KAZAKHMYS PLC

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Company registered in England and Wales
Company Number: 5180783

26 August 2010

KAZAKHMYS PLC HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2010

OPERATIONAL HIGHLIGHTS

- ***Sound production across all metals***
  - Copper cathode equivalent of 164 kt
  - Strong by-product output in zinc and silver

- ***Strong growth in volumes at power business***
  - Power generated increased 43% to 5,373 GWh

- ***Major copper growth projects remain on track***
  - Bozshakol feasibility study expected end of 2010
  - Aktogay negotiations with Jinchuan continuing

FINANCIAL HIGHLIGHTS

- ***Financial performance benefited from cost control and higher metals prices***
  - Group EBITDA (excluding special items) increased 87% to $1,342 million
  - EPS based on Underlying Profit up 160% to 130 US cents per share
  - Interim dividend of 6.0 US cents per share
  - Balance sheet well positioned to fund future growth
  - Impact on earnings of higher social spend

- ***Net cash costs ahead of target at 85 US cents per pound due to***
  - Good management of the cost base
  - Positive by-product volumes and pricing

- ***Significant recovery in pricing***
  - Average realised copper price of $6,981 per tonne, an increase of 73%
  - Average power tariff increased 61% to 4.56 KZT/kWh

OUTLOOK

- ***Outlook for copper market remains positive***

- ***Intensifying efforts to improve safety performance***
  - Appointment of external consultant

- ***Copper production on track to meet target of just over 300 kt***
  - Costs for the full year should remain within the target range of 90 to 120 US cents per pound

- ***Power demand and pricing anticipated to remain firm***
  - Output likely to exceed annual target of 10,400 GWh
  - Likely acceleration of investment programme

$ million (unless otherwise stated)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Revenues	**1,522**	1,123
Earnings:		
Group EBITDA (excluding special items)[1]	**1,342**	717
Segmental EBITDA (excluding special items)[1]	**935**	533
Profit before taxation	**631**	666
Underlying Profit	**696**	269
EPS:		
Basic and diluted ($)	**1.07**	0.96
Based on Underlying Profit[2] ($)	**1.30**	0.50
Free Cash Flow[3]	**239**	299
ROCE[4] (%)	**10**	5
Cash cost of copper after by-product credits[5] (USc/lb)	**85**	76

[1] Reconciliation of Group and Segmental EBITDA (excluding special items) to operating profit is found in note 6(a)(iii).
[2] Reconciliation of EPS based on Underlying Profit is found in note 11(b).
[3] Net cash flows from operating activities less sustaining capital expenditure on tangible and intangible assets.
[4] Profit before taxation and finance items, excluding special items, as a percentage of the average of opening and closing capital employed.
[5] Total of Kazakhmys Copper cash operating costs excluding purchased concentrate less by-product revenues, divided by the volume of copper cathode equivalent sales.

Oleg Novachuk, Chief Executive of Kazakhmys PLC, said: "This has been a solid six months, with good production and cost control in our mining business, assisted by a more positive pricing environment. The power business is growing ahead of expectations, which should lead to an acceleration of the investment programme. We are intensifying our efforts to improve our safety record, including the appointment of external consultants. Our growth projects are progressing on track and we should be in a position to give significant updates by the time of our full year results. The market for our products has been firm and we remain positive on the outlook for copper."

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Copies of the half-yearly report will not be mailed to shareholders. Copies can be obtained from the Kazakhmys website (www.kazakhmys.com) or by contacting the Corporate Communications department at the Company's registered office.

REGISTERED OFFICE

6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL.

SHAREHOLDER INFORMATION

The Company declares dividends in US dollars. For those shareholders who wish to receive their dividends in UK pounds sterling, currency election forms should be sent to the Company's registrar, Computershare Investor Services PLC, so as to arrive by 6.00pm on Friday 10 September 2010.

For those shareholders who have elected to receive their dividends in UK pounds sterling, the currency conversion rate to convert the dividend into UK pounds sterling will be £0.64242 to the US dollar. This is based on the average exchange rate for the five business days ending two days before the date of the half-yearly results announcement.

FORWARD-LOOKING STATEMENT

This half-yearly report includes forward-looking statements with respect to the business, strategy and plans of Kazakhmys and its current goals, assumptions and expectations relating to its future financial condition, performance and results. By their nature, forward-looking statements involve known and unknown risks, assumptions and uncertainties and other factors which may cause actual results, performance or achievements of Kazakhmys to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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 this half-yearly report 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 Listing Rules and applicable law, Kazakhmys does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this half-yearly report.

CHIEF EXECUTIVE'S REVIEW

BACKGROUND

This is another solid set of results – combining sound production across all metals with continuing cost control. I should like to thank my colleagues for again delivering against the targets set for the first six months of the year.

Demand for our products has been positive throughout the period. All copper cathode contracts for 2010 were completed early in the year. As in 2009, these account for around 80% of anticipated annual copper production. Demand for the small volume of 'spot sales' is firm.

Metals prices have improved significantly from the depressed levels seen in the first quarter of 2009 and, combined with controlled costs, this has led to a sharp increase in profitability. Segmental EBITDA rose 75% to $935 million and Group EBITDA, which includes Kazakhmys' 26% share of ENRC's EBITDA, increased 87% to $1,342 million. The balance sheet has been strengthened by continued cash generation and the completion of the sale of 50% of Ekibastuz GRES-1, with net debt of $585 million at the end of June 2010. With our new $2.7 billion debt facility in place, we are in a strong position to invest in our business and deliver our future growth projects.

The progress on our major growth projects remains on track. The feasibility study at Bozshakol should be complete by the end of the year and we continue to work towards a partnership with Jinchuan at Aktogay. Our growth projects should see annual production rise from its current level of 300 kt to over 500 kt during the next five years.

COPPER PRODUCTION AND SALES

Ore output was 16.2 MT in the first half of 2010, a slight increase from the comparative period. The average grade of copper in ore was 1.14%, compared to 1.19% in the first six months of 2009. The combination of higher volume and lower grade is in line with the guidance set out at the time of our 2009 annual results. Overall, these factors led to a 3% decline in metal in ore mined.

The production of copper in own concentrate, of 169.4 kt in the six months to 30 June 2010, was 5% below the level achieved in the same period of 2009. This decrease reflects the 3% reduction in metal in ore mined, as well as the additional copper in concentrate produced in the comparative period from previously stockpiled ore.

Cathode equivalent production, of 164.3 kt, was only 3% below the first half of 2009. The 5% decrease in copper in concentrate was offset by the processing of work in progress, which was carried over from 2009.

Sales of copper cathode and rod, combined at 163.3 kt, are in line with the production for the period. Inventories of finished metal remain at low levels.

PRODUCTION AND SALES OF BY-PRODUCTS AND THE GOLD DIVISION

By-product output was generally strong in the first half of 2010. Zinc in concentrate production was 80.9 kt, ahead of target and 6% higher than in the same period of 2009. This improvement was due to an increase in grade and recovery rates. Gold in ore mined rose by 57% compared to the first six months of 2009, although production of 62.4 koz was lower due to the processing of stockpiled ore in 2009. Silver production of 6,697 koz is on track to meet the full year target. As anticipated, silver production is lower than the first six months of 2009, which had benefited from a significant release of material from stockpiled ore and work in progress.

Progress is being made on the Bozymchak project in Kyrgyzstan, part of the Gold Division. $27 million was spent on the project during the period, although the social unrest in Kyrgyzstan delayed early construction work at the site and the delivery of the processing plant. Construction is proceeding and delivery of the major items for the processing plant is expected shortly, but it is likely that first concentrate sales will move into mid 2011.

MARKETS AND DEMAND

For the 2010 financial year, all sales contracts are in place. In line with last year, these contracts account for around 80% of our anticipated copper cathode production. The split of sales contracts is again evenly distributed between our customers in Europe and in China. Conversion of cathode to rod has risen sharply this year, reflecting higher demand and premiums from customers, mainly based in China. Demand for all our products has been consistently firm throughout the first six months of the year and there is no sign of any change in customer sentiment.

In 2009, the Group entered into a hedging programme for 8.5 kt of copper each month. This was done to protect some of our higher cost operations, in the event of prolonged weakness in the copper price. There is no hedging in place for 2010 or beyond.

COST CONTROL

In the first six months of 2010, operational costs have been lower than anticipated. This result is due to sound cost control and only modest impacts from inflation and currency exchange rates.

Gross cash costs of 187 US cents per pound are higher than in the comparative period, but the first half of 2009 benefited from depressed input prices, reflecting the weak economic climate, significant additional volumes of material produced from previously stockpiled ore and a sharp reduction in finished goods inventory. The gross unit cost remains relatively unchanged compared to the second half of 2009, which is a more comparable period.

Net cash costs, after by-products, were 85 US cents per pound, below the 90 to 120 US cents per pound range that we set at the start of the year. At this level, Kazakhmys retains its highly competitive cost position within the industry. We remain on track to stay within the range subject to the prices received for our by-products.

There could be some pressure on costs in the second half of the year. Rising input costs, such as diesel and steel, would increase the cost base and firm oil prices could lead to a strengthening of the tenge against the US dollar. Kazakh inflation is currently around 7%, and could affect domestic costs. Global ‘mining inflation’ has remained subdued, but may re-emerge in the event of continued sector strength.

POWER BUSINESS

On 26 February 2010, the Group completed the sale of 50% of Ekibastuz GRES-1 to Samruk-Kazyna with Kazakhmys retaining a 50% interest. The business is performing strongly in both volume and pricing.

On a 100% basis, net power generated in the first six months of 2010 was 43% higher than the comparative period. At the end of 2008, the demand for electricity from industrial customers declined significantly due to the overall economic downturn, and demand remained low in the first quarter of 2009. A moderate improvement in demand started in April 2009 and the trend has continued since then, led by a recovery in industrial output in Kazakhstan and Russia.

There was a slight dip in generation in the second quarter of 2010, from the previous quarter, driven by normal seasonal factors and an unusually extended flood period, which benefited the hydro plants in Kazakhstan.

The average tariff for electricity increased by 61% compared to the first half of 2009. The average tariff is close to the agreed 2010 ceiling tariff for domestic sales of 4.68 KZT/kWh, compared to 3.60 KZT/kWh set in 2009. The ceiling tariff for domestic sales is agreed with the Ministry of Industry and New Technologies on an annual basis, and is set to allow the plant to undertake its substantial investment programme.

The plant is undergoing a $1 billion investment programme to restore the plant's capacity to 4,000 MW, from a current level of 2,500 MW. The strong cash flows being produced by the business should allow this programme to be accelerated.

The average realised price may drop in the second half of the year, as export sales to Russia are likely to increase and these generally take place at a discount to the domestic price. There will, however, be a benefit from increased volumes. Output in 2010 is likely to exceed the initial target of 10,400 GWh.

FINANCIAL PERFORMANCE

Revenue rose 36% to $1,522 million, principally driven by the increase in metals prices, with the average realised sales price of copper at $6,981 per tonne for the first six months of the year, compared to $4,024 per tonne in the prior period.

The combination of controlled costs and higher metals prices led to a sharp rise in profitability with Segmental EBITDA (excluding special items) of $935 million, compared to $533 million in the first half of 2009. This 75% improvement understates the underlying performance, as 50% of Ekibastuz GRES-1's EBITDA is excluded after February 2010, following the sale of 50% of the business. There has, however, been some impact from social spending which has been significantly higher than in the comparative period.

Group EBITDA (excluding special items) was $1,342 million for the period, which includes $407 million arising from our 26% share in ENRC. Group EBITDA (excluding special items) for the comparative period was $717 million.

Earnings per share based on Underlying Profit, including our share of ENRC's equity accounted earnings, was 130 US cents per share compared to 50 US cents per share for the first six months of 2009. All of ENRC's divisions are operating at close to full capacity and their products have also seen higher pricing compared to the previous period.

FINANCIAL POSITION

Controlled costs and higher pricing led to a sharp increase in cash flows from operating activities, but this was offset by the timing of tax payments. Net cash inflow from operating activities remained broadly unchanged at $466 million.

The pre-export finance debt facility continues to be repaid at $44 million each month and the outstanding principal stood at $1.4 billion at the end of the period. Cash on the balance sheet has risen since December 2009 with the draw down of $300 million of funds from the facility with the China Development Bank and Samruk-Kazyna. This facility will mainly be used for the Bozshakol project, with a remaining $2.4 billion available to be drawn down by July 2012.

Capital expenditure in the Copper Division at $224 million has returned to more usual levels, having been held back in 2009 in order to conserve cash. During the second half of 2010, we are likely to continue ordering long lead items for Bozshakol, but cash will remain high in the short term.

Net debt was $585 million at 30 June 2010, and we are well placed to invest in the business and take the growth projects forward.

STRATEGY

Our strategy remains unchanged from the time of our Listing – to optimise the performance of our existing assets, deliver our growth projects and take advantage of the natural resource opportunities in Central Asia.

During 2010, the primary focus will be on optimising our assets and continuing to move forward with our growth projects. The outlook for the copper market is positive, with a shortage of deliverable projects and continued strong market demand, particularly from developing economies. We believe that we have globally competitive projects. They are economically sound using conservative pricing estimates, and have the benefit of existing infrastructure and proximity to our customers in China.

Our 26% stake in ENRC is currently worth $4.3 billion or 48% of our market capitalisation. ENRC also mainly operates in Kazakhstan, though in a different suite of metals to Kazakhmys. The holding provides diversification as well as strategic opportunities.

DIVIDEND

The dividend policy, established at the time of Listing, is to pay a dividend based on the underlying profitability and funding requirements of the business. Given the profitability of the Group at current metals prices, the Board is proposing to pay an interim dividend for 2010 of 6.0 US cents per share. This level of dividend reflects confidence in the Group, but acknowledges the future cash requirements to deliver the various growth projects. This compares to a full year dividend for 2009 of 9.0 US cents per share paid in May 2010.

CORPORATE SOCIAL RESPONSIBILITY

I regret to inform that there have been 19 fatalities since the start of the year, compared to 13 in the first six months of 2009. This is disappointing given our continuous investment and focus on health and safety, and we are intensifying our efforts to improve in this area. We will maintain our emphasis on training and education, in order to reduce unsafe behaviour and practice, and will also continue to invest in new technologies where these can improve safety. We are appointing external consultants to assist us in this work. The Board and senior management place the highest priority on improving our health and safety performance.

Kazakhmys has significant social commitments, including a range of educational, health and infrastructure projects. In 2010 we are undertaking major social projects in Kazakhstan, part of a series of large projects being supported by industry. The total cost for these are $130 million, which is in keeping with the size of the projects. $50 million has been spent in the first half of 2010, though the entire amount has been recognised as an expense in the current period and the remaining $80 million is likely to be incurred in the next 12 months. General social spend, excluding these special items, in the first half of 2010 was $28 million higher than in the comparative period.

OUTLOOK

For the remainder of 2010 we will continue to focus on delivering against our production and cost targets, and maintaining our competitive position on the global cost curve. The outlook for the power business remains positive, providing both growth potential and security of supply for our future power needs. The growth projects should be at an exciting stage by the time we produce our annual results with good visibility on future production. We retain our confidence in the long-term supply/demand fundamentals for copper and believe we are well placed to take advantage of the continued strength in the copper price.

DIVISIONAL REVIEW

REVIEW OF KAZAKHMYS COPPER

KAZAKHMYS COPPER PRODUCTION SUMMARY

Copper

kt (unless otherwise stated)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Ore output	**16,236**	16,013
Copper grade (%)	**1.14**	1.19
Copper in concentrate from own production	**169**	178
Copper cathodes from own concentrate[1]	**164**	154
Copper cathode equivalent from own concentrate[2]	**164**	170
Copper cathodes from purchased concentrate	**1**	4
Copper rod production	**18**	5

[1] Includes cathode converted into rod.
[2] Includes copper sold as concentrate and cathode converted into rod.

