5 to modernise the unit and improve operating efficiency commenced in April 2009 and was successfully completed with the unit recommencing operations in November 2009. The overhaul has increased Unit 5's gross dependable capacity from 430 MW to its nameplate capacity of 500 MW. A new electrostatic precipitator is also being fitted on Unit 5, with its installation to complete in June 2010, avoiding outages during the peak winter period.

Preliminary work was also conducted on the rehabilitation of Unit 8 during 2009. The rehabilitation programme will involve the replacement of the majority of Unit 8's components to bring the dormant 500 MW unit into production by 2013. The recommencement of Unit 8 will increase Ekibastuz GRES-1's total available generation capacity to 3,000 MW by 2013 and enable Ekibastuz GRES-1 to benefit from the forecast growth in sales tariffs and power demand in Kazakhstan.

The two other dormant units are scheduled to be restored following Unit 8. Once the dormant units have been refurbished, the plant will operate at its nameplate capacity of 4,000 MW. The expansion programme is dependent upon the achievement of tariff increases in future years.

The modernisation programme also includes a number of environmental improvements to the power plant, with the installation of electrostatic precipitators on all units to reduce ash emissions to international benchmark standards and improvements to ash disposal systems.

In 2010, capital expenditure will be mainly focused on the rehabilitation of Unit 8. An overhaul of Unit 3 will also be conducted as part of the programme to overhaul each unit at Ekibastuz GRES-1 every five years. The last overhaul on Unit 3 was performed in 2005.

REVIEW OF KAZAKHMYS PETROLEUM

KAZAKHMYS PETROLEUM FINANCIAL SUMMARY

$ million	**Year ended 31 December 2009**	Year ended 31 December 2008
EBITDA (excluding special items)	**(1)**	(1)
Capital expenditure (expansionary)	**34**	42

Kazakhmys Petroleum is the Group's oil exploration division which holds the exploration rights to a 602 km^2 exploration block located to the south of Aktobe in western Kazakhstan. Work has been carried out on the site, close to a number of producing oil and gas operations, since its acquisition in May 2007.

The focus of the exploration activities in 2009 was the deep well drilling programme which commenced in 2008. The first deep well, a copy of a well drilled in the 1980's, reached the target depth of 5,185 metres and testing confirmed the presence of hydrocarbons, however recoverability was not determined due to technical difficulties. These have proved complex to overcome and to complete testing, a side-shaft is being drilled which is scheduled to reach the desired depth later in 2010.

The main drilling rig used on the first deep well was relocated to a new site and a second deep well was completed at a depth of 5,228 metres. The initial test results have confirmed the presence of hydrocarbons, however the well pressure was lower than anticipated. A number of options are being considered to raise the pressure including hydro and acid treatments.

The drilling of the third deep well commenced in the second half of 2009 and had reached a depth of 4,312 metres at the end of December. The projected depth of 5,200 metres is expected to be achieved by the end of March 2010 with testing to follow.

Further 3D seismic work has been carried out in 2009 on an area to the northwest of the field, previously the subject of a contractual dispute, which has now been resolved in Kazakhmys Petroleum's favour. The results of the testing are being analysed and will be used to determine the site of a future deep well. In 2010, the third deep well will be completed and a fourth deep well drilled.

EBITDA (excluding special items)

The negative EBITDA is due to the expensing of off-site operating costs, in particular, the office expenses in Almaty and management salaries.

REVIEW OF MKM

MKM is the Group's downstream copper business, which produces and sells copper and copper alloy semi-finished products. Based in Germany, the business is structured in three sections: wire products, flat products (strips, plates and sheets) and tubes and bars. Kazakhmys has determined that MKM is not considered a core business as it is no longer consistent with the Group's geographic and strategic focus. The business has therefore been classified as held for sale at the 2009 year end.