Kazakhmys Copper's ore extraction volumes in the first half of 2010 were marginally above the same period in the prior year. The North mine in Zhezkazgan was closed for extensive stripping works for most of the period, however output was maintained with increased production at a number of mines. In particular, there was higher output at the West Nurkazgan mine which commenced operations in February 2009 and continued to ramp up production in the first half of 2010. Additionally, the Abyz mine which was suspended for stripping works in the first half of 2009, was operational and output was raised at a number of mines in the Zhezkazgan region.

The decline in the average copper grade to 1.14% was due to extraction from lower grade sections of the Orlovsky and Nikolayevsky mines and higher output from the West Nurkazgan mine at a grade of 0.84%.

Copper in own concentrate production was 5% below the first half of 2009, which benefited from the contribution of 15 kt of copper in concentrate from the processing of stockpiled materials. The lower copper grade in the first half of 2010 led to a decline in metal in ore output, the impact of which was partially offset by an improvement in the recovery rates at the concentrators.

Copper cathode equivalent production from own concentrate was 3% below the first half of 2009 due to the reduction in copper in concentrate obtained from the processing of stockpiled ore in the prior period and a decline in ore grade. The decrease in copper in concentrate production in the first six months of 2010 was partially offset by the processing of work in progress at the smelters which had built up towards the end of 2009.

The refurbished Zhezkazgan smelter furnace recommenced operations in May 2010. After the testing of the refurbished furnace was successfully completed, the second furnace at the Zhezkazgan smelter was suspended in July 2010 pending a full maintenance programme. With one furnace suspended, the current capacity of the two smelters is sufficient for the Group's current concentrate production.

All of the excess concentrate produced in the Zhezkazgan region in the first half of 2010 was shipped to the Balkhash smelter for processing. In the prior period, 17 kt of copper in concentrate from the Zhezkazgan region was sold to China, which accounted for the copper cathode equivalent production being above the copper cathode production in 2009. There have been no sales of concentrate in 2010.

Copper rod production was higher in the first half of 2010 as improved premiums resulted in a significant increase in copper rod sold to the Chinese market.

Over the second half of the year, production is expected to remain in line with the market guidance of copper cathode equivalent production of at least 300 kt in 2010.

Zinc

kt (unless otherwise stated)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Zinc grade (%)	**4.56**	4.04
Zinc in concentrate	**81**	76
Zinc in metal	**-**	9

Zinc metal in ore output in the first six months of 2010 was 29% above the same period in the prior year. The increased output was mainly due to improved extraction volumes and higher zinc grades at the Artemyevsky and Nikolayevsky mines, along with the recommencement of operations at the Abyz mine which was closed for stripping works in the first half of 2009.

The increase in zinc metal in ore extracted and improvements in recovery rates at the concentrators led to zinc in concentrate production exceeding output for the six months to 30 June 2009, despite the prior period benefiting from the processing of stockpiled materials.

With the suspension of the zinc metal refinery in March 2009, Kazakhmys Copper now only sells zinc in concentrate to external customers.

Precious Metals

	Six months ended 30 June 2010	Six months ended 30 June 2009
Average silver grade (g/t)	**20.06**	20.41
Silver own production (koz)	**6,697**	9,145
Average gold grade (g/t)	**0.78**	0.61
Gold own production (koz)	**62**	68

The average silver ore grade was below the first half of 2009 due to the declining grades at the maturing mines in the Zhezkazgan region and increased production from the low grade West Nurkazgan mine. Silver production from own material was 27% below the six months to 30 June 2009 which benefited from the processing of stockpiled ore and a reduction in work in progress.

The gold grade was higher than in the six months ended 30 June 2009 due to the recommencement of production from the Abyz mine which has an above average gold grade of 4.05 g/t. The additional production from the Abyz mine, together with higher output from the Artemyevsky and West Nurkazgan mines increased gold metal in ore production. However, own gold production was lower than in the comparative period which benefited from the processing of stockpiled ore and a reduction in work in progress.

KAZAKHMYS COPPER FINANCIAL SUMMARY

$ million (unless otherwise stated)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Sales revenues:	**1,506**	1,104
Copper cathodes	**1,024**	721
Copper rods	**116**	17
Copper concentrate	**-**	72
Zinc (metal and concentrate)	**77**	60
Silver	**126**	117
Gold	**79**	60
Other	**84**	57
Average realised price of copper ($/t)	**6,981**	4,024
EBITDA (excluding special items)	**814**	453
Net cash costs excluding purchased concentrate (USc/lb)	**85**	76
Gross cash costs excluding purchased concentrate (USc/lb)	**187**	143
Capital expenditure	**224**	148
Sustaining	**209**	94
Expansionary	**15**	54

REVENUES

Stronger commodity prices led to revenues rising by 36% compared to the six months ended 30 June 2009, with copper products continuing to comprise approximately 75% of sales revenues. Within copper products, cathode revenues benefited from the average realised price rising from $4,024 per tonne in the first half of 2009 to $6,981 per tonne over the same period in 2010. Sales volumes of copper cathodes were lower by 18% as there was a reduction in finished goods in the first half of 2009 of 26 kt, and as 18 kt of cathodes were processed further and sold as copper rods in the first half of 2010 compared to just 5 kt in the same period in 2009.

In 2009, the premiums available on copper rod sales into China were insufficiently attractive and production was limited to meet local demand. In 2010, sales to China have resumed and approximately 10% of annual cathode production is expected to be sold as copper rod.

17 kt of copper in concentrate was sold into China during the first half of 2009 as a trial which ended in the second half of that year. There were no such sales in the first half of 2010 as the terms for cathode sales were preferable to those available for copper concentrate.

Zinc revenues in the first six months of 2009 included the sale of 17 kt of zinc metal as the zinc refinery processed the residual concentrate at the site before it was suspended from operation. In the first half of 2010, zinc sales have been entirely of concentrate of which 77 kt was sold, compared to 64 kt in the prior period. Although the LME zinc price rose by 63%, as sales in the first half of 2010 were exclusively of zinc concentrate, priced at LME less a processing charge, zinc revenues were only 28% higher in the period to 30 June 2010.

Silver and gold revenues rose to $126 million and $79 million, respectively, as realised prices grew in the first half of 2010 compared to the first half of 2009 by 33% and 26%, respectively, to $17.8 per ounce and $1,145 per ounce. Production of both precious metals were lower in the

period, which led to reduced silver sales volumes of 7,084 koz compared to 8,038 koz, however gold sales volumes were above the prior period by 3,237 ounces due to a sell down of inventory.

Other revenues consist of sales of smaller by-products such as lead, sulphuric acid, electricity and coal. The growth in revenues was largely due to greater sales of lead concentrate and lead dust as well as increased external sales of energy and coal.

EBITDA (EXCLUDING SPECIAL ITEMS)

EBITDA (excluding special items) increased by $361 million to $814 million due to the growth in revenue. Kazakhmys Copper's cost of sales increased by 7% compared to the prior period, excluding Mineral Extraction Tax, largely due to input prices rising. The cost of consumables increased partly due to price and also as a greater volume of ore preparation works were carried out. There was a rise in expenditure on repairs to improve or maintain the efficiency of assets, particularly at the copper smelters.

Ore transportation costs increased in the first half of 2010 as the tariffs charged by outsourcing companies rose. The transportation of personnel between sites was outsourced during 2009 to a third party who operates and maintains Kazakhmys' vehicles. Together with the outsourcing of catering and certain security services, this has resulted in a reduction in average headcount of 4,000 employees when compared to the prior period, moving costs from employee remuneration to production overheads. Excluding the impact of this reallocation to production overheads, salary costs increased slightly as certain categories of workers had wages increased in line with local inflation and as staff resumed full time work, a number of staff having been moved to part time work in 2009 in order to control costs.

Administration expenses rose by 33% from $168 million in the comparative period to $224 million. This increase excludes the $130 million charge for major social projects which is treated as a special item. The level of expenditure on other social assets was higher than in the prior period as Kazakhmys supported a number of smaller projects in the communities in which the Group operates. Consultancy costs rose as Kazakhmys sought external support for operational improvement projects, and personnel costs were adversely impacted by inflationary wage rises and the relocation of Kazakhmys Copper management from Zhezkazgan to Karaganda.

Operating costs denominated in tenge benefited slightly from the impact of the 25% devaluation of the tenge which took place in February 2009. The average US dollar exchange rate in the first half of 2010 was 147.26 KZT/$ compared to 144.72 KZT/$ in the first half of 2009.

In the first half of 2009, Kazakhmys Copper suffered a loss of $16 million in respect of a copper hedging programme that was in place until the end of 2009. There has been no copper hedging during the six months ended 30 June 2010.

NET CASH COST

Gross cash cost of copper increased from 143 US cents per pound for the first six months of 2009 to 187 US cents per pound for the same period of 2010. The six months ended 30 June 2009 benefited from a greater volume of copper products sold from inventory so the fixed cost base was spread across higher sales volumes. General cost inflation, referred to previously, also adversely impacted the cash cost and this was compounded by the lower copper grade seen in 2010.

The increase in gross cash cost per pound has been partially offset by the impact of stronger commodity prices as by-products revenues grew sharply in the six months ended 30 June 2010, resulting in a net cash cost of 85 US cents per pound.

CAPITAL EXPENDITURE

With the favourable commodity prices seen in the first half of 2010, the scope of Kazakhmys Copper's capital expenditure programme has been expanded in comparison to the same period in the prior year when the focus was on the conservation of cash.

Sustaining
The main areas of investment in the first half of 2010 included expenditure on the concentrators, smelters and power stations to maintain output levels at these essential assets. To enhance the efficiency of operations, equipment has been purchased to maintain the roads at mining operations along with drilling and haulage vehicles to further improve the availability of equipment at the mines. Payments for building works and equipment purchases were also made for the tyre recycling facility which commenced operations in January 2010.

Expansionary
The development of the ore body at the West Nurkazgan mine continued to enable the ramp up of production from the underground mine. In the Karaganda region, geological works were undertaken as part of the development of the Akbastau and Kosmurun underground mines and the associated concentrator. During the second half of this year, geological works and project studies for Kazakhmys Copper's medium-sized development projects such as the second phase of the Zhomart mine will progress.

The Bozshakol project moved to the feasibility stage in January 2010 and progress on the study of the sulphide ore deposit was made throughout the first six months of the year. The feasibility study is being conducted by the Group's project team, along with Aker Solutions, who have been appointed as the study contractor. The feasibility study is expected to confirm the scope and execution strategy for the project and it remains on schedule to be completed later in 2010. To ensure the timely development of the project, contracts for the supply of long lead items are being negotiated, with the Group having made capital commitments for the sag and ball mills required for the mine's processing plant.

The pre-feasibility study on the combined Aktogay oxide and sulphide project was completed in October 2009, following which the Group considered various options to fund the asset's further development. In April 2010, the Group announced that it had signed a memorandum of understanding with the Jinchuan Group to jointly develop the project. Negotiations are ongoing to finalise the arrangements, with the feasibility study expected to commence thereafter taking around 12 months to complete.

REVIEW OF KAZAKHMYS GOLD

KAZAKHMYS GOLD PRODUCTION SUMMARY

	Six months ended 30 June 2010	Six months ended 30 June 2009
Ore output (kt)	**618**	746
Average gold grade (g/t)	**1.21**	1.46
Gold doré production (koz)	**16**	20

Ore output was lower than in the first half of 2009 as Kazakhmys Gold's two operating gold mines mature and due to the severe winter conditions experienced at the open pit mines during

January and February 2010. The severe weather conditions caused delays to mining operations, particularly at the Mizek oxide mine which also experienced power outages at the start of the year. The ore grade declined as operations at the Mizek mine moved to less mineral rich areas of the deposit.

The lower gold grade and ore output from the mines in Kazakhstan, which are expected to cease operation in 2011, resulted in a fall in gold doré production compared to the same period in the prior year.

KAZAKHMYS GOLD FINANCIAL SUMMARY

$ million (unless otherwise stated)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Sales revenues	**16**	19
Average realised price ($/oz)	**1,167**	958
EBITDA (excluding special items)	**7**	9
Cash cost ($/oz)	**488**	376
Capital expenditure	**28**	3
Sustaining	**1**	1
Expansionary	**27**	2

Kazakhmys Gold revenues decreased by $3 million to $16 million in the first six months of 2010, due to a 33% fall in sales volumes as production volumes declined when compared to the same period in 2009. The lower sales volumes compared to the prior period were partially offset by the movement in the gold price, with an average realised price of $1,167 per ounce, 22% higher than the prior period.

EBITDA (excluding special items) for first six months of 2010 was impacted by cost increases as the reduction in gold content resulted in more reagents being required to process the gold. Rising input prices put pressure on the cost of consumables. Fuel usage was also higher than in the prior period as power outages at the start of 2010 led to the use of generators.

CASH COST

As the two operating mines mature extraction has become more expensive. The gold content is lower which, together with the rise in the cost of consumables, has resulted in the increase of the cash cost to $488 per ounce.

CAPITAL EXPENDITURE

Sustaining
Sustaining capital expenditure of $1 million in the first half of 2010 related to maintaining the operations at Kazakhmys Gold's existing mines.

Expansionary
The development of the Bozymchak gold-copper deposit located in Kyrgyzstan was impacted by the social unrest which delayed the commencement of stripping works and the delivery of equipment to the site. The situation at the mine site is stable and construction work on infrastructure has resumed. The processing plant has been built in China and is in the process of being delivered to the site. The delays experienced have led to the first concentrate sales

from the deposit being scheduled for the middle of 2011 rather than late 2010 as previously planned.

REVIEW OF KAZAKHMYS POWER

On 26 February 2010 the Group completed the disposal of 50% of Ekibastuz GRES-1 to Samruk-Kazyna. Under the agreement reached with Samruk-Kazyna, Kazakhmys is responsible for the management of the power station for the next five years after which Samruk-Kazyna will have the right to appoint the management team for the following five years.

The Maikuben West coal mine has been classified as "held for sale" as Ekibastuz GRES-1's future coal supply will be almost exclusively from Bogatyr, a mine in which Samruk-Kazyna is a shareholder, and consequently Maikuben West is considered non-core by Kazakhmys.

KAZAKHMYS POWER PRODUCTION SUMMARY

	Six months ended 30 June 2010	Six months ended 30 June 2009
Net power generated (GWh)	**5,373**	3,761
Net power generated attributable to Kazakhmys[1] (GWh)	**3,682**	3,761
Net dependable capacity (MW)	**2,166**	1,985
Coal extraction (kt)	**2,073**	1,654

[1] Represents 100% of the net power generated until the 50% disposal on 26 February 2010 and 50% of the net power generated to 30 June 2010.

Ekibastuz GRES-1's net power generation was 43% above the first half of 2009 due to strong domestic electricity demand in the first six months of 2010, continuing the recovery experienced in the second half of 2009. The upgrades made to Kazakhstan's electricity infrastructure in 2009 by KEGOC, in particular the increase in the capacity of the north to south transmission line in September 2009, provided access to more domestic customers.

The net dependable capacity in the first half of 2010 increased against the comparative period due to upgrades to Unit 5 which raised the unit's gross dependable capacity and relatively cooler weather which enhanced the performance of the power plant.

Coal extraction from Maikuben West in the first half of 2010 was 25% higher than the same period in the prior year as export sales to the power industry in Russia increased.

KAZAKHMYS POWER FINANCIAL SUMMARY

$ million (unless otherwise stated)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Sales revenues	**139**	85
Electricity generation[1]	**118**	74
Coal	**21**	11
Average tariff price (KZT/kWh)	**4.56**	2.84
Domestic sales	**4.57**	2.88
Export sales	**3.39**	2.68
Average cost (KZT/kWh)	**1.51**	1.54
EBITDA (excluding special items)[1]	**85**	41
Capital expenditure[1]	**26**	20
Sustaining[1]	**15**	4
Expansionary[1]	**11**	16

[1] Represents Maikuben West coal mine and 100% of Ekibastuz GRES-1's results until the 50% disposal on 26 February 2010 and 50% for the remaining period to 30 June 2010.