MKM FINANCIAL SUMMARY

$ million (unless otherwise stated)	**Year ended 31 December 2009**	Year ended 31 December 2008
GVA[1] (€ million)	**123**	161
Wire section (€ million)	**29**	38
Flat section (€ million)	**60**	80
Tubes and bars (€ million)	**34**	43
EBITDA (excluding special items)	**76**	(1)
Capital expenditure (sustaining)	**9**	11

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

GVA

Gross Value Added (GVA) represents the conversion charge that customers pay in excess of the copper cathode cost, and is considered a key performance measure for MKM as it excludes the impact of changes in the price of copper.

GVA fell by 24% in 2009, principally due to the economic weakness in Europe, MKM's core marketplace, which accounts for almost 90% of sales volumes. Industrial output in the region was severely impacted by the economic downturn, which led to lower demand across all product lines. The lack of availability of debtor insurance which forms part of MKM's risk management policy, forced MKM to limit sales to certain customers. These factors led to sales volumes falling by 13% from 273 kt to 237 kt, with reductions across all three sections.

To support sales activities, MKM maintained higher levels of inventory which enabled more short-term orders to be accepted. Management also made a number of changes to the structure of the sales force. MKM was forced to accept lower margins to protect its market position.

Within the wire section, wire rod sales volumes were supported by high demand in eastern Europe, however, overall volumes were lower as sales to MKM's core markets declined. GVA from the wire section was also impacted in 2009 as a result of lower sales from the higher margin drawn wire products driven by the weakness in the automotive industry. Flat products, consisting of plates, strips and sheets, experienced a 15% decrease in GVA per tonne due to reduced demand and pricing pressure from competitors. Tubes and bars saw volumes reduce by 15% due to a slowdown in building industry activity.

Whilst the first half of the year was extremely challenging, MKM has seen a recovery in orders in the second half of 2009 as the major European economies returned to growth.

EBITDA (excluding special items)
Although GVA decreased in 2009, EBITDA was $77 million higher than in the prior year. EBITDA in 2009 includes a positive $58 million IFRS inventory adjustment due to the rising copper price over the year, compared to a negative $48 million IFRS adjustment in 2008. Excluding the impact of the IFRS inventory adjustment and presented in Euros to better reflect underlying performance, EBITDA was €14.7 million in 2009, €15.2 million lower than in the prior year.

In response to the lower demand, certain production shifts were cancelled, overtime work was substantially reduced, and temporary workers were released. Other costs which reduced in 2009 include utility costs with lower gas prices and energy consumption due to the decline in production volumes. In addition, maintenance work was carried out internally where possible.

Capital expenditure
Capital expenditure in 2009 was restricted due to the economic downturn. Projects were completed on the tubes, bars and sheets production lines to improve operational efficiency.

FINANCIAL REVIEW

INCOME STATEMENT

Extracts from the consolidated income statement are shown below:

$ million (unless otherwise stated)	**2009**	2008
Continuing operations		
Revenues	**2,404**	3,276
Operating costs excluding depreciation, depletion, amortisation, mineral extraction tax and special items	**(1,389)**	(1,690)
EBITDA from continuing managed businesses (excluding special items)	**1,015**	1,586
Special items:		
Less: impairment of property, plant and equipment	**(50)**	(120)
Less: impairment of goodwill	**-**	(46)
Less: impairment of mining assets	**(23)**	(126)
Less: provisions against inventories	**(14)**	(73)
Less: loss on disposal of property, plant and equipment	**(1)**	(1)
Less: mineral extraction tax	**(164)**	-
Less: depreciation, depletion and amortisation	**(214)**	(288)
Operating profit	**549**	932

Revenues and EBITDA

The 2009 financial year witnessed a substantial recovery in the pricing of most of the Group's main products driven largely by governmental measures in response to the global financial crisis. The apparent bottoming out of the global economy, cutbacks in production and renewed strong demand for raw materials from China have also influenced commodity prices. The significant reduction in copper prices seen during the fourth quarter of 2008 eased at the beginning of 2009 with prices stabilising, but at levels well below the highs experienced in the last few years. These low prices proved to be short lived and copper prices started to increase in the second quarter of 2009 with a particular upward trend in the last quarter of the year. Copper closed the year at $7,346 per tonne, 139% higher than the price at the start of the year. Significant increases in prices were also seen for zinc and silver which increased in price by 111% and 53%, respectively, and gold maintained its strength during a year of uncertainty.