REVENUE

The demand for power in Kazakhstan grew substantially in the first half of 2010 compared to the same period in the prior year as industrial demand recovered and the electricity grid upgrades enabled domestic stations to better meet demand across the country. Total electricity sales volumes at Ekibastuz GRES-1 were 43% above the prior period as the station had the spare capacity to meet the increased demand. Also, competitors raised internal consumption thereby diverting customers to Ekibastuz GRES-1. As a result, Ekibastuz GRES-1 gained domestic market share reaching 14% of the Kazakhstan market by the end of June 2010.

In the first half of 2009, Russian sales comprised up to 20% of Ekibastuz GRES-1's revenues however in 2010, agreement on pricing was only reached in June so sales were minimal during the period. Export sales to Russia are expected to continue over the second half of 2010.

In 2010, following commitments made by the Group to expand capacity at the power station, the Kazakhstan tariff ceiling for Ekibastuz GRES-1 was raised from 3.60 KZT/kWh to 4.68 KZT/kWh, a level almost achieved on domestic sales throughout the period, leading to a 61% increase in the realised average tariff compared to the prior period. Export sales to Russia in the second half of 2010 are expected to have a negative effect on the average realised tariff which was almost entirely derived from domestic sales in the first half of the year.

Revenues attributable to Kazakhmys were $54 million above the first half of 2009, despite the disposal of 50% of Ekibastuz GRES-1 in the period. This increase was achieved as a result of higher realised prices with sales volumes attributable to Kazakhmys only slightly below those in the first half of 2009.

Maikuben West's coal sales were $10 million above the comparative period as demand from the Russian power market grew. The average sales price increased by 3% from the first half of 2009.

EBITDA (EXCLUDING SPECIAL ITEMS)

Kazakhmys Power's EBITDA (excluding special items) is primarily derived from Ekibastuz GRES-1, which comprised over 90% of the division's EBITDA (excluding special items) in the first half of 2010. EBITDA (excluding special items) grew by $44 million compared to the first six months of 2009, with the growth in sales volumes and electricity tariffs more than compensating for the impact of disposing of 50% of Ekibastuz GRES-1 during the first half of 2010.

Absolute costs at Kazakhmys Power increased by 58% over the prior period largely as net power generation grew by 43%. The coal used by Ekibastuz GRES-1, largely sourced from the nearby Bogatyr mine, forms the main operating cost of the power plant. With the increased generation, coal consumption was higher and coal prices rose by 12% over the prior period. As a result of increased utilisation of the power station's capacity, there has also been an increase in repairs and maintenance costs.

AVERAGE COST

Despite absolute costs increasing, the cash cost per kilowatt hour of electricity decreased by 2% or 0.03 KZT/kWh in the first six months of 2010 as electricity sales volumes increased sharply, thereby leading to a lower fixed cost per unit. The cost of coal represents 55% of the total cash cost per unit with the balance being other costs, such as overheads, salaries and repairs.

CAPITAL EXPENDITURE

Sustaining
The first phase of Unit 3's overhaul will commence in the third quarter of 2010 as part of the cyclical programme to maintain the five operating units at Ekibastuz GRES-1. The unit is expected to return to operation for the high demand winter period, with the second phase of the overhaul to be conducted in 2011. Expenditure was also incurred to sustain the operations of the existing operating plant along with equipment purchases for the Maikuben West coal mine.

Expansionary
Kazakhmys Power's capital expenditure in the first half of 2010 included the installation of a new electrostatic precipitator at Unit 5 to reduce ash emissions. The precipitator is scheduled to be commissioned in the third quarter of 2010, timed to minimise disruption to the power supply. This project is part of the environmental improvement programme for Ekibastuz GRES-1 aimed at reducing ash emissions to international benchmark standards and improving the ash disposal systems.

The rehabilitation of the dormant 500 MW Unit 8 at Ekibastuz GRES-1 continued during the first half of the year with orders being placed for equipment and the unit being prepared for the construction phase. The unit is scheduled to commence production by 2013. Rehabilitation projects are planned over the next few years for the other two dormant units at the power plant which, once completed, will restore the plant to its nameplate capacity of 4,000 MW.

REVIEW OF KAZAKHMYS PETROLEUM

KAZAKHMYS PETROLEUM FINANCIAL SUMMARY

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
EBITDA (excluding special items)	**-**	-
Capital expenditure (expansionary)	**18**	17

Kazakhmys Petroleum has four deep wells in development as part of the continued oil exploration work on the Eastern Akzhar field in western Kazakhstan.

Initial testing of the first deep well identified hydrocarbons. Due to technical difficulties, a sidetrack has been completed and acid treatment will be conducted to evaluate the well's viability. Testing of the third deep well, which commenced in the second quarter of 2010, has confirmed the presence of hydrocarbons. Acid treatment will now be carried out on the well, in order to assist in the evaluation of the well's commercial potential.

The testing of the second deep well, which also requires acid treatment, will take place following further work on the first and the third wells. The drilling of the fourth deep well commenced in May 2010 and the well had reached a depth of 4,200 metres at the end of June 2010.

The 3D seismic review of the northwestern part of the Eastern Akzhar block has been completed. The seismic data has been interpreted with the results to be used to determine the location of potential future deep wells.

REVIEW OF MKM

Kazakhmys has determined that MKM is not 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.

MKM FINANCIAL SUMMARY

$ million (unless otherwise stated)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
GVA[1] (€ million)	**73**	64
Wire section (€ million)	**18**	14
Flat section (€ million)	**35**	32
Tubes and bars (€ million)	**20**	18
EBITDA (excluding special items)	**46**	45
Capital expenditure	**7**	3
Sustaining	**5**	3
Expansionary	**2**	-

[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.

Demand for semi-finished copper products in Europe recovered in the second half of 2009, a trend that has continued into the first half of 2010. The performance of the German economy, MKM's largest market, was particularly encouraging with robust economic growth figures for the first half of 2010. The improved economic conditions in Europe led to sales volumes at MKM increasing by 7%, from 118 kt to 126 kt, with volume growth from all three product groups. The overall GVA per tonne also rose from €542 per tonne to €578 per tonne. GVA increased by €9 million or 14% from €64 million in the comparative period to €73 million for the first six months of 2010.

Within the wire section, the growth in GVA was achieved through sales of drawn wire with volumes 47% above the first half of 2009. Sales of strips within the flat section grew by almost 10% as industrial demand recovered, particularly in the second quarter of 2010. MKM was capacity constrained on certain specifications of strips and forced to turn down orders. Volumes

sold of sheets, another product in the flat section, were unchanged from the comparative period as demand for copper alloys was weaker than expected. Demand for tubes and bars grew in the first half of 2010 as MKM successfully expanded its product range generating additional volumes.

EBITDA (EXCLUDING SPECIAL ITEMS)

EBITDA (excluding special items) was $46 million, $1 million above the prior period of $45 million. However, the results for 2010 includes a positive $31 million IFRS inventory adjustment ($36 million for the six months ended 30 June 2009). Excluding the impact of the IFRS inventory adjustment to better reflect the underlying business performance, MKM's EBITDA (excluding special items) rose by $6 million, an improvement of 67% against the prior period.

MKM's results would have been stronger but for the reduced availability of debtor insurance, which forms part of MKM's financial risk management. MKM has turned down orders as insurers reduced limits on receivables they are willing to insure. In the second half of 2010, MKM's sales could benefit as insurers have started to raise credit limits.

CAPITAL EXPENDITURE

Capital expenditure increased in the first half of 2010 compared to the first six months of 2009 as the outlook for the business has improved. The expenditure has included investment to expand capacity for specific product categories where bottlenecks are restricting supply and for general maintenance to plant and equipment.

REVIEW OF ENRC

Kazakhmys has a 26% interest in ENRC PLC, a diversified natural resources group with significant operations in Kazakhstan and a growing presence in Africa. The Group's investment in ENRC had a market value as at 30 June 2010 of $4.3 billion. ENRC's vertically integrated operations are structured into six key divisions.

ENRC DIVISIONAL EBITDA (EXCLUDING SPECIAL ITEMS)[1]

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Ferroalloys	**717**	370
Iron ore	**536**	230
Alumina and aluminium	**128**	20
Energy	**162**	92
Other non-ferrous	**36**	-
Logistics	**22**	19
Corporate	**(36)**	(23)
Group	**1,565**	708
Kazakhmys' share of EBITDA (excluding special items) of ENRC	**407**	184

[1] Excludes MET.

The ferroalloys division has chrome ore and manganese mines from which ferrochrome and other ferroalloys are produced. The demand for ferrochrome and ferroalloys was strong in the first half of 2010 and production from the division was close to capacity throughout the period. The division's EBITDA (excluding special items) in the first half of 2010 benefited from an increase in sales volumes and prices, particularly from high-carbon ferrochrome. The higher

revenue was partially offset by the growth in unit cost of sales as labour and input material costs rose.

The iron ore division mines and processes iron ore into concentrate and pellets for sale. With the recovery in demand for both iron ore concentrate and iron ore pellets, the production plants were at full capacity and iron ore extraction volumes were 46% above the first half of 2009. Sales volumes of the higher priced iron ore pellets were greater than in the first six months of 2009 which, along with the improvement in prices for iron ore pellets and concentrate, positively impacted the division's EBITDA (excluding special items) for the first six months of 2010.

The alumina and aluminium division operates two bauxite mines which feed an alumina refinery. Alumina production was consistent with the first six months of 2009, but aluminium production was 69% higher, assisted by the increase in the smelter's annual capacity from 125 kt to 250 kt with the completion of the phase 2 expansion in May 2010. The division's EBITDA (excluding special items) in the first half of 2010 reflected the 54% increase in the average LME aluminium price and additional aluminium sales volumes when compared to the first half of 2009.

The other non-ferrous division comprises the operations in the Democratic Republic of Congo and Zambia, formerly of the Central African Mining & Exploration Company, which was acquired in November 2009 and Chambishi Metals and Comit Resources, which was acquired in April 2010. Production of cobalt metal and copper cathode reflect the ramp up of operations and the first contribution from the Chambishi operations. The division's operating margin will improve as production volumes increase, including the commissioning of a new cobalt plant in late 2010.

The energy division operates the Vostochny coal mine and the coal fired power station at Aksu. Electricity generation was in line with the first half of 2009, as a turbine at Aksu underwent routine maintenance during April and May 2010. The volume of electricity supplied to other ENRC divisions increased by 48% with the ramp up of ferroalloy and iron ore production and the completion of the capacity expansion at the aluminium smelter. The division's EBITDA (excluding special items) benefited from the higher electricity tariffs with the revised electricity ceiling tariffs in Kazakhstan in 2010.

The logistics division provides transportation and freight forwarding services to other ENRC divisions and third parties. The volume of transported products increased by 15% compared to the first half of 2009 with the higher output from both the ferroalloys and iron ore divisions. The division's EBITDA (excluding special items) was in line with the period to 30 June 2009 as higher revenue from additional sales volumes was offset by an increase in operating costs.

FINANCIAL REVIEW

BASIS OF PREPARATION

The financial information presented on pages 37 to 70 has been prepared in accordance with IFRS using accounting policies consistent with those adopted in the financial statements for the year ended 31 December 2009, except for those Standards and Interpretations required to be applied for the first time for the period ended 30 June 2010, as detailed in note 3 to the condensed consolidated financial statements.

As explained in note 5 of the condensed consolidated financial statements, MKM and the Kazakhmys Power Division, which represent separate business lines of the Group, were classified as held for sale at 31 December 2009. MKM continued to be treated as a discontinued operation for the first half of 2010. On 26 February 2010, the Group completed the disposal of 50% of the Ekibastuz GRES-1 power station, the major asset within the Kazakhmys Power Division, at which time, the retained 50% interest in Ekibastuz GRES-1 was classified as a continuing operation for the remainder of the period and equity accounted as a joint venture. The other asset within the Kazakhmys Power Division, the Maikuben West coal mine, has been treated as a discontinued operation throughout the first half of 2010.

The income and expenses of the held for sale businesses are reported separately from the continuing operations of the Group. The condensed consolidated income statement for the prior period has been restated to conform to this presentation. The assets and liabilities of these businesses are also separately shown within the consolidated balance sheet as single line items within current assets and current liabilities, as held for sale. The condensed consolidated balance sheet as at 30 June 2009 has not been restated. The condensed consolidated cash flow statement includes the cash flows of the continuing and discontinued operations for both the current and prior periods.

INCOME STATEMENT

A summary of the condensed consolidated income statement is shown below:

$ million (unless otherwise stated)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Continuing operations		
Revenues	**1,522**	1,123
Operating costs excluding depreciation, depletion, amortisation, mineral extraction tax and special items	**(718)**	(676)
EBITDA (excluding special items) from continuing operations	**804**	447
Special items:		
Less: major social projects	**(130)**	-
Less: impairment of property, plant and equipment	**(7)**	(23)
Less: provisions against inventories	**-**	(10)
Less: loss on disposal of property, plant and equipment	**-**	(1)
Less: mineral extraction tax	**(115)**	(71)
Less: depreciation, depletion and amortisation	**(112)**	(106)
Operating profit	**440**	236
Share of profits from joint venture	**19**	-
Share of profits from associate	**211**	119
Profit before finance items and taxation	**670**	355
Net finance (expense)/income	**(39)**	311
Profit before taxation	**631**	666
Income tax expense	**(128)**	(125)
Profit for the period from continuing operations	**503**	541
Discontinued operations		
Profit/(loss) for the period from discontinued operations	**57**	(26)
Special items:		
Add: gain on disposal of share in subsidiary	**14**	-
Profit for the period	**574**	515
Non-controlling interests	**-**	1
Profit attributable to equity holders of the Company	**574**	516
EPS – basic and diluted ($)		
From continuing operations	**0.94**	1.01
From discontinued operations	**0.13**	(0.05)
	1.07	0.96
EPS based on Underlying Profit ($)		
From continuing operations	**1.19**	0.47
From discontinued operations	**0.11**	0.03
EPS based on Underlying Profit ($)	**1.30**	0.50

REVENUES AND EBITDA (EXCLUDING SPECIAL ITEMS)

In the first six months of 2010, commodity prices for the Group's main products have been favourable with copper beginning the year at $7,464 per tonne and averaging $7,130 per tonne over the period, an increase of 76% over the first half of 2009. A combination of Chinese economic growth and action by governments led to copper prices recovering from the second quarter of 2009 onwards. The prices of zinc, gold and silver were also well above levels seen in the first half of 2009, leading to revenues from continuing operations rising by $399 million from $1,123 million for the six months ended 30 June 2009 to $1,522 million in the first half of 2010.

Operating costs rose by 6% compared to the first half of 2009 as general and mining inflation have been modest over the six months ended 30 June 2010. Cost inflation impacted consumables, reflecting increased input prices, and the tariffs charged by outsourcing companies providing ore transportation services. Expenditure on repairs and maintenance increased in the period, particularly at the two copper smelters.

Salary cost inflation was low as pay rises were targeted on specific categories of workers and as the effect of outsourcing reduced Kazakhmys Copper's headcount.

In 2010, social spending has been expanded compared to the first half of 2009. In addition to the major social projects described under special items below, Kazakhmys has contributed to a number of smaller projects in the communities in which the Group operates.

The 25% devaluation of the tenge which took place in February 2009 benefited operating costs denominated in tenge modestly in comparison to the prior period. The average US dollar exchange rate in the first half of 2010 was 147.26 KZT/$ compared to 144.72 KZT/$ in the first half of 2009.

SPECIAL ITEMS

In the first half of 2010, the Group committed to major social projects at a cost of $130 million in Kazakhstan. The charge represents the full cost of the projects which are expected to take up to two years to complete. These commitments are considered a special item due to their unique nature and quantum of the expenditure when compared to previous social development projects undertaken by the Group.

The special items recognised in the six months ended 30 June 2009 included an impairment charge recognised in relation to property, plant and equipment primarily due to the curtailment of the Group's capital expenditure programme and a focus on selected projects only. Additionally in the prior period, a provision against inventory was recognised in respect of certain by-products reflecting a fall in their market value.

EQUITY ACCOUNTING

Following the disposal of 50% of Ekibastuz GRES-1, a subsidiary within the Kazakhmys Power Division, to Samruk-Kazyna on 26 February 2010, the Group recognises the 50% retained interest in Ekibastuz GRES-1 as an equity accounted joint venture. Included in the Group's results for continuing operations is the Group's share of the profits and equity movements from the joint venture for the period from 27 February 2010 to 30 June 2010, net of tax, of $20 million.

The Group also equity accounts for its 26% interest in ENRC. The share of profits from the associate recognised in the consolidated income statement for the half year, net of tax, is $211 million based on the results of ENRC for the period ended 30 June 2010 which were published on 18 August 2010. When compared to the first half of 2009, the share of profits from ENRC has increased by 77% from $119 million.

Under equity accounting, dividends received from ENRC of $20 million during the first half of 2010 have not been recognised in the consolidated income statement, but are instead netted off against the carrying value of the investment in associate in the consolidated balance sheet.

Based on the 2010 interim dividend announced by ENRC on 18 August 2010 of 12.5 US cents per share, the Group should receive $42 million in October 2010.

RECONCILIATION OF EBITDA (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 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 as further explained in the 'Taxation' section.

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

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Continuing operations		
Kazakhmys Copper	**814**	453
Kazakhmys Gold	**7**	9
Kazakhmys Power (share of EBITDA (excluding special items) of joint venture)[1]	**33**	-
Kazakhmys Petroleum	**-**	-
Corporate unallocated	**(17)**	(15)
Total continuing operations	**837**	447
Discontinued operations		
Kazakhmys Power[2]	**52**	41
MKM	**46**	45
Total discontinued operations	**98**	86
Segmental EBITDA (excluding special items)	**935**	533
Share of EBITDA (excluding special items) of associate[3]	**407**	184
Group EBITDA (excluding special items)	**1,342**	717

[1] The share of EBITDA (excluding special items) of the joint venture, Ekibastuz GRES-1, for the period from 27 February 2010 to 30 June 2010 is included within the Kazakhmys Power Division as part of continuing operations.
[2] Includes 100% of the EBITDA (excluding special items) of Ekibastuz GRES-1 until the date of the disposal on 26 February 2010 and the EBITDA (excluding special items) for the six months ended 30 June 2010 of the Maikuben West coal mine.
[3] The share of EBITDA (excluding special items) of the associate excludes the mineral extraction tax of the associate.

Segmental EBITDA (excluding special items) rose by 75% to $935 million reflecting the improvement in prices for Kazakhmys Copper's products, principally copper. Group EBITDA (excluding special items) in the first six months of 2010 was $1,342 million, 87% higher than in the same period in 2009. Included in Group EBITDA (excluding special items) is the Group's share of EBITDA of ENRC of $407 million based on its published unaudited results for the six months ended 30 June 2010, an increase from the $184 million recognised for the first half of 2009, due to a growth in demand and higher pricing for ENRC's major products.

NET FINANCE ITEMS

Net finance expense from continuing operations for the period was $39 million compared to a net finance income of $311 million in the prior period. The net finance income in the first half of 2009 included a net foreign exchange gain of $336 million within continuing operations arising from the retranslation of US dollar denominated monetary assets and liabilities of the Group's Kazakhstan subsidiaries following the devaluation of the tenge in February 2009. In the first half

of 2010, currency movements resulted in a net exchange loss of $15 million, $13 million of this loss is attributable to the appreciation of the tenge.

For the first half of 2010, the Group has incurred an interest charge of $12 million in respect of the pre-export finance debt facility which carries a margin of US$ LIBOR plus 1.25%, and $5 million on the China Development Bank (“CDB”) – Samruk-Kazyna financing facilities which incur interest at US$ LIBOR plus 4.8%. The Group’s interest charge in respect of continuing operations for the period to 30 June 2010 is $23 million compared to $33 million for the same period in 2009, primarily due to lower debt outstanding during the period as well as a lower average effective interest rate of 1.88% compared to 2.23% in the prior period.

DISCONTINUED OPERATIONS

On 26 February 2010, the Group completed the disposal of 50% of its subsidiary, Ekibastuz GRES-1, part of the Kazakhmys Power Division, to Samruk-Kazyna for $681 million, realising a gain on disposal of $14 million. The gain consists of a $94 million excess of the proceeds over the net assets disposed, a $196 million transfer from equity of the unrealised foreign exchange losses which arose on consolidation when the assets and liabilities of the tenge denominated Ekibastuz GRES-1 were translated to US dollars, and a fair value gain of $116 million on the remeasurement of the 50% retained interest which is subsequently treated as an equity accounted joint venture.

The gain on disposal of $14 million and the post-tax results of Ekibastuz GRES-1 for the period up to the date of disposal of $29 million are included within discontinued operations. Also included within discontinued operations are the post-tax results of the Maikuben West coal mine, part of the Kazakhmys Power Division, of $2 million, and the results of MKM of $26 million, both for the six months ended 30 June 2010. At 30 June 2010, the Directors have determined that it remains appropriate to continue to classify Maikuben West and MKM as held for sale.

TAXATION

The Government of Kazakhstan has introduced a phased reduction in the rate of corporate income tax over a period of time commencing with a rate of 20% in 2009 and reaching a rate of 15% in 2014 and beyond. A rate of 20% is applicable for the years 2010 to 2012. Offsetting the reduction in corporate income tax rates was the introduction of the MET. The MET is a revenue related tax based on the volume and metal content of extracted ore and global commodity prices. MET is determined largely independently of the profitability of operations.

The table below shows the Group’s effective tax rate for continuing operations as well as the all-in effective tax rate which includes the impact of the MET and removes the impact of special items and non-recurring items on the Group’s tax charge. The all-in effective tax rate also excludes equity accounted earnings as these are derived from businesses which are not controlled by the Group.

$ million (unless otherwise stated)	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Profit before taxation from continuing operations	**631**	666
Add: mineral extraction tax	**115**	71
Add: special items	**137**	34
Less: foreign exchange gain arising on devaluation of Kazakhstan tenge	**-**	(336)
Less: share of profits from joint venture	**(19)**	-
Less: share of profits from associate	**(211)**	(119)
Adjusted profit before taxation from continuing operations	**653**	316
Income tax expense	**128**	125
Add: mineral extraction tax	**115**	71
Add/(less): tax effect of special items and foreign exchange gain arising on devaluation of the tenge	**1**	(62)
Adjusted tax expense from continuing operations	**244**	134
Effective tax rate	**20%**	19%
All-in effective tax rate[1]	**37%**	42%

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

Increased non-deductible expenses relating to a higher level of social expenditure incurred by the Group placed upward pressure on the Group's effective tax rate, but this was offset by higher equity earnings from ENRC which are recognised on a post-tax basis. As a consequence, the Group's effective tax rate was similar across the periods, and approximates to the standard rate of corporate income tax in Kazakhstan.

Whilst the effective rate of tax for the period was in line with the prior period, the all-in effective tax rate, which is a more representative tax rate on the recurring profits of the Group's continuing operations under its control, was lower at 37% compared to 42% in the prior period. This reduction was the result of the proportionally lower MET tax charge as compared to the underlying profitability of the businesses.

During periods of low copper prices, the all-in effective tax rate is significantly higher than the effective tax rate as MET is largely independent of the profitability of operations. However, as both commodity prices and the profitability of operations increase, the all-in effective tax rate decreases as the impact of MET lessens, given its revenue based nature. Whilst higher copper prices result in a higher absolute amount of taxes being levied, the all-in effective tax rate decreases.

UNDERLYING PROFIT AND EARNINGS PER SHARE

Profit for the period attributable to equity holders of the Company from continuing operations decreased from $542 million to $503 million in 2010. Although 2010 has benefited from higher commodity prices, these have been partially offset by the non-recurrence of the foreign exchange gain arising on the devaluation of the tenge in 2009. Underlying Profit for the period attributable to equity holders of the Company from continuing operations increased to $639 million from $253 million. Underlying Profit is seen as a more informed measure of the performance of the Group as it removes non-recurring or variable non-trading items from the profit for the period, and their resulting tax and minority interest impacts. It therefore provides a more consistent basis for comparing the underlying trading performance of the Group between 2009 and 2010.

The reconciliation of Underlying Profit from profit attributable to equity holders of the Company is set out below. The figures for the six month period to 30 June 2010 have been presented to show continuing operations separately from discontinued operations with the prior period figures restated to conform to this style of presentation.

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Net profit attributable to owners of the Company		
Continuing operations	**503**	542
Special items:	**-**	-
Major social projects	**130**	-
Impairment of property, plant and equipment	**7**	23
Provisions against inventories	**-**	10
Loss on disposal of property, plant and equipment	**-**	1
Net foreign exchange gain arising on devaluation of the tenge:		
Subsidiary businesses	**-**	(336)
Associate	**-**	(62)
Tax effect of non-recurring items:		
Subsidiary businesses	**(1)**	62
Associate	**-**	12
Non-controlling interest effect of non-recurring items	**-**	1
Underlying Profit from continuing operations	**639**	253
Net profit/(loss) attributable to equity holders of the Company		
Discontinued operations	**71**	(26)
Gain on disposal of share in subsidiary	**(14)**	-
Net foreign exchange gain arising on devaluation of the tenge	**-**	53
Tax effect of non-recurring items	**-**	(11)
Underlying Profit from discontinued operations	**57**	16
Total Underlying Profit	**696**	269

Basic earnings per share increased to $1.07 from $0.96, an increase of 11% from continuing and discontinued operations. Earnings per share based on Underlying Profit from continuing and discontinued operations was $1.30 compared to $0.50 for the prior period. Earnings per share based on Underlying Profit from continuing operations increased by 153% to $1.19.

The increase in the EPS measures is a result of the higher underlying profitability of the Group during the period. There have been no significant movements in the weighted average number of shares outstanding during the period.

KEY FINANCIAL INDICATORS

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

	Six months ended 30 June 2010	Six months ended 30 June 2009
Group EBITDA (excluding special items) ($ million)	**1,342**	717
EPS based on Underlying Profit ($)	**1.30**	0.50
Free Cash Flow ($ million)	**239**	299
Return on Capital Employed (%)[1]	**10**	5
Net cash cost of copper after by-product credits excluding purchased concentrate (USc/lb)	**85**	76

[1] For continuing operations only.

DIVIDENDS

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

Accordingly, the Directors have declared an interim dividend in respect of the year ended 31 December 2010 of 6.0 US cents per ordinary share ($32 million). The interim dividend will be paid on 5 October 2010 to shareholders on the register at the close of business on 10 September 2010.

CASH FLOWS

A summary of cash flows is shown below:

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Segmental EBITDA before joint venture and associate	**765**	499
Impairment losses	**13**	60
Loss on disposal of property, plant and equipment	**-**	1
Dividends received from associate	**20**	64
Foreign exchange loss adjustment	**(5)**	43
Working capital movements[1]	**(1)**	(137)
Interest paid	**(21)**	(32)
Mineral extraction tax paid	**(104)**	(24)
Income tax paid	**(201)**	(68)
Net cash flows from operating activities	**466**	406
Sustaining capital expenditure	**(227)**	(107)
Free Cash Flow	**239**	299
Expansionary and new project capital expenditure	**(63)**	(89)
Major social projects	**(50)**	-
Interest received	**7**	5
Dividends paid	**(48)**	-
Payment of deferred consideration arising on the acquisition of business	**-**	(83)
Proceeds from disposal of property, plant and equipment	**17**	1
Purchase of own shares	**(3)**	-
Cash related to disposal of the subsidiary	**(107)**	-
Other movements	**(7)**	(4)
Cash flow movement in net debt	**(15)**	129

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

Free Cash Flow in the first half of 2010 was lower than in the comparative period as tax payments for MET and corporate income tax rose by over $200 million, primarily due to the timing of tax payments. Sustaining capital expenditure grew by $120 million following the focus on cash conservation in the first half of 2009. The cash flow movement in net debt includes a $107 million outflow resulting from the 50% disposal of Ekibastuz GRES-1 in February 2010 and relates to the deconsolidation of Ekibastuz GRES-1's net funds position at the date of the transaction. In the prior period an $83 million payment for deferred consideration was made for the acquisition of Ekibastuz GRES-1.

Working capital levels for the Group increased by $1 million compared with $137 million in the prior period. The working capital movement for the period was marginal as outflows at Kazakhmys Copper, due to an increase in its consumables inventory, and at MKM, as receivables rose driven by higher sales volumes, were offset by an accrual for the cost of the major social projects commenced in the first half of 2010. In the prior period, the reduction in inventory levels at Kazakhmys Copper and the resultant increase in sales caused an increase in accounts receivable. Additionally in the prior period, MKM recorded a negative working capital movement of $67 million as the value of its inventory and receivables rose, reflecting movements in the copper price.

Tax payments exceeded the income tax charge for the first half of 2010 as Kazakhmys Copper made both payments in respect of 2009 and advance payments on account as taxable profits rose. The payments made in the first half of 2010 have resulted in Kazakhmys being in a net receivable position in respect of corporate income tax. The tax receivable balance at 30 June 2010 is expected to be utilised in the second half of the year.

In addition to income taxes paid, $104 million of taxes were paid in respect of the MET, broadly in line with the MET expense recognised in the period of $115 million.

Interest paid during the first half of 2010 was $21 million, $11 million below the first half of 2009, primarily due to the lower level of debt outstanding during the period and a reduced average effective interest rate. Interest payments on the $300 million outstanding balance under the CDB – Samruk-Kazyna financing line, commence in July 2010 and are payable semi-annually thereafter.

With the more favourable commodity prices in the first half of 2010, the scope of the Group's capital expenditure programme has expanded in comparison to the prior period when the focus was on the conservation of cash. Expenditure on sustaining the current business operations increased to $227 million from $107 million, with new development and expansionary expenditure decreasing to $63 million from $89 million in the comparative period in 2009. The total capital expenditure incurred in the period was $290 million, compared to $196 million in the first half of 2009.

The major items of expansionary capital expenditure during the period include the feasibility study on the sulphide ore deposit at Bozshakol, the continued development of the West Nurkazgan mine, and drilling and assaying at the Akbastau and Kosmurun development projects in Kazakhmys Copper. In Kazakhmys Gold, expenditure on construction and equipment relating to the development of the Bozymchak project was incurred. Whilst at Kazakhmys Petroleum, exploration work on the existing wells continued in the first half of 2010.

Sustaining capital expenditure within Kazakhmys Copper included expenditure on the smelters and concentrators to maintain output levels, and the purchase of new mining equipment to improve availability.

Additionally, as part of the Group's social development programme, an initial $50 million has been spent on major social projects in Kazakhstan.

The Group received a dividend of $20 million from ENRC in June 2010 compared with $64 million received in June 2009.

Kazakhmys reinstated its dividend for the 2009 financial year and $48 million was paid to shareholders in May 2010.

BALANCE SHEET

Equity attributable to holders of the Company was $7,317 million as at 30 June 2010, an increase of $735 million compared to the balance as at 31 December 2009, principally due to the growth in profitability of the Group. The slight appreciation of the tenge from 31 December 2009 to 30 June 2010 has led to a non-cash gain of $27 million being recognised in the foreign currency translation reserve within equity. The non-cash gain arises on the translation of the Group's Kazakhstan based operations which are tenge denominated. The Group's return on capital employed (ROCE) grew to 10% compared with 5% for the prior period, mainly as a result of an increase in the Group's profitability before finance items and taxation.

The Group's 26% investment in ENRC is shown within investment in associate in the consolidated balance sheet and has a carrying value of $4,048 million at 30 June 2010 compared to $3,869 million at 31 December 2009. The Group's share of equity accounted earnings of $211 million for the period has been offset by the $20 million dividend received from ENRC in June 2010 and the share of losses the associate recognised directly in equity of $12 million. At 30 June 2010, the ENRC shareholding had a market value of $4,344 million based on the public price quotation on the London Stock Exchange.

The investment in joint venture of $723 million represents the fair value of 50% of Ekibastuz GRES-1 of $703 million, being the deemed cost at 26 February 2010, and the Group's share of the subsequent post-tax profits and equity movements of $20 million.