Copper cathode equivalent sales of 341 kt were 12% lower compared to 2008 reflecting lower production volumes following the suspension of mining activities at certain high cost mines at the end of 2008. Limited production from purchased concentrate also reduced sales but this was offset by a reduction in finished goods inventories at the start of the year. With lower sales volumes and copper prices, revenues from copper cathode equivalent sales fell from $2,605 million in 2008 to $1,711 million in 2009. The average realised price for copper cathode was $5,024 per tonne, 3% lower than the LME price for the year as a higher proportion of sales took place in the first half of 2009 when the average realised copper price was $4,024 per tonne compared to $6,378 per tonne in the second half of the year.

Revenues from zinc metal and zinc metal in concentrate were in line with 2008 at $146 million. Zinc metal sales fell by 78% to $19 million following the suspension of activity at the zinc smelter in March 2009, but this was offset by an increase in zinc metal in concentrate sales which increased by 107% to $127 million as zinc production benefited from the processing of stockpiled ore and improved recovery rates at the concentrators. Revenues from silver were in line with the prior year at $251 million, and revenues from gold were up 17% to $127 million reflecting higher prices and sales volumes.

Overall, revenues from continuing operations fell by 27% to $2,404 million in 2009 primarily as a result of the 25% reduction in average realised copper price from $6,714 per tonne in 2008 to $5,024 per tonne in 2009 and lower sales volumes of copper cathode equivalents.

In February 2009 the National Bank of Kazakhstan announced that it would support the tenge, within a range of 3%, at a lower level of 150 KZT/$, resulting in a devaluation of approximately 25%. Whilst the devaluation has a beneficial impact on the profitability of the Kazakhmys Copper mining business as its revenues are mostly based on US dollar metals prices and approximately 30% to 40% of its costs are denominated in tenge, there is an adverse impact on the profitability of the Kazakhmys Power business, which is included within discontinued operations, since its revenues and costs are largely denominated in tenge.

In response to the market conditions that existed at the end of 2008 and beginning of 2009, management successfully implemented a series of cost cutting measures in the operating businesses. Within the Kazakhmys Copper division, the decision to suspend mining activities at certain high cost mines, productivity improvements at the concentrators and smelters and the phasing out of use of purchased concentrate in the production process resulted in substantial reductions in raw material costs compared to 2008. Furthermore, the impact of a lower consumer price index in Kazakhstan and reduced global mining industry inflation had a beneficial impact on input costs with cost pressures for fuel costs, mining consumables and employee costs diminishing. As mentioned above, the devaluation of the Kazakhstan tenge also improved the profitability of the Kazakhmys Copper business. The impact of the devaluation of the tenge may prove to be inflationary and could potentially push up input prices denominated in tenge in the short to medium term.

In January 2009, the Group commenced a hedging programme which was intended to cover production from the higher cost mines in the Zhezkazgan region such that the viability of these mines was protected in the event of a decrease in the copper price below $3,000 per tonne. The hedges covered 90 kt, or approximately 30% of the estimated copper production for 2009, and established a price protecting floor and a cap to the price receivable on the hedged copper sales. During the first quarter of the year, the average copper price was between the floor and the cap and no settlement on the hedges was required. However, as the copper price began to rise above the cap in the second quarter, settlement of the hedges was required resulting in a cash outflow and an expense of $129 million being recognised in the income statement. This contrasts against a $143 million gain in 2008 from hedging activities when forward commodity contracts were used, in limited situations, to hedge against copper quotational period differences on the price fixations between intragroup purchases and sales to end users.

Special items

In light of developments impacting the Group's medium and major projects and the general economic environment experienced during 2009, management have taken a number of operational decisions which have resulted in a series of impairment charges being recognised in the Group accounts. The significant impairment charges recognised in the consolidated income statement for continuing operations are:

- an impairment charge of $50 million has been recognised in relation to property, plant and equipment within the Kazakhmys Copper division primarily due to the curtailment of the division's capital expenditure programme in the last 18 months and a focus on selected projects only;
- an impairment charge of $23 million has been recognised in relation to the Kazakhmys Gold division following a decision not to proceed with the Akjilga development project in Tajikistan in the foreseeable future as more economically attractive projects exist within the Group; and
- provisions against inventories includes an amount of $14 million in respect of certain by-products held in stock at the end of the year which have been written down to the lower of cost and net realisable value reflecting a fall in the market value of these by-products.

Total special items for continuing operations amounted to $88 million compared to $366 million in 2008.

Reconciliation of EBITDA from managed businesses (excluding special items)

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

Following the change in tax legislation in Kazakhstan on 1 January 2009 which introduced the mineral extraction tax (MET), this tax is now excluded from the EBITDA (excluding special items) key financial indicator. The Directors believe that the exclusion of the MET provides a more informed measure of the operational profitability of the Group given the nature of the tax.

A reconciliation of EBITDA from managed businesses (excluding special items) is shown below:

$ million	**2009**	2008
EBITDA from managed businesses (excluding special items)		
Continuing operations		
Kazakhmys Copper	**1,027**	1,597
Kazakhmys Gold	**24**	19
Kazakhmys Petroleum	**(1)**	(1)
Corporate unallocated	**(35)**	(29)
Total continuing operations	**1,015**	1,586
Discontinued operations		
Kazakhmys Power	**120**	42
MKM	**76**	(1)
Total discontinued operations	**196**	41
Total EBITDA from managed businesses (excluding special items)	**1,211**	1,627

Total EBITDA from managed businesses (excluding special items) fell by 26% to $1,211 million given the lower profitability of Kazakhmys Copper during 2009 compared to 2008, despite the inclusion of a full year of earnings from Kazakhmys Power which was acquired in May 2008.

Discontinued operations

The Kazakhmys Power division and MKM have been classified as being held for sale and as discontinued operations within the financial statements.

Following the announcement on 10 December 2009 that the Group had agreed to dispose of 50% of Ekibastuz GRES-1 LLP, a wholly owned subsidiary within the Kazakhmys Power division, to Samruk for a consideration of $681 million, the Directors have classified the entity as being held for sale and as a discontinued operation within the financial statements. The transaction completed in February 2010 and the Group has retained a 50% non-controlling interest in the entity which shall be accounted for as a joint venture after completion.

Furthermore, the Directors have decided to dispose of the Maikuben West coal mine, also within the Kazakhmys Power division, following a change in the long term strategy of the coal mine as a result of the sale of 50% of Ekibastuz GRES-1 LLP to Samruk. This entity has therefore been classified as an asset held for sale and as a discontinued operation within the financial statements.

Additionally, the Directors have decided to dispose of MKM given that the Group’s strategy is to focus on natural resource opportunities within the Central Asian region. This business has therefore been classified as an asset held for sale and as a discontinued operation.

The profit after tax of Kazakhmys Power and MKM, together with impairment losses and any write down to fair value are included within the consolidated income statement as part of the loss for the year from discontinued operations. Prior to MKM and Kazakhmys Power being reclassified as assets held for sale, impairment reviews have been performed to write down the divisions to their recoverable amount. Once classified as an asset held for sale, a further write down is recognised to record the division at its expected fair value from a disposal. A summary of the loss/profit from discontinued operations is shown below, with the 2008 comparatives having been restated:

$ million	**2009**	2008
Kazakhmys Power		
(Loss)/profit before tax of Kazakhmys Power excluding impairment loss	**(10)**	2
Impairment losses	**(69)**	(2)
Taxation (charge)/credit	**(5)**	131
(Loss)/profit for the year	**(84)**	131
MKM		
Profit/(loss) before tax of MKM excluding impairment losses	**49**	(41)
Impairment losses	**(190)**	(17)
Taxation credit	**11**	17
Loss for the year	**(130)**	(41)
(**Loss)/profit for the year from discontinued operations**	**(214)**	90

Kazakhmys Power

Kazakhmys Power made a net loss before tax for the year of $79 million. Included within this amount is a foreign exchange loss of $53 million arising as a result of the devaluation of the Kazakhstan tenge in February 2009. An impairment loss of $69 million has been recognised in order to write down the carrying value of Maikuben West LLP to its recoverable amount. No impairment loss has been recognised in relation to Ekibastuz GRES-1 LLP. Excluding the impact of the foreign exchange loss and impairment losses, the profit before tax of Kazakhmys Power would have been $43 million.