Cash and short-term deposits of the Group's continuing businesses as at 30 June 2010 stood at $1,042 million, an increase from $903 million from 31 December 2009. The increase is attributed to higher cash inflows from operating activities coupled with the proceeds from borrowings under the CDB – Samruk-Kazyna financing line. These cash inflows were offset by capital expenditure, a final dividend payment to the Group's shareholders and the repayment of the principal balance under the pre-export finance debt facility.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The funds within the UK are held primarily with major European and US financial institutions and triple-'A' rated liquidity funds. At 30 June 2010, $955 million of cash and short-term deposits were held in the UK, with $87 million being held in Kazakhstan.

The net debt of the Group's continuing businesses stood at $585 million at 30 June 2010 compared with $689 million at 31 December 2009. Overall gross borrowings increased to $1,684 million from $1,650 million as at 31 December 2009 following the initial draw down of $300 million under the $2.7 billion CDB – Samruk-Kazyna financing line, offset by the monthly repayments under the pre-export finance debt facility of $44 million, totalling $264 million for the period. Of the $300 million drawn down under the CDB – Samruk-Kazyna financing line, $100 million is intended for the development of the gold/copper Bozymchak deposit in Kyrgyzstan and $200 million is intended for mid-sized projects in Kazakhstan.

As at 30 June 2010, the Group had $250 million of revolving credit facilities available for standby liquidity. These facilities have remained undrawn since inception. A further $2.4 billion remains to be drawn down under the CDB – Samruk-Kazyna financing line by July 2012.

Net assets for those businesses held for sale have decreased from $1,155 million as at 31 December 2009 to $90 million as at 30 June 2010, as a result of the 50% disposal of Ekibastuz GRES-1 in February 2010. The principal balance included as held for sale relates to MKM, of $87 million, where the growth in accounts receivable and lower borrowings was offset by a decline in inventory levels, resulting in an increase in net assets of $4 million.

The net debt position of the Group's discontinued operations was $145 million at 30 June 2010 compared with $115 million at 31 December 2009. As at 30 June 2010, net debt is mainly attributable to MKM, which has borrowings outstanding under its trade finance facility of $151 million, offset by cash held at the Maikuben West coal mine.

RISK FACTORS

The significant risks and uncertainties identified by Kazakhmys that could materially affect the Group's financial condition, performance, strategies and prospects, together with their potential impact and the mitigating actions being taken by management, are set out on pages 33 to 35 of the 2009 Annual Report and Accounts, which is available at www.kazakhmys.com.

There have been no significant changes in the material risks faced by the Group. In the view of the Board, the risk factors set out in the 2009 Annual Report and Accounts continue to be the significant risks and uncertainties for the remaining six months of the year. A summary of the disclosure given in the 2009 Annual Report and Accounts is set out below.

OPERATIONAL RISKS

Health, safety and the environment
Mining is a hazardous industry and failure to adopt and embed health, safety and environmental management systems could result in harm to Kazakhmys' employees, the environment and the communities in which the Group operates as well as fines and penalties and damage to its reputation. Policies and measures at a national and international level to tackle climate change will increasingly affect the business, presenting environmental and regulatory risks.

Business interruption
The business of mining, smelting and refining metals and the production of power is resource intensive, and involves a number of risks, including, but not limited to, geological and technological challenges, weather and other natural phenomena such as flood and earthquake, fires, explosions, equipment failure, delays in supplies and loss of key inputs including electricity, water, coal, which can cause prolonged mine or plant shutdowns or periods of reduced production.

Assets controlled by third parties and joint ventures
Kazakhmys holds a 26% investment in ENRC PLC. The business and financial performance of this investment is not controlled by the Group. Furthermore in 2010, the Group has entered into a joint venture arrangement in respect of the ownership and management of the Ekibastuz GRES-1 power station.

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

Political risk
Most of the Group's mining and power operations are in Kazakhstan. Accordingly, the Group is substantially dependent on the social, political, economic, legal and fiscal conditions prevailing in Kazakhstan.

Subsoil use rights
In Kazakhstan and certain other countries in which the Group operates, all subsoil reserves belong to the State. Subsoil use rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. Rights may be terminated if the Group does not satisfy its licensing or contractual obligations, which may include periodic payment of royalties to State authorities and the satisfaction of mining, development, environmental, health and safety requirements.

Reserves and resources
Kazakhmys' ore reserves for operating mines and development projects are largely based on the estimation method for reserves and resources established by the former Soviet Union. There are numerous uncertainties inherent in estimating ore reserves, and geological, technical and economic assumptions that are valid at the time of estimation may change significantly when new information becomes available.

FINANCIAL RISKS

Commodity prices
Kazakhmys' results are strongly influenced by commodity prices which are dependent on a number of factors impacting world supply and demand. Due to these factors, commodity prices may be subject to significant fluctuations from year to year. The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international global metal exchanges. Commodity price fluctuations can also have an impact on demand for specialist staff, equipment, materials and supplies in the mining sector, which can cause skills and material shortages and create cost pressure on the Group's operating and capital costs, which affect financial performance.

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

Each Director confirms to the best of his knowledge that this condensed set of financial statements has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union and that the half-yearly report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year, and their impact on this condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions that have taken place in the first six months of the current financial year and any material changes in the related party transactions described in the Kazakhmys 2009 Annual Report and Accounts.

The Directors of Kazakhmys PLC are listed in the Kazakhmys 2009 Annual Report and Accounts.

OLEG NOVACHUK
CHIEF EXECUTIVE
25 August 2010

INDEPENDENT REVIEW REPORT TO KAZAKHMYS PLC

INTRODUCTION

We have been engaged by Kazakhmys PLC (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated cash flow statement, condensed consolidated statement of changes in equity and the related notes 1 to 22. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagement 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International

Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

ERNST & YOUNG LLP
LONDON, UNITED KINGDOM
25 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2010

$ million (unless otherwise stated)	Notes	**Six months ended 30 June 2010**	Six months ended 30 June 2009
CONTINUING OPERATIONS			
Revenues	6(b)	**1,522**	1,123
Cost of sales		**(670)**	(596)
Gross profit		**852**	527
Selling and distribution expenses		**(27)**	(28)
Administrative expenses		**(376)**	(188)
Other operating income		**19**	15
Other operating expenses		**(16)**	(32)
Impairment losses	7	**(12)**	(58)
Operating profit		**440**	236
Share of profits from joint venture	14	**19**	-
Share of profits from associate	15	**211**	119
Profit before finance items and taxation		**670**	355
Analysed as:			
Profit before finance items and taxation before special items		**807**	389
Special items	8	**(137)**	(34)
Finance income	9	**43**	454
Finance costs	9	**(82)**	(143)
Profit before taxation		**631**	666
Income tax expense	10	**(128)**	(125)
Profit for the period from continuing operations		**503**	541
DISCONTINUED OPERATIONS			
Profit/(loss) for the period from discontinued operations	5	**71**	(26)
Profit for the period		**574**	515
Attributable to:			
Equity holders of the Company		**574**	516
Non-controlling interests		**-**	(1)
		574	515
Earnings per share attributable to equity holders of the Company – basic and diluted			
From continuing operations ($)	11(a)	**0.94**	1.01
From discontinued operations ($)	11(a)	**0.13**	(0.05)
		1.07	0.96
EPS based on Underlying Profit – basic and diluted			
From continuing operations ($)	11(b)	**1.19**	0.47
From discontinued operations ($)	11(b)	**0.11**	0.03
		1.30	0.50

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2010

$ million	Notes	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Profit for the period		**574**	515
Other comprehensive income/(loss) for the period after tax:			
Losses on cash flow hedges taken to equity	17(c)	**-**	(65)
Losses on cash flow hedges included in income statement	17(c)	**-**	16
Exchange differences on retranslation of foreign operations		**27**	(1,216)
Recycling of exchange differences on disposal of share in subsidiary	4	**196**	-
Share of other comprehensive income of joint venture	14	**1**	-
Share of other comprehensive income/(loss) of associate	15	**(12)**	(355)
Other comprehensive income/(loss) for the period		**212**	(1,620)
Total comprehensive income/(loss) for the period		**786**	(1,105)
Attributable to:			
Equity holders of the Company		**786**	(1,096)
Non-controlling interests		**-**	(9)
		786	(1,105)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AT 30 JUNE 2010

$ million	Notes	At 30 June 2010	At 31 December 2009	At 30 June 2009
Assets				
Non-current assets				
Intangible assets		**512**	510	965
Tangible assets		**2,220**	2,022	2,947
Property, plant and equipment	13	**1,957**	1,774	2,698
Mining assets		**263**	248	249
Investment in joint venture	14	**723**	-	-
Investment in associate	15	**4,048**	3,869	3,745
Other non-current investments		**12**	7	6
		7,515	6,408	7,663
Current assets				
Inventories		**519**	500	573
Prepayments and other current assets		**235**	325	211
Income taxes reclaimable		**49**	4	28
Trade and other receivables		**154**	150	280
Investments		**57**	58	59
Cash and cash equivalents	16	**1,042**	903	432
		2,056	1,940	1,583
Assets classified as held for sale	5	**340**	1,615	-
		2,396	3,555	1,583
TOTAL ASSETS		**9,911**	9,963	9,246
Equity and liabilities				
Share capital	17(a)	**200**	200	200
Share premium		**2,648**	2,648	2,648
Capital reserves	17(c)	**(782)**	(994)	(1,163)
Retained earnings		**5,251**	4,728	4,697
Attributable to equity holders of the Company		**7,317**	6,582	6,382
Non-controlling interests		**13**	13	11
TOTAL EQUITY		**7,330**	6,595	6,393
Non-current liabilities				
Borrowings	18	**1,165**	1,132	1,541
Deferred tax liability		**99**	99	213
Employee benefits		**53**	50	34
Provisions		**92**	95	101
		1,409	1,376	1,889
Current liabilities				
Trade and other payables		**348**	935	224
Borrowings	18	**519**	518	518
Income taxes payable		**33**	60	36
Dividends payable		**2**	2	1
Provisions		**20**	17	128
Derivative financial instruments		**-**	-	57
		922	1,532	964
Liabilities directly associated with assets classified as held for sale	5	**250**	460	-
		1,172	1,992	964
TOTAL LIABILITIES		**2,581**	3,368	2,853
TOTAL EQUITY AND LIABILITIES		**9,911**	9,963	9,246

These condensed consolidated financial statements were approved by the Board of Directors on 25 August 2010.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2010

$ million	Notes	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Cash flows from operating activities			
Cash inflow from operations before interest, income taxes and dividends from associate	19	**668**	442
Interest paid		**(21)**	(32)
Income taxes paid		**(201)**	(68)
Dividends from associate	15	**20**	64
Net cash inflow from operating activities		**466**	406
Cash flows from investing activities			
Interest received		**7**	5
Purchase of intangible assets		**(3)**	(5)
Proceeds from disposal of property, plant and equipment	13	**17**	1
Purchase of property, plant and equipment	13	**(318)**	(186)
Investments in mining assets		**(19)**	(5)
Licence payments for subsoil contracts		**(2)**	(3)
Acquisition of non-current investments		**(5)**	(1)
Investment in short-term bank deposits (net)		**-**	(33)
Payment of deferred consideration arising from business acquisition		**-**	(83)
Cash disposed of in relation to disposal of subsidiary	4	**(107)**	-
Net cash flows used in investing activities		**(430)**	(310)
Cash flows from financing activities			
Purchase of own shares		**(3)**	-
Proceeds from borrowings - net of arrangement fees paid of $8 million (2009: $3 million)		**423**	244
Repayment of borrowings		**(302)**	(386)
Dividends paid by the Company	12	**(48)**	-
Net cash flows from/(used in) financing activities		**70**	(142)
Net increase/(decrease) in cash and cash equivalents	20	**106**	(46)
Cash and cash equivalents at the beginning of the period	16	**945**	540
Effect of exchange rate changes on cash and cash equivalents	20	**(3)**	(62)
Cash and cash equivalents at the end of the period	16	**1,048**	432

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2010

		Attributable to equity holders of the Company						
$ million	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2010		**200**	**2,648**	**(994)**	**4,728**	**6,582**	**13**	**6,595**
Profit for the period		**-**	**-**	**-**	**574**	**574**	**-**	**574**
Exchange differences on retranslation of foreign operations		**-**	**-**	**27**	**-**	**27**	**-**	**27**
Recycling of exchange differences on disposal of share in subsidiary		**-**	**-**	**196**	**-**	**196**	**-**	**196**
Share of gains of joint venture recognised in other comprehensive income		**-**	**-**	**1**	**-**	**1**	**-**	**1**
Share of losses of associate recognised in other comprehensive income		**-**	**-**	**(12)**	**-**	**(12)**	**-**	**(12)**
Total comprehensive income for the period		**-**	**-**	**212**	**574**	**786**	**-**	**786**
Own shares acquired	17(b)	**-**	**-**	**-**	**(3)**	**(3)**	**-**	**(3)**
Dividends paid by the Company	12	**-**	**-**	**-**	**(48)**	**(48)**	**-**	**(48)**
At 30 June 2010		**200**	**2,648**	**(782)**	**5,251**	**7,317**	**13**	**7,330**
At 1 January 2009		200	2,648	449	4,180	7,477	20	7,497
Profit for the period		-	-	-	516	516	(1)	515
Losses on cash flow hedges taken to equity		-	-	(65)	-	(65)	-	(65)
Losses on cash flow hedges included in income statement		-	-	16	-	16	-	16
Exchange differences on retranslation of foreign operations		-	-	(1,218)	-	(1,218)	2	(1,216)
Share of losses of associate recognised in equity		-	-	(345)	-	(345)	(10)	(355)
Total comprehensive (loss)/income for the period		-	-	(1,612)	516	(1,096)	(9)	(1,105)
Share-based payments		-	-	-	1	1	-	1
At 30 June 2009		200	2,648	(1,163)	4,697	6,382	11	6,393

[1] Refer to note 17(c) for an analysis of 'Capital reserves'.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2010

1. Corporate information

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

The Group operates in the natural resources industry. The Group's operations are primarily conducted through the Company's principal division, Kazakhmys Copper, whose major business is the mining and processing of copper ore into copper cathodes and copper wire, and the refining and sale of precious metals and other by-products of its copper mining process.

The Group operates in a number of divisions within the natural resources sector, the principal activities of which are as follows as at 30 June 2010:

Operating division	Principal activity	Primary country of incorporation
Kazakhmys Copper	Mining and processing copper	Kazakhstan
MKM	Copper processing	Germany
Kazakhmys Power	Power generation	Kazakhstan
Kazakhmys Gold	Mining and processing gold	Kazakhstan
Kazakhmys Petroleum	Oil and gas exploration	Kazakhstan

Entities within Kazakhmys Power (Ekibastuz GRES-1 for the period until 26 February 2010 and the Maikuben West coal mine for the six month period to 30 June 2010) and MKM are included as discontinued operations within the condensed consolidated financial statements (see note 5).

These condensed consolidated financial statements for the six months ended 30 June 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 25 August 2010. The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union up to 31 December 2009, has been delivered to the Registrar of Companies. The auditors' opinion in relation to those accounts was unqualified and does not include a statement under section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

(a) Condensed consolidated financial statements

These condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with IFRSs adopted for use in the European Union, including IAS 34 'Interim Financial Reporting' and the requirements of the Disclosure and Transparency Rules (DTR) of the Financial Services Authority (FSA) in the United Kingdom as applicable to interim financial reporting.

These condensed consolidated financial statements represent a 'condensed set of financial statements' as referred to in the DTR issued by the FSA. Accordingly, they do not include all the information and disclosures required for full annual financial statements, and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2009.

(b) Comparative figures

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

(c) Going concern

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

3. Summary of significant accounting policies

(a) Basis of accounting

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

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010, noted below:

- IFRS 3 'Business combinations (Revised)' which is effective for annual periods beginning on or after 1 July 2009. IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results in respect of transaction costs and other fair value adjustments;

- IAS 27 'Consolidated and separate financial statements (Revised)' which is effective for annual periods beginning on or after 1 July 2009. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by a subsidiary as well as the loss of control of a subsidiary. The change in accounting policy relating to the amendments to IAS 27 has been applied prospectively and the impact on the Group's financial position and performance is disclosed in note 4;

- IAS 39 'Financial instruments: recognition and measurement – eligible hedged items.' These amendments to IAS 39 were issued in July 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group has concluded that the amendment has had no impact on the financial position or performance of the Group;

- Amendments to IAS 39 and IFRS 7 – 'Reclassification of Financial Instruments' which is effective for annual periods beginning on or after 1 July 2009. The amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit

or loss category in particular circumstances. The amendment also permits an entity to transfer from the available for sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendment has had no impact on the financial position or performance of the Group;

- IFRIC 17 'Distributions of Non-cash Assets to Owners', which is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 clarifies the terms as to the recognition of dividends payable and their measurement for non-cash items. This interpretation should not have any effect on the Group as it generally does not distribute any non-cash assets to shareholders; and

- Improvements to IFRSs. The IASB's improvements project is an annual project that provides a mechanism for making non-urgent but necessary amendments to IFRSs. There are a number of amendments to standards following the 2008 improvements project which may result in consequential changes to accounting policies and other note disclosures. The Group has concluded that the impact of any consequential changes to the consolidated financial statements is not significant.

The adoption of the standards and interpretations noted above have not had any impact on the financial position or performance of the Group for the current and preceding periods, and as a result there is no change to previously reported financial information.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

In preparing these condensed consolidated financial statements the Group has adopted all the applicable extant accounting standards issued by the IASB and all the applicable extant interpretations issued by the IFRIC as at 30 June 2010, as adopted by the European Union up to 30 June 2010.

(b) Accounting for joint ventures

As a result of the disposal of 50% of the Group's interest in Ekibastuz GRES-1 LLP to Samruk-Kazyna in February 2010 (see note 4), the Group's remaining 50% investment in Ekibastuz GRES-1 LLP is accounted for as an investment in joint venture. The Group's adopted policy for the accounting for joint ventures is stated below.

A joint venture entity is an entity in which the Group holds a long-term interest and shares joint control over strategic, financial and operating decisions with one or more other venturers under a contractual arrangement. Investments in joint ventures are accounted for using the equity method of accounting except when classified as held for sale. Under the equity method of accounting, the investment in the joint venture is recognised on the balance sheet on the date of acquisition at cost representing the fair value of the purchase consideration and therefore includes any goodwill on acquisition.

The Group's income statement reflects the share of the joint venture's results after tax and the Group's statement of comprehensive income includes any amounts recognised by the joint venture outside of the income statement. The carrying amount of the investment is adjusted by the Group's share of the cumulative post-acquisition profit or loss net of any impairment losses and dividends receivable from the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of such changes in equity. Adjustments are made in the consolidated financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and the joint venture.

The carrying values of joint ventures are reviewed on a regular basis and if an impairment in value has occurred, it is written off in the period in which those circumstances are identified.

The Group discontinues its use of the equity method from the date on which it ceases to have joint control, and from that date, accounts for the investment in accordance with IAS 39 (with its initial cost being the carrying amount of the joint venture at that date), provided the investment does not then qualify as a subsidiary or an associate.

(c) Exchange rates

The following foreign exchange rates against the US dollar have been used in the preparation of the condensed consolidated financial statements:

	30 June 2010		31 December 2009		30 June 2009	
	Spot	**Average**	Spot	Average	Spot	Average
Kazakhstan tenge	**147.46**	**147.26**	148.36	147.50	150.41	144.72
Euro	**0.82**	**0.75**	0.70	0.72	0.71	0.75
UK pounds sterling	**0.66**	**0.66**	0.63	0.64	0.61	0.67

4. Loss of control of subsidiary

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

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

In December 2009 it was announced that the Group had agreed to dispose of 50% of Ekibastuz GRES-1 LLP, a 100% owned subsidiary within the Kazakhmys Power Division, to Samruk-Kazyna, for a consideration of $681 million. The transaction completed on 26 February 2010 resulting in the Group losing control of the subsidiary and recording a profit on disposal in the income statement for the period.

The results of the transaction are presented as follows:

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

[1] The consideration of $681 million was received in advance of the transaction completing on 26 February 2010 and was included in the balance sheet as at 31 December 2009 within trade and other payables. As the consideration was received in the previous period, the cash flow statement for the period ended 30 June 2010 includes a cash outflow of $107 million within investing activities relating to the cash included on the completion balance sheet of Ekibastuz GRES-1 LLP at the date of disposal.

The results of the prior period and the period ended 26 February 2010 of Ekibastuz GRES-1 LLP are included in the income statement within the profit for the period from discontinued operations and the results of the period from 27 February 2010 to 30 June 2010 are included within continuing operations as the share of profits from joint venture (see note 14).

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

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

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

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

A summary of the financial performance of the joint venture for the period since acquisition and its financial position as at 30 June 2010 is disclosed in note 14.

5. Discontinued Operations

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

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

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Revenues	**746**	525
Cost of sales	**(624)**	(432)
Operating costs	**(44)**	(41)
Impairment losses	**(1)**	(2)
Net finance costs	**(1)**	(71)
Profit/(loss) before tax from discontinued operations	**76**	(21)
Income taxes related to the profit/(loss) before taxation for the period	**(19)**	(5)
	57	(26)
Gain on disposal of share in subsidiary (note 4)	**14**	-
Attributable income tax expense	**-**	-
	14	-
Profit/(loss) for the period from discontinued operations	**71**	(26)
Analysed as:		
MKM	**26**	21
Kazakhmys Power	**45**	(47)

As described in note 4, 50% of Ekibastuz GRES-1 LLP was sold on 26 February 2010, with the Group's remaining 50% non-controlling interest being accounted for as an investment in a joint venture within continuing operations from 27 February 2010. Therefore, assets classified as held for sale and liabilities directly associated with those assets after 27 February 2010 relate to MKM and the Maikuben West coal mine.

The balance sheets of the discontinued operations are shown below:

$ million	30 June 2010	31 December 2009
Assets		
Intangible assets	**-**	444
Property, plant and equipment	**26**	801
Inventories	**152**	196
Prepayments and other current assets	**3**	3
Trade and other receivables	**153**	129
Cash and cash equivalents	**6**	42
Assets classified as held for sale	**340**	1,615
Liabilities		
Borrowings	**(151)**	(157)
Deferred tax liability	**(12)**	(110)
Employee benefits and provisions	**(12)**	(116)
Trade and other payables	**(65)**	(68)
Income taxes payable	**(10)**	(9)
Liabilities directly associated with assets classified as held for sale	**(250)**	(460)
Net assets directly associated with disposal group	**90**	1,155

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

$ million	30 June 2010	31 December 2009
Assets classified as held for sale:		
MKM	**299**	308
Kazakhmys Power	**41**	1,307
	340	1,615
Liabilities directly associated with assets classified as held for sale:		
MKM	**(212)**	(225)
Kazakhmys Power	**(38)**	(235)
	(250)	(460)

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

$ million	Six months ended 30 June 2010	Six months ended 30 June 2009
Operating activities	**48**	(15)
Investing activities	**(126)**	(106)
Financing activities	**44**	133
Net cash (outflow)/inflow	**(34)**	12

(a) MKM

In December 2009, the Directors decided to dispose of MKM given the Group's strategy to focus on natural resource opportunities in the Central Asian region. This business was therefore classified as a disposal group as at 31 December 2009 with the assets and related liabilities being shown as held for sale on the balance sheet and correspondingly as a discontinued operation in the consolidated income statement. The Directors consider that the MKM subsidiary still meets the criteria to be classified as held for sale as at 30 June 2010 for the following reasons:

- the Directors are committed to selling the MKM business and an active programme to sell the business was initiated in the second half of 2009;
- MKM is available for immediate sale and can be sold to a potential buyer in its current condition;
- expressions of interest have been received from prospective buyers with a view to making an offer for the business and certain of them have undertaken due diligence on MKM; and

- the Directors expect to sell MKM during the second half of 2010.

(i) Results of discontinued operation

The results of MKM for the six months are presented below:

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Revenues	**659**	440
Cost of sales	**(596)**	(382)
Operating costs	**(26)**	(22)
Impairment losses	**(1)**	(2)
Net finance costs	**-**	(2)
Profit before tax from discontinued operation	**36**	32
Income taxes related to the profit before taxation for the period	**(10)**	(11)
Profit for the period from discontinued operation	**26**	21

(ii) Balance sheet

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

$ million	**30 June 2010**	31 December 2009
Assets		
Inventories	**149**	187
Trade and other receivables	**150**	121
Assets classified as held for sale	**299**	308
Liabilities		
Borrowings	**(151)**	(157)
Deferred tax liability	**(12)**	(5)
Employee benefits and provisions	**(6)**	(7)
Trade and other payables	**(33)**	(47)
Income taxes payable	**(10)**	(9)
Liabilities directly associated with assets classified as held for sale	**(212)**	(225)
Net assets directly associated with disposal group	**87**	83

Borrowings comprise a €170 million revolving trade finance facility with a syndicate of banks for a three year loan with a final maturity in June 2012. Interest is payable on the drawn balance at a rate of EURIBOR + 3.00%. The loan is secured over the inventories and receivables of MKM.

The amount of inventories held as security for MKM borrowings is $149 million (31 December 2009: $187 million).

The amount of trade receivables held as security for MKM borrowings is $150 million (31 December 2009: $121 million).

(iii) Cash flows

The net cash flows incurred by MKM are as follows:

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Operating activities	**(4)**	(20)
Investing activities	**(7)**	(3)
Financing activities	**13**	30
Net cash inflow	**2**	7

(b) Kazakhmys Power

(i) Results of discontinued operations

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

Ekibastuz GRES-1 power plant

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

Maikuben West coal mine

In 2009, the Directors decided to dispose of the Maikuben West coal mine following a change in the long-term strategy of the coal mine as a result of the sale of 50% of the Ekibastuz GRES-1 power station to Samruk-Kazyna. The sales process is underway and negotiations to dispose of the business with a potential buyer are at a very advanced stage. Completion of this process and the eventual disposal of Maikuben West coal mine are expected to complete in the second half of the year. The Directors therefore consider that the Maikuben West coal mine meets the criteria to be classified as an asset held for sale as at 30 June 2010.

The results of Kazakhmys Power for the six months are presented below:

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Revenues	**87**	85
Cost of sales	**(28)**	(50)
Operating costs	**(18)**	(19)
Net finance costs	**(1)**	(69)
Profit/(loss) before tax from discontinued operation	**40**	(53)
Income taxes related to the profit/(loss) before taxation for the period	**(9)**	6
	31	(47)
Gain on disposal of share in subsidiary (note 4)	**14**	-
Attributable income tax expense	**-**	-
	14	-
Profit/(loss) for the period from discontinued operation	**45**	(47)

(ii) Balance sheet

The assets and liabilities directly associated with the assets classified as held for sale only relate to the Maikuben West coal mine as at 30 June 2010, as the Group's 50% interest in Ekibastuz GRES-1 LLP is accounted for as an investment in joint venture within continuing operations of the Group.

$ million	**30 June 2010**	31 December 2009
Assets		
Intangible assets	**-**	444
Property, plant and equipment	**26**	801
Inventories	**3**	9
Prepayments and other current assets	**3**	3
Trade and other receivables	**3**	8
Cash and cash equivalents	**6**	42
Assets classified as held for sale	**41**	1,307
Liabilities		
Deferred tax liability	**-**	(105)
Provisions	**(6)**	(109)
Trade and other payables	**(32)**	(21)
Liabilities directly associated with assets classified as held for sale	**(38)**	(235)
Net assets directly associated with disposal group	**3**	1,072

(iii) Cash flows

The net cash flows incurred by Kazakhmys Power are as follows:

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Operating activities	**52**	5
Investing activities	**(119)**	(103)
Financing activities	**31**	103
Net cash (outflow)/inflow	**(36)**	5

6. Segment information

For management purposes the Group is organised into five separate business units, as shown below, according to the nature of the products and services provided. Each of these business units represents an operating segment in accordance with IFRS 8 'Operating segments'. The operating segments are:

Kazakhmys Copper

The Kazakhmys Copper business is managed as one operating segment and comprises a Kazakhstan based company, Kazakhmys Corporation LLC, and a UK based company, Kazakhmys Sales Limited. The principal activity of Kazakhmys Corporation LLC is the processing and sale of copper and other metals, while Kazakhmys Sales Limited consists of a trading function responsible for the purchase of exported products from Kazakhmys Corporation LLC and subsequently applies an appropriate mark-up prior to onward sale to third parties.

The products produced by the Kazakhmys Copper business are subject to the same risks and returns, exhibit similar long-term financial performance and are sold through the same distribution channels. The business processes substantially all the copper ore it produces and utilises most of the copper concentrate it processes. The segment also has a number of activities that exist solely to support the mining operations including power generation, coal mining and transportation. These other activities generate less than 10% of total revenues (both external and internal) and the related assets are less than 10% of total assets of the operating segment.

The UK trading function is a sales function on behalf of the Kazakhmys Copper business and consequently the assets and liabilities related to those trading operations, i.e. trade payables and trade receivables, are included within the Kazakhmys Copper operating segment.

MKM

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

As stated in note 5, the Directors have decided to dispose of MKM. As a result, at 30 June 2010 and 31 December 2009, MKM has been classified as a disposal group held for sale and as a discontinued operation, and the comparative segment information has been restated accordingly.

Kazakhmys Power

Kazakhmys Power operates in Kazakhstan. The principal activity of the Kazakhmys Power operating segment, representing the Ekibastuz GRES-1 coal-fired power station and the Maikuben West coal mine, is the sale of electricity and coal to external customers. This segment does not include the power stations and coal mines which are part of the Kazakhmys Copper segment as the output from those power stations and coal mines are primarily used within the Kazakhmys Copper business, and the level of external sales is comparatively insignificant.

As a result of the 50% disposal of Ekibastuz GRES-1 LLP to Samruk-Kazyna (see note 4), the 50% non-controlling interest is equity accounted as a joint venture. However, the business is still considered an integral part of the Group's business strategy and operations. There has been no change in management reporting process and the key financial information remains consistent as when the business was held as a subsidiary of the Group. It is therefore appropriate that Kazakhmys Power continues to be considered an operating segment. Furthermore, the Maikuben West coal mine has been classified as an asset held for sale and a discontinued operation.

The segment information of the Kazakhmys Power segment includes the results of Ekibastuz GRES-1 LLP for the full period with a reconciliation to the statutory information provided in the notes to the condensed consolidated financial statements.

Kazakhmys Gold
The principal activities of the Kazakhmys Gold operating segment is the mining and processing of gold ore into refined ore, and exploration and development activity in the precious metal sector within the Central Asian region. The Kazakhmys Gold business operates primarily in Kazakhstan and has a development project in Kyrgyzstan.

Kazakhmys Petroleum
The Kazakhmys Petroleum business holds a licence to conduct oil and gas exploration and development activity in the Eastern Akzhar exploration block in western Kazakhstan.

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

The Group's Treasury department monitors finance income and finance costs at the Group level on a net basis rather than on a gross basis at an operating segment level.

The accounting policies adopted by each operating segment are consistent with those published in the 2009 Annual Report and Accounts. There are no inter-segment sales within the Group. Segmental information is also provided in respect of revenues by destination and by product.