Treating the impairment loss as a special item, the EBITDA (excluding special items) of Kazakhmys Power is $120 million for 2009, compared to $42 million for 2008. This increase is due to the inclusion of a full year of earnings from Kazakhmys Power for 2009 compared to only seven months for 2008 and the impact of higher tariff prices and a cost reduction programme within the business during 2009. These factors have been offset by the devaluation of the tenge which adversely impacted profitability.

Even though the disposal of Ekibastuz GRES-1 LLP was announced during 2009, and the cash proceeds of $681 million were received by the Group in December 2009, since the disposal was conditional upon receiving shareholder approval and regulatory clearances which were only obtained in February 2010, the profit arising on disposal was recognised when all approvals were obtained and legal completion occurred i.e. in the 2010 financial year.

MKM

EBITDA (excluding special items) of MKM is $76 million for 2009, compared to a loss of $1 million for 2008. MKM's performance during 2009 has been adversely impacted by the economic weakness in Europe, its core marketplace. However, MKM's earnings under IFRS are also distorted by an inventory adjustment as a result of the combined impact of copper price fluctuations on the valuation of inventories and inventory levels (2009: positive impact of $58 million, 2008: negative impact of $48 million).

MKM made a loss before tax for the year of $141 million. Included within this figure is an impairment loss of $187 million arising as a result of writing down the business to its recoverable amount and subsequently re-measuring MKM's net assets to fair value. This impairment loss excludes provisions against trade receivables of $3 million. Off-setting the write down of $187 million is a $27 million one-off deferred tax credit, taking the post-tax MKM write off to $160 million. The impairment loss and write down to fair value are treated as special items.

Dividends

The dividend policy established at the time of Listing was for the Company to maintain a dividend policy which took into account the profitability of the business and underlying growth in earnings of the Group, as well as its cash flows and growth requirements. The Directors would also ensure that dividend cover is prudently maintained.

In light of the global economic environment and uncertainty over the sustainability of any recovery during 2009, together with the Group's need to meet funding requirements, no dividends were paid by the Company during 2009. Dividend payments of $200 million were paid in 2008, which comprised the 2007 final dividend of 27.4 US cents per share ($125 million) and the 2008 interim dividend of 14.0 US cents per share ($75 million).

Following the improvement in economic conditions with higher commodity prices being seen for the Group's products, the sharp reduction in the Group's net debt position and the funding which has been put in place for the Bozshakol project and the Group's medium-sized development projects, the Directors have decided to reinstate a dividend payment in respect of the 2009 financial year. Accordingly, the Directors recommend a final dividend of 9.0 US cents per share ($48 million). Subject to the approval of shareholders at the Annual General Meeting to be held 14 May 2010, the final dividend shall be paid on 18 May 2010.

CASH FLOWS

A summary of cash flows is shown below.

$ million	**2009**	2008
EBITDA from managed businesses[1]	**867**	1,245
Impairment losses	**385**	400
Loss on disposal of property, plant and equipment	**1**	2
Dividends received from associate	**84**	38
Foreign exchange loss adjustment	**26**	(27)
Working capital movements	**(216)**	132
Interest paid	**(63)**	(70)
Mineral extraction tax paid	**(120)**	-
Income taxes paid	**(144)**	(621)
Net cash flows from operating activities	**820**	1,099
Sustaining capital expenditure	**(241)**	(384)
Free Cash Flow	**579**	715
Expansionary and new project capital expenditure	**(187)**	(310)
Interest received	**10**	28
Acquisition of subsidiaries, net of liquid funds and borrowings acquired	**-**	(1,157)
Capital transactions with shareholders	**-**	(121)
Dividends paid	**-**	(200)
Acquisition of associate	**-**	(918)
Payment of deferred consideration arising from business acquisition	**(83)**	-
Advance payment of deferred consideration arising from business acquisition	**(102)**	-
Payment received in advance of disposal of share of subsidiary	**681**	-
Proceeds from disposal of property, plant and equipment	**14**	17
Proceeds from disposal of non-current investments	**-**	14
Purchase of own shares	**(7)**	-
Other movements	**(14)**	(5)
Cash flow movement in net debt	**891**	(1,937)

[1] From all managed businesses (both continuing and discontinued operations).