(a) Operating segments
(i) Income statement information

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Income statement	Joint venture[3]	Discontinued operations
								Six months ended 30 June 2010		
Sales to external customers	**1,506**	**659**	**139**	**16**	**-**	**-**	**2,320**	**1,522**	**52**	**746**
Gross profit	**847**	**63**	**88**	**5**	**-**	**-**	**1,003**	**852**	**29**	**122**
Operating costs	**(391)**	**(27)**	**(22)**	**(3)**	**-**	**(18)**	**(461)**	**(412)**	**(4)**	**(45)**
Segmental operating results	**456**	**36**	**66**	**2**	**-**	**(18)**	**542**	**440**	**25**	**77**
Gain on disposal of share in subsidiary	**-**	**-**	**14**	**-**	**-**	**-**	**14**	**-**	**-**	**14**
Segmental results	**456**	**36**	**80**	**2**	**-**	**(18)**	**556**	**440**	**25**	**91**
Share of profits from joint venture[4]							**-**	**19**	**(19)**	**-**
Share of profits from associate[4]							**211**	**211**	**-**	**-**
Net finance costs							**(41)**	**(39)**	**(1)**	**(1)**
Income tax expense							**(152)**	**(128)**	**(5)**	**(19)**
Profit for the period from discontinued operations							**-**	**71**	**-**	**(71)**
Profit for the period							**574**	**574**	**-**	**-**

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[2] Kazakhmys Power includes 100% of the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 whilst the business was a subsidiary of the Group, 50% of the results of Ekibastuz GRES-1 LLP from 27 February 2010 to 30 June 2010 as an equity accounted joint venture, and the results of the Maikuben West coal mine for the six months ended 30 June 2010 which has been classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
[3] For segment reporting, the Group includes its 50% share of the income statement line items that relate to Ekibastuz GRES-1 LLP on a line-by-line basis, whereas in the Group's income statement, the financial results of Ekibastuz GRES-1 LLP are included within 'share of profits from joint venture'. Note 14 provides further detail on the financial results of the joint venture.
[4] Share of profits is net of tax.

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Income statement	Discontinued operations
								Six months ended 30 June 2009	
Sales to external customers	1,104	440	85	19	-	-	1,648	1,123	525
Gross profit	525	58	35	2	-	-	620	527	93
Operating costs	(272)	(24)	(19)	(3)	-	(16)	(334)	(291)	(43)
Segmental operating results	253	34	16	(1)	-	(16)	286	236	50
Net finance costs							240	311	(71)
Income tax expense							(130)	(125)	(5)
Share of profits from associate[3]							119	119	-
Loss for the period from discontinued operations							-	(26)	26
Profit for the period							515	515	-

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[2] Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
[3] Share of profits from associate is net of tax.

(ii) Balance sheet information

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations
									At 30 June 2010
Assets									
Tangible and intangible assets[3]	**2,045**	**-**	**26**	**122**	**548**	**17**	**2,758**	**2,732**	**26**
Intragroup investments	**-**	**-**	**-**	**-**	**-**	**6,468**	**6,468**	**6,468**	**-**
Non-current investments[4]	**12**	**-**	**723**	**-**	**-**	**4,048**	**4,783**	**4,783**	**-**
Operating assets[5]	**771**	**299**	**9**	**34**	**5**	**113**	**1,231**	**923**	**308**
Current investments	**57**	**-**	**-**	**-**	**-**	**-**	**57**	**57**	**-**
Cash and cash equivalents	**446**	**-**	**6**	**8**	**18**	**570**	**1,048**	**1,042**	**6**
Segment assets	**3,331**	**299**	**764**	**164**	**571**	**11,216**	**16,345**	**16,005**	**340**
Income taxes reclaimable							**49**	**49**	**-**
Assets classified as held for sale							**-**	**340**	**(340)**
Elimination							**(6,483)**	**(6,483)**	**-**
Total assets							**9,911**	**9,911**	**-**
Liabilities									
Employee benefits and provisions	**132**	**6**	**6**	**2**	**31**	**-**	**177**	**165**	**12**
Operating liabilities[6]	**336**	**33**	**32**	**3**	**4**	**22**	**430**	**365**	**65**
Segment liabilities	**468**	**39**	**38**	**5**	**35**	**22**	**607**	**530**	**77**
Borrowings							**1,835**	**1,684**	**151**
Deferred tax liability							**111**	**99**	**12**
Income taxes payable							**43**	**33**	**10**
Liabilities directly associated with assets classified as held for sale							**-**	**250**	**(250)**
Elimination							**(15)**	**(15)**	**-**
Total liabilities							**2,581**	**2,581**	**-**

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[2] Kazakhmys Power includes the Maikuben West coal mine, which is classified as an asset held for sale and is included within discontinued operations as at 30 June 2010 (see note 5(b)).
[3] Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Copper, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany – MKM; and (iii) Kazakhmys Gold is split between $14 million in Kazakhstan, $106 million in Kyrgyzstan and $2 million in Tajikistan.
[4] Non-current investments includes the Group's investment in Ekibastuz GRES-1 LLP within the Kazakhmys Power segment and the Group's investment in ENRC within corporate unallocated.
[5] Operating assets include inventories, prepayments and other current assets and trade and other receivables.
[6] Operating liabilities include trade and other payables, derivative financial instruments and dividends payable by subsidiaries.

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations
								At 31 December 2009	
Assets									
Tangible and intangible assets[3]	1,894	-	1,245	93	527	18	3,777	2,532	1,245
Non-current investments	6	-	-	1	-	3,869	3,876	3,876	-
Intragroup investments	-	-	-	-	-	6,442	6,442	6,442	-
Operating assets[4]	770	308	122	26	3	81	1,310	982	328
Current investments	58	-	-	-	-	-	58	58	-
Cash and cash equivalents	159	-	42	10	12	722	945	903	42
Segment assets	2,887	308	1,409	130	542	11,132	16,408	14,793	1,615
Income taxes reclaimable							4	4	-
Assets classified as held for sale							-	1,615	(1,615)
Elimination							(6,449)	(6,449)	-
Total assets							9,963	9,963	-
Liabilities									
Employee benefits and provisions	135	7	109	2	25	-	278	162	116
Operating liabilities[5]	227	47	21	4	3	710	1,012	944	68
Segment liabilities	362	54	130	6	28	710	1,290	1,106	184
Borrowings							1,807	1,650	157
Deferred tax liability							209	99	110
Income taxes payable							69	60	9
Liabilities directly associated with assets classified as held for sale							-	460	(460)
Elimination							(7)	(7)	-
Total liabilities							3,368	3,368	-

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[2] Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
[3] Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Copper, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany – MKM; and (iii) Kazakhmys Gold is split between $18 million in Kazakhstan, $68 million in Kyrgyzstan and $7 million in Tajikistan.
[4] Operating assets include inventories, prepayments and other current assets and trade and other receivables.
[5] Operating liabilities include trade and other payables, derivative financial instruments and dividends payable by subsidiaries.

$ million	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
							At 30 June 2009
Assets							
Tangible and intangible assets[1]	1,857	141	1,282	107	508	17	3,912
Intragroup investments	-	-	-	-	-	6,433	6,433
Non-current investments	5	1	-	-	-	3,745	3,751
Operating assets[2]	654	293	46	26	1	56	1,076
Current investments	59	-	-	-	-	-	59
Cash and cash equivalents	182	9	25	7	12	197	432
Segment assets	2,757	444	1,353	140	521	10,448	15,663
Income taxes reclaimable							28
Elimination							(6,445)
Total assets							9,246
Liabilities							
Employee benefits and provisions	116	7	112	1	27	-	263
Operating liabilities[3]	250	23	6	3	3	9	294
Segment liabilities	366	30	118	4	30	9	557
Borrowings							2,059
Deferred tax liability							213
Income taxes payable							36
Elimination							(12)
Total liabilities							2,853

[1] Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Copper, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany – MKM; and (iii) Kazakhmys Gold is split between $20 million in Kazakhstan, $69 million in Kyrgyzstan and $18 million in Tajikistan.
[2] Operating assets include inventories, prepayments and other current assets and trade and other receivables.
[3] Operating liabilities include trade and other payables, derivative financial instruments and dividends payable by subsidiaries.

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

								Six months ended 30 June 2010		
$ million	Kazakhmys Copper	MKM[2]	Kazakhmys Power[3]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Joint venture[3]	Discontinued operations
Operating profit/(loss)	**456**	**36**	**66**	**2**	**-**	**(18)**	**542**	**440**	**25**	**77**
Special items:										
Add: impairment of property, plant and equipment	**7**	**-**	**-**	**-**	**-**	**-**	**7**	**7**	**-**	**-**
Add: major social projects	**130**	**-**	**-**	**-**	**-**	**-**	**130**	**130**	**-**	**-**
Profit/(loss) before finance items and taxation excluding special items	**593**	**36**	**66**	**2**	**-**	**(18)**	**679**	**577**	**25**	**77**
Add: depreciation and depletion	**107**	**10**	**19**	**3**	**-**	**1**	**140**	**111**	**8**	**21**
Add: amortisation	**1**	**-**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**-**
Add: mineral extraction tax[4]	**113**	**-**	**-**	**2**	**-**	**-**	**115**	**115**	**-**	**-**
Segment EBITDA (excluding special items)	**814**	**46**	**85**	**7**	**-**	**(17)**	**935**	**804**	**33**	**98**
Share of EBITDA of associate[5]							**407**	**407**	**-**	**-**
Group EBITDA (excluding special items)							**1,342**	**1,211**	**33**	**98**

[1] EBITDA (excluding special items) is defined as profit before interest, taxation, depreciation, depletion, amortisation and mineral extraction tax, as adjusted for special items. Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business.
[2] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[3] Kazakhmys Power includes 100% of the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 whilst the business was a subsidiary of the Group, 50% of the results of Ekibastuz GRES-1 LLP from 27 February 2010 to 30 June 2010 as an equity accounted joint venture, and the results of the Maikuben West coal mine for the six months ended 30 June 2010 which has been classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
[4] The mineral extraction tax has been excluded from the key financial indicator of EBITDA (excluding special items) to improve the comparability of the operational profitability of the Group between periods.
[5] The share of EBITDA of the associate excludes the mineral extraction tax of the associate.

								Six months ended 30 June 2009	
$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations
Operating profit/(loss)	253	34	16	(1)	-	(16)	286	236	50
Special items:									
Add: impairment of property, plant and equipment	23	-	-	-	-	-	23	23	-
Add: provisions against inventories	10	-	-	-	-	-	10	10	-
Add: loss on disposal of property, plant and equipment	1	-	-	-	-	-	1	1	-
Profit/(loss) before finance items and taxation excluding special items	287	34	16	(1)	-	(16)	320	270	50
Add: depreciation and depletion	96	11	25	8	-	1	141	105	36
Add: amortisation	1	-	-	-	-	-	1	1	-
Add: mineral extraction tax[3]	69	-	-	2	-	-	71	71	-
Segment EBITDA (excluding special items)	453	45	41	9	-	(15)	533	447	86
Share of EBITDA of associate[4]							184	184	-
Group EBITDA (excluding special items)							717	631	86

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[2] Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
[3] The mineral extraction tax has been excluded from the key financial indicator of EBITDA (excluding special items) to improve the comparability of the operational profitability of the Group between periods.
[4] The share of EBITDA of the associate excludes the mineral extraction tax of the associate.

(iv) Net liquid funds/(debt)

At 30 June 2010

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations
Cash and cash equivalents	**446**	**-**	**6**	**8**	**18**	**570**	**1,048**	**1,042**	**6**
Current investments	**57**	**-**	**-**	**-**	**-**	**-**	**57**	**57**	**-**
Borrowings[3]	**(30)**	**(151)**	**-**	**(35)**	**-**	**(3,667)**	**(3,883)**	**(3,732)**	**(151)**
Inter-segment borrowings[4]	**30**	**-**	**-**	**35**	**-**	**1,983**	**2,048**	**2,048**	**-**
Net liquid funds/(debt)	**503**	**(151)**	**6**	**8**	**18**	**(1,114)**	**(730)**	**(585)**	**(145)**

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[2] Kazakhmys Power includes the Maikuben West coal mine as at 30 June 2010 which has been classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
[3] Borrowings of corporate unallocated are presented net of capitalised arrangement fees of $17 million.
[4] Borrowings of corporate unallocated include amounts borrowed from the Kazakhmys Copper segment and amounts lent to the Kazakhmys Copper and Kazakhmys Gold segments.

At 31 December 2009

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations
Cash and cash equivalents	159	-	42	10	12	722	945	903	42
Current investments	58	-	-	-	-	-	58	58	-
Borrowings[3]	(24)	(157)	(34)	(1)	-	(4,321)	(4,537)	(4,380)	(157)
Inter-segment borrowings[4]	24	-	34	1	-	2,671	2,730	2,730	-
Net liquid funds/(debt)	217	(157)	42	10	12	(928)	(804)	(689)	(115)

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[2] Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 5(b))
[3] Borrowings of corporate unallocated are presented net of capitalised arrangement fees of $12 million.
[4] Borrowings of corporate unallocated include amounts borrowed from the Kazakhmys Copper segment and amounts lent to the Kazakhmys Power and Kazakhmys Gold segments.

At 30 June 2009

$ million	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
Cash and cash equivalents	182	9	25	7	12	197	432
Current investments	59	-	-	-	-	-	59
Borrowings[1]	(15)	(151)	(69)	-	-	(3,735)	(3,970)
Inter-segment borrowings[2]	15	-	69	-	-	1,827	1,911
Net liquid funds/(debt)	241	(142)	25	7	12	(1,711)	(1,568)

[1] Borrowings of corporate unallocated are presented net of capitalised arrangement fees of $19 million.
[2] Borrowings of corporate unallocated include amounts borrowed from the Kazakhmys Copper segment and amounts lent to the Kazakhmys Power and Kazakhmys Gold segments.

(v) Capital expenditure, depreciation and impairment losses

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations
							Six months ended 30 June 2010		
Property, plant and equipment	**260**	**7**	**13**	**26**	**18**	**-**	**324**	**304**	**20**
Mining assets	**20**	**-**	**-**	**2**	**-**	**-**	**22**	**22**	**-**
Intangible assets	**3**	**-**	**-**	**-**	**-**	**-**	**3**	**3**	**-**
Capital expenditure[3]	**283**	**7**	**13**	**28**	**18**	**-**	**349**	**329**	**20**
Depreciation and depletion	**107**	**10**	**11**	**3**	**-**	**1**	**132**	**111**	**21**
Amortisation	**1**	**-**	**-**	**-**	**-**	**-**	**1**	**1**	**-**
Depreciation, depletion and amortisation	**108**	**10**	**11**	**3**	**-**	**1**	**133**	**112**	**21**
Impairment losses	**12**	**1**	**-**	**-**	**-**	**-**	**13**	**12**	**1**

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[2] Kazakhmys Power includes the results of Ekibastuz GRES-1 LLP for the period ended 26 February 2010 and the results of the Maikuben West coal mine, both results have been included within discontinued operations for the six months ended 30 June 2010 (see note 5(b)).
[3] Capital expenditure within the Kazakhmys Copper segment includes capitalised depreciation of $6 million and $3 million for property, plant and equipment and mining assets, respectively.

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Continuing operations	Discontinued operations
							Six months ended 30 June 2009		
Property, plant and equipment	145	2	20	1	17	2	187	165	22
Mining assets	3	-	-	2	-	-	5	5	-
Intangible assets	6	1	-	-	-	3	10	9	1
Capital expenditure[3]	154	3	20	3	17	5	202	179	23
Depreciation and depletion	96	11	25	8	-	1	141	105	36
Amortisation	1	-	-	-	-	-	1	1	-
Depreciation, depletion and amortisation	97	11	25	8	-	1	142	106	36
Impairment losses	58	2	-	-	-	-	60	58	2

[1] MKM has been classified as an asset held for sale and is included within discontinued operations (see note 5(a)).
[2] Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see note 5(b)).
[3] Capital expenditure within the Kazakhmys Copper segment includes capitalised depreciation of $1 million for property, plant and equipment. Capital expenditure on intangible assets within the Kazakhmys Copper segment includes $5 million capitalised in respect of contractual reimbursements to the Government for geological information and social commitments.