Summary of the year

Lower earnings were the main driver behind the reduced cash flows from operating activities, but an adverse movement in working capital movements, primarily arising within MKM, offset by markedly lower tax payments, also reduced cash flows from operating activities compared to the prior year. Cash flows from operating activities were $820 million for the year, a decrease of $279 million compared to the prior year. Given lower levels of sustaining capital expenditure, Free Cash Flow, a key performance indicator of the Group's ability to translate earnings into cash flow, was a healthy $579 million.

Working capital
Working capital levels for the Group increased by $216 million during the year. This adverse working capital movement is primarily due to:

- an increase in work in progress within the smelters in Kazakhmys Copper in the last quarter of the year which will be processed into copper cathodes during 2010;
- negative final pricing adjustments on provisionally priced contracts at 31 December 2008 within Kazakhmys Copper of approximately $50 million were paid to Chinese customers in January and February 2009 due to the sharp fall in copper prices at the end of 2008. This contributed to the adverse working capital movement in respect of trade and other payables within Kazakhmys Copper;
- an increase in the level of trade receivables within the Kazakhmys Copper division given the sharp increase in commodity prices seen during the second half of the year; and
- within MKM the adverse working capital impact on inventory levels of $102 million and trade receivables of $16 million was largely commodity price driven.

Despite these adverse working capital movements, working capital levels are being tightly controlled and managed across all of the Group's businesses.

Interest cash flows
Interest paid during the year was $63 million, $7 million lower than in 2008. The impact of lower US$ LIBOR interest rates during 2009 and the interest rate swaps that were taken out at the end of 2008 resulted in the average interest rate during the year on the Group's PXF being 2.08% compared to 3.92% in 2008. The impact of lower interest rates was offset by the payment of 12 months of interest on the PXF in 2009 compared to seven months in 2008, as the facility was drawn down in May 2008 to fund the acquisition of Kazakhmys Power.

Lower average cash balances throughout the year, coupled with the lower US$ interest rates in 2009, also meant that interest income received on cash and deposits fell from $28 million to $10 million in 2009.

Income taxes and mineral extraction tax
The level of income taxes paid for the year was $144 million which is significantly lower than the $621 million paid in 2008. This sharp reduction is primarily as a result of the lower earnings of the Group for the year and the corresponding level of payments on account being made to the Kazakhstan tax authorities. In addition, at 31 December 2008 Kazakhmys Copper had an income tax receivable balance of approximately $100 million as a result of the payments on account being made during 2008 not taking into account the sharp reduction in profitability seen in the last quarter of the year. Payments on account for the first quarter of 2009 continued to be based on the significantly higher level of earnings for 2008, with agreement being reached with the tax authorities in the second quarter that no further payments on account would be required until the tax receivable balance had been utilised. Given the increase in commodity prices and higher profitability of Kazakhmys Copper in the second quarter and thereafter, this income tax receivable balance was fully utilised in the second half of the year and payments on account recommenced.

In addition to the income taxes paid, $120 million of taxes were paid in respect of the MET. Of the total MET expense recognised of $164 million, $44 million remained unpaid at the year end, and this was paid in the first quarter of 2010.

Capital expenditure
As a result of the market conditions that existed at the end of 2008, capital expenditure during the year was sharply curtailed; sustaining capital expenditure was $143 million lower at $241 million compared to the prior year, and expansionary and new project capital expenditure was $123 million lower at $187 million. Existing supply contracts were also renegotiated in light of the economic environment which also contributed to a reduction in capital expenditure across the year.

Despite this reduction in capital expenditure, major items of expenditure during the year included expenditure on the pre-feasibility studies on Aktogay and Bozshakol, expenditure on the Zhezkazgan and Balkhash smelters to improve recovery rates, ramping up of the West Nurkazgan underground mine which commenced mining operations in February 2009, purchase of essential new machinery at mines to maintain operations, the overhaul at Unit 5 and initial expenditure on the rehabilitation of Unit 8 at Ekibastuz GRES-1, and continued exploration work within Kazakhmys Petroleum.

Investing cash flows
The Group paid $3 million in January 2009 as deferred consideration relating to the Kazakhmys Power acquisition. Furthermore, as explained below, on termination of the management contract of the Ekibastuz GRES-1 power plant and Maikuben West coal mine, the Group paid an additional $80 million in April 2009 under the earnout agreement relating to the 2008 financial year. The Group paid a further $102 million under the termination agreement in October 2009 by cash collateralising early a standby letter of credit to AES Corporation ('AES').

Payment of $681 million was also received in respect of the disposal of 50% of Ekibastuz GRES-1 LLP to Samruk as discussed below in the 'Discontinued operations' section.

Dividends received
The Group received dividends of $84 million from ENRC in 2009, compared to $38 million in 2008. These dividends have been credited against the carrying value of the investment in ENRC rather than being included within earnings.

BALANCE SHEET

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

$ million	**2009**	2008
Cash and cash equivalents	**903**	540
Current investments	**58**	32
Borrowings	**(1,650)**	(2,200)
Net debt[1]	**(689)**	(1,628)

[1] Excludes MKM and Kazakhmys Power for 2009.

The Group's net debt position (net of capitalised arrangement fees of $12 million) stood at $689 million at 31 December 2009 compared with $1,628 million at 31 December 2008. The reduction in net debt is primarily due to the receipt of $681 million in December 2009 prior to completion of the disposal of 50% of Ekibastuz GRES-1 LLP to Samruk in February 2010. The net debt of MKM and the Kazakhmys Power division at 31 December 2009 was $115 million.

Whilst net debt levels initially increased at the beginning of 2009 as commodity prices remained depressed, in addition to the $681 million received from Samruk, the beneficial impact of stronger commodity prices seen during the second half of the year, tight working capital management, the curtailment in the capital expenditure programme and dividend receipts from ENRC had the effect of reducing the overall net debt position. Monthly repayments under the PXF of $44 million commenced in March 2009 with $438 million of capital being repaid during the year, thereby reducing the outstanding balance drawn under the PXF to $1,662 million at 31 December 2009. Repayments will continue until March 2013.

On 26 August 2008 the Group signed a $200 million revolving credit facility with a group of banks for general corporate purposes and to provide standby liquidity. On 30 March 2009 the facility was reduced to $150 million and extended to 31 March 2010. The facility has remained undrawn since its inception.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The funds within the UK are held within Western European and US financial institutions and their triple 'A' rated managed liquidity funds. At 31 December 2009, $776 million of cash and current investments were held in the UK, with $181 million being held in Kazakhstan.

The Group's liquidity requirements are met by ensuring adequate working capital is available within Kazakhstan, surplus funds are repatriated to the UK on a timely basis and accessing the revolving credit facility if required.

On 30 December 2009, the Group announced that it had arranged up to $2.7 billion of loan facilities with China Development Bank ('CDB') and Samruk, allocated from a $3.0 billion financing line agreed between CDB and Samruk. Of the $2.7 billion arranged for Kazakhmys, facility agreements were signed for $2.1 billion on 30 December 2009, and for a further $200 million on 12 January 2010, for the development of the Group's projects at Bozymchak and Bozshakol and other development projects, with the balance of $400 million remaining available over the next three years.

Discontinued operations

The Kazakhmys Power division and MKM have been classified as being held for sale and as discontinued operations within the financial statements. As a result of this classification, the assets and liabilities of these divisions are separately shown within the consolidated balance sheet as single line items within current assets and current liabilities. Current assets includes $1,615 million in respect of assets classified as held for sale, which is primarily made up of $443 million of goodwill and $801 million of property, plant and equipment, which relates to Kazakhmys Power, inventories and trade receivables of $187 million and $121 million, respectively, within MKM, and cash of $42 million within Kazakhmys Power. Current liabilities include $460 million of liabilities directly associated with assets classified as held for sale, and is primarily made up of borrowings within MKM of $157 million, provisions within Kazakhmys Power of $109 million and a deferred tax liability of $110 million, of which $105 million relates to Kazakhmys Power.

Kazakhmys Power

As explained above in the "Discontinued operations" section, following the announcement on 10 December 2009, the Group agreed to dispose 50% of Ekibastuz GRES-1 LLP, a wholly owned subsidiary within the Kazakhmys Power division, to Samruk for a consideration of $681 million. Since the transaction did not complete until February 2010, when all necessary approvals had been received, at 31 December 2009, a liability of $681 million is included within trade and other payables as part of continuing operations.

In March 2009, the Group agreed the early completion of the management contract with AES, such that management of the Ekibastuz GRES-1 power plant and Maikuben West coal mine transferred to the Group during the second quarter of the year. The early completion agreement included an earnout of $80 million for the 2008 financial year which was paid in April 2009, and a payment of $102 million which was due for payment in January 2010. The $102 million payment was covered by a standby letter of credit to AES which had to be cash collateralised by 15 December 2009. In light of surplus funds being held by the Group, the letter of credit was cash collateralised early in October 2009, thereby extinguishing any remaining liabilities due to AES as a result of the acquisition of Kazakhmys Power in May 2008.

MKM

In June 2009, the MKM trade finance facility was refinanced with a syndicate of banks. The size of the facility was reduced from €230 million to €170 million, due to lower copper prices at the time of refinancing and more efficient management of inventory. The new trade finance facility is for a three year period with interest being payable on drawn balances at a rate of EURIBOR + 3.00%. The facility amortises over a 12 month period after June 2011 based on the drawn balance as at 31 May 2011. At 31 December 2009, borrowings under this facility were $157 million, up from $121 million at 31 December 2008 as a result of higher working capital requirements due to rising copper prices towards the end of the year.

NOTES TO EDITORS

Kazakhmys PLC is a leading international natural resources group with significant interests in copper, gold, zinc, silver, power generation and petroleum.

It is the largest copper producer in Kazakhstan and one of the top ten worldwide with 15 operating mines, 10 concentrators and 2 copper smelters. Kazakhmys Copper operations are fully integrated from mining ore through to the production of finished copper cathode and rod. Total copper cathode equivalent produced in 2009 from own ore was 320 thousand tonnes. Production is backed by a captive power supply and significant rail infrastructure.

Kazakhmys Copper produces significant volumes of other metals, including zinc, silver and gold. In 2009, it produced 149 thousand tonnes of zinc in concentrate. The Group is in the top ten largest silver producers in the world (17 million ounces produced in 2009).

Kazakhmys Gold, which acquired Eurasia Gold Inc in July 2007, includes new development and exploration opportunities. The Group produced 182 thousand ounces of gold in 2009 and has measured and indicated resource of 2.3 million ounces.

Kazakhmys Power has a 50% interest in the coal fired Ekibastuz GRES-1 plant, the largest in Kazakhstan with a nameplate capacity of 4,000 MW. In addition, it owns the Maikuben open cast coal mine, supplying around a quarter of the power plant's fuel requirements producing over 3.7 million tonnes of coal in 2009.

Kazakhmys Petroleum is continuing its work programme at the East Akzhar exploration block, located on the eastern fringe of the Caspian depression, which was acquired in April 2007.

Kazakhmys also owns MKM, an upstream copper products fabrication company in Germany, which produces a range of pre- and semi-finished copper and copper alloy products.

The Group is part of the FTSE-100 index of companies listed on the London Stock Exchange and is also listed on the Kazakhstan Stock Exchange (KASE). It had revenues of $3.7 billion in 2009 with EBITDA of $1.2 billion. The Group employs some 62,000 people, principally in Kazakhstan. The Group's strategic aim is to diversify and participate in the development of the significant natural resource opportunities in Central Asia.