(b) Revenues by product

Revenues by product are as follows:

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Kazakhmys Copper		
Copper cathodes	**1,024**	721
Copper rod	**116**	17
Copper concentrate	**-**	72
Total copper products	**1,140**	810
Silver	**126**	117
Gold bullion	**79**	60
Zinc metal in concentrate	**77**	42
Zinc metal	**-**	18
Other by-products	**42**	22
Other revenue	**42**	35
	1,506	1,104
Kazakhmys Gold		
Gold doré	**16**	19
	16	19
Continuing operations	**1,522**	1,123
MKM		
Wire	**235**	179
Sheets and strips	**265**	161
Tubes and bars	**146**	89
Metal trade	**13**	11
	659	440
Kazakhmys Power		
Electricity generation	**64**	74
Coal	**23**	11
	87	85
Discontinued operations	**746**	525
Share of joint venture's revenues	**52**	-
Total revenues	**2,320**	1,648

Revenues by destination to third parties are as follows:

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Continuing operations		
Europe	**681**	564
China	**673**	446
Kazakhstan	**168**	109
Other	**-**	4
	1,522	1,123
Discontinued operations		
Europe	**539**	359
China	**3**	12
Kazakhstan	**76**	71
Other	**128**	83
	746	525
Share of joint venture's revenue		
Kazakhstan	**51**	-
Other	**1**	-
	52	-
Total revenues	**2,320**	1,648

Six months ended 30 June 2010
Four customers, three of which are collectively under common control, within the Kazakhmys Copper segment represent 20% of total Group revenue for the six months from continuing operations. The total revenue from these customers is $312 million. The revenue from each customer does not individually represent more than 10% of total Group revenue from continuing operations.

Six months ended 30 June 2009
Three customers, collectively under common control, within the Kazakhmys Copper segment represent 15% of total Group revenue for the six months from continuing operations. The total revenue from these customers is $253 million. The revenue from each customer does not individually represent more than 10% of total Group revenue from continuing operations.

7. Impairment losses

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Impairment of property, plant and equipment	**7**	23
Provisions against prepayments and other current assets	**(4)**	2
Provisions against trade and other receivables	**3**	14
Provisions against inventories	**6**	19
Continuing operations	**12**	58
Discontinued operations	**1**	2
	13	60

8. Special items

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Continuing operations		
Special items within operating profit		
Major social projects[1]	**130**	-
Impairment losses on property, plant and equipment	**7**	23
Loss on disposal of property, plant and equipment	**-**	1
Provisions against inventories	**-**	10
	137	34
Special items within Underlying Profit		
Foreign exchange gain arising on devaluation of the tenge	**-**	(336)
	137	(302)
Discontinued operations		
Special items within Underlying Profit		
Gain on disposal of share in subsidiary (see note 4(a))	**(14)**	-
Foreign exchange loss on devaluation of the tenge	**-**	53
	(14)	53

[1] In the first half of 2010, the Group has committed to construct major social projects at a cost of $130 million in Kazakhstan. The charge represents the full cost of the projects, with construction to take up to two years.

9. Finance income and finance costs

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Finance income		
Interest income	**4**	4
Foreign exchange gains	**39**	450
Continuing operations	**43**	454
Interest income	**1**	1
Foreign exchange gains	**9**	12
Discontinued operations	**10**	13
	53	467
Finance costs		
Interest expense	**(23)**	(33)
Interest on employee obligations	**(2)**	(2)
Unwinding of discount on provisions	**(3)**	(5)
Finance costs before foreign exchange losses	**(28)**	(40)
Foreign exchange losses	**(54)**	(103)
Continuing operations	**(82)**	(143)
Interest expense	**(5)**	(4)
Unwinding of discount on provisions	**-**	(18)
Foreign exchange losses	**(6)**	(62)
Discontinued operations	**(11)**	(84)
	(93)	(227)

10. Income taxes

(a) Income statement

Major components of income tax expense for the six months presented are:

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Current income tax		
Corporate income tax – current period (UK)	**(1)**	7
Corporate income tax – current period (overseas)	**146**	154
Corporate income tax – prior periods	**(17)**	(11)
Excess profits tax – current period	**-**	1
	128	151
Deferred income tax		
Corporate income tax – current period	**(7)**	(26)
Corporate income tax – prior periods	**7**	-
	-	(26)
Income tax attributable to continuing operations	**128**	125
Current income tax attributable to discontinued operations	**10**	(3)
Deferred income tax attributable to discontinued operations	**9**	8
Income tax attributable to discontinued operations	**19**	5
Total income tax expense	**147**	130

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

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Profit before taxation from continuing operations	**631**	666
At UK statutory income tax rate of 28.0% (2009: 28.0%)	**177**	186
Tax effect of share of profits from joint venture	**(5)**	-
Tax effect of share of profits from associate	**(59)**	(33)
Overprovided in previous periods – current income tax	**(17)**	(11)
Underprovided in previous periods – deferred income tax	**7**	-
Effect of domestic tax rates applicable to individual Group entities	**(36)**	(48)
Release of deferred tax liability due to change in future tax rates	**(2)**	7
Unremitted overseas earnings	**-**	4
Non-deductible expenses	**63**	19
Excess profits tax	**-**	1
Income tax expense attributable to continuing operations	**128**	125
Income tax attributable to discontinued operations	**19**	5
Total Income tax expense	**147**	130

Corporate income tax is calculated at 28.0% (2009: 28.0%) of the assessable profit for the six months for the Company and its UK subsidiaries and 20.0% for the operating subsidiaries in Kazakhstan (2009: 20.0%). MKM, which is included as part of discontinued operations, has a tax rate of 28.5% (2009: 28.5%) and relates to German corporate income tax and trade tax.

The effective tax rate for continuing operations for the six months ended 30 June 2010 is 20.3% (2009: 18.8%).

11. Earnings per share

(a) Basic and diluted EPS

Basic earnings per share (EPS) is calculated by dividing profit for the six months attributable to equity holders of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the period. Purchases of the Company's shares by the Employee Benefit Trust are dilutive ordinary shares.

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

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Net profit attributable to equity shareholders of the Company from continuing operations	**503**	542
Net profit/(loss) attributable to equity shareholders of the Company from discontinued operations	**71**	(26)
	574	516

Number	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Weighted average number of ordinary shares of 20 pence each	**534,818,101**	535,240,338
EPS – basic and diluted ($)		
From continuing operations	**0.94**	1.01
From discontinued operations	**0.13**	(0.05)
	1.07	0.96

(b) EPS based on Underlying Profit

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

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

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Net profit attributable to equity shareholders of the Company from continuing operations	**503**	542
Special items:		
Impairment of property, plant and equipment	**7**	23
Provisions against inventories	**-**	10
Loss on disposal of property, plant and equipment	**-**	1
Major social projects	**130**	-
Net foreign exchange gain arising on devaluation of the tenge:		
Subsidiary businesses	**-**	(336)
Associate	**-**	(62)
Tax effect of non-recurring items:		
Subsidiary businesses	**(1)**	62
Associate	**-**	12
Non-controlling interest effect of non-recurring items	**-**	1
Underlying Profit from continuing operations	**639**	253
Net profit/(loss) attributable to equity shareholders of the Company from discontinued operations	**71**	(26)
Special items:		
Gain on disposal of share in subsidiary	**(14)**	-
Net foreign exchange gain arising on devaluation of the tenge	**-**	53
Tax effect of non-recurring items	**-**	(11)
Underlying Profit from discontinued operations	**57**	16
	696	269

Number	Six months ended 30 June 2010	Six months ended 30 June 2009
Weighted average number of ordinary shares of 20 pence each	**534,818,101**	535,240,338
EPS based on Underlying Profit – basic and diluted ($)		
From continuing operations	**1.19**	0.47
From discontinued operations	**0.11**	0.03
	1.30	0.50

12. Dividends paid and proposed
(a) Dividends paid

The dividends paid during the six months ended 30 June 2010 are as follows:

	Per share US cents	Amount $ million
Six months ended 30 June 2010		
Final dividend in respect of year ended 31 December 2009	9.0	48

(i) Six months ended 30 June 2010
On 18 May 2010 the Company paid the final dividend of $48 million in respect of the year ended 31 December 2009 to shareholders on the register as at 23 April 2010.

(ii) Six months ended 30 June 2009
No dividends were paid by the Company in respect of the period ended 30 June 2009.

(b) Dividends declared after the balance sheet date

	Per share US cents	Amount $ million
Proposed by the Directors on 25 August 2010 (not recognised as a liability as at 30 June 2010):		
Interim dividend in respect of the year ended 31 December 2010	6.0	32

In relation to the dividends proposed by the Directors on 25 August 2010, the UK pounds sterling per ordinary share amount is 3.8545 pence.

13. Property, plant and equipment
During the six months ended 30 June 2010, the Group's continuing operations acquired property, plant and equipment with a cost of $298 million (30 June 2009: $163 million), of which $63 million related to new and expansionary projects (30 June 2009: $89 million).

Assets with a book value of $17 million were disposed of by the Group during the six months ended 30 June 2010 (30 June 2009: $2 million) resulting in a loss on disposal of $nil (30 June 2009: $1 million).

In addition to the above additions and disposals, during the six months ended 30 June 2010 property, plant and equipment:

- increased by $6 million as a result of capitalised depreciation (30 June 2009: $1 million);
- decreased by $4 million as a result of transfers to mining assets (30 June 2009: $29 million);
- increased by $11 million as a result of foreign exchange movements on translation (30 June 2009: decreased by $628 million) primarily due to the appreciation of the tenge (30 June 2009: devaluation of tenge);

- decreased by $7 million as a result of impairment (30 June 2009: $23 million); and
- decreased by $104 million as a result of the depreciation expense (30 June 2009: $133 million)

14. Investment in joint venture

$ million	2010
At 1 January	-
Recognition at fair value[1]	**703**
Share of profits from joint venture[2,3]	**19**
Net share of gains of joint venture recognised in other comprehensive income[3]	**1**
At 30 June	**723**

[1] Fair value has been determined by reference to the enterprise value of Ekibastuz GRES-1 LLP using a discounted cash flow basis at the date of acquisition (see note 4).
[2] Share of profits from joint venture is net of tax.
[3] Based on the interim financial statements for the period ended 30 June 2010 of Ekibastuz GRES-1 LLP.

The investment in joint venture relates to the Group's 50% shareholding in Ekibastuz GRES-1 LLP. The details of the acquisition of the joint venture are described in note 4.

The following is a summary of the financial information of the Group's investment in joint venture based on Ekibastuz GRES-1 LLP's interim unaudited financial statements for the period ended 30 June 2010:

$ million	At 30 June 2010
Share of joint venture's assets and liabilities	
Total assets	**491**
Total liabilities	**(106)**
Net assets	**385**
Carrying amount of the investment	**723**

As there have been no significant events or circumstances surrounding the assumptions used in the fair value determination of Ekibastuz GRES-1 LLP and, having considered the operational performance of the business since the acquisition of the joint venture, the Directors do not believe that an impairment indicator has arisen with regards to the Group's investment in Ekibastuz GRES-1 LLP at 30 June 2010.

$ million	Six months ended 30 June 2010
Share of joint venture's revenue and profit	
Revenue	**52**
Operating profit	**25**
Net finance costs	**(1)**
Income tax expense	**(5)**
Profit for the period	**19**

15. Investment in associate

$ million	At 30 June 2010	At 30 June 2009
At 1 January	**3,869**	4,045
Share of profits from associate[1,2]	**211**	119
Net share of losses of associate recognised in other comprehensive income[2]	**(12)**	(355)
Dividends received	**(20)**	(64)
At 30 June	**4,048**	3,745

[1] Share of profits from associate is net of tax.
[2] Based on ENRC's published unaudited results.

The investment in associate relates to the Group's 26.0% shareholding in ENRC PLC (334,824,860 ordinary shares). At 30 June 2010, the Group's shareholding in ENRC had a market value of $4,344 million (30 June 2009: $3,620 million, 31 December 2009:

$4,879 million) which is determined by reference to the published price quotation on the London Stock Exchange.

In light of the positive movement in share prices during and since the end of the reporting period, particularly those of natural resource companies, and the continued strength in short and long-term commodity prices, the Directors do not believe that an impairment indicator has arisen with regards to the Group's investment in ENRC at 30 June 2010.

The following is a summary of the financial information of the Group's investment in ENRC based on ENRC's published unaudited results for the period ended 30 June 2010:

$ million	**At 30 June 2010**	At 31 December 2009	At 30 June 2009
Share of associate's assets and liabilities			
Total assets	**2,851**	2,500	2,229
Total liabilities	**(568)**	(419)	(346)
Net assets	**2,283**	2,081	1,883
Carrying amount of the investment	**4,048**	3,869	3,745

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Share of associate's revenue and profit		
Revenue	**792**	441
Operating profit	**299**	156
Profit before finance items and taxation	**297**	163
Net finance (costs)/income	**(1)**	5
Income tax expense	**(85)**	(49)
Profit for the period	**211**	119

16. Cash and cash equivalents

$ million	**At 30 June 2010**	At 31 December 2009	At 30 June 2009
Cash deposits with maturities of less than three months	**947**	722	25
Cash at bank	**94**	180	406
Petty cash	**1**	1	1
Continuing operations	**1,042**	903	432
Discontinued operations	**6**	42	-
Cash and cash equivalents in the cash flow statement	**1,048**	945	432

17. Share capital and reserves
(a) Allotted share capital

	Number	£ million	$ million
Authorised share capital – ordinary shares of 20 pence each			
At 30 June 2009	**750,000,000**	**150**	**-**
Allotted and called up share capital			
At 30 June 2010, 31 December 2009 and 30 June 2009	**535,240,338**	**107**	**200**

(b) Own shares

At 30 June 2010, the Group, through an Employee Benefit Trust, owned 577,561 Kazakhmys PLC shares (30 June 2009: nil, 31 December 2009: 379,825) with a market value of $9 million (30 June 2009: nil, 31 December 2009: $8 million) and a cost of $10 million (30 June 2009: nil, 31 December 2009: $7 million).

(c) Capital reserves

$ million	Reserve fund	Net unrealised gains reserve	Currency translation reserve	Capital redemption reserve	Hedging reserve	Total
At 1 January 2010	**42**	**-**	**(1,040)**	**6**	**(2)**	**(994)**
Exchange differences on retranslation of foreign operations[1]	**-**	**-**	**27**	**-**	**-**	**27**
Recycling of exchange differences on disposal of share in subsidiary	**-**	**-**	**196**	**-**	**-**	**196**
Share of gains of joint venture recognised in other comprehensive income	**-**	**-**	**1**	**-**	**-**	**1**
Share of losses of associate recognised in other comprehensive income	**-**	**(11)**	**(1)**	**-**	**-**	**(12)**
At 30 June 2010	**42**	**(11)**	**(817)**	**6**	**(2)**	**(782)**
At 1 January 2009	42	(2)	410	6	(7)	449
Losses on cash flow hedges taken to equity	-	-	-	-	(65)	(65)
Losses on cash flow hedges included in income statement	-	-	-	-	16	16
Exchange differences on retranslation of foreign operations	-	-	(1,218)	-	-	(1,218)
Share of gains/(losses) of associate recognised in other comprehensive income	-	1	(342)	-	(4)	(345)
At 30 June 2009	42	(1)	(1,150)	6	(60)	(1,163)

[1] Of the $27 million of foreign exchange differences recognised in the currency translation reserves for the period, a loss of $10 million relates to discontinued operations.

(i) Reserve fund

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

(ii) Net unrealised gains reserve

The net unrealised gains reserve is used to record the fair value movements of available for sale investments.

(iii) Currency translation reserve

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

(iv) Capital redemption reserve

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

(v) Hedging reserve

The hedging reserve is used to record the fair value movements of derivative financial instruments that have been designated as cash flow hedges.

18. Borrowings

Details of the Group's significant borrowings are:

(a) Continuing operations

Pre-export finance debt facility

On 29 February 2008, Kazakhmys Finance PLC ("Kazakhmys Finance"), a wholly owned subsidiary of the Company, signed a five year pre-export finance debt facility for $2,100 million with a syndicate of banks to be used for general corporate purposes, including the acquisition of the Ekibastuz GRES-1 power plant and Maikuben West coal mine and incremental purchases of shares in ENRC. As at 30 June 2010 and 2009 and 31 December 2009, the facility was fully

drawn. The loan is secured on the value of copper sales contracts with certain designated customers. Monthly loan repayments commenced in March 2009 and will continue through to February 2013 following a one year availability period. Arrangement fees with an amortised cost as at 30 June 2010 of $9 million (30 June 2009: $16 million, 31 December 2009: $12 million), gross cost before amortisation of $26 million (30 June 2009: $26 million, 31 December 2009: $26 million), have been netted off against these borrowings in accordance with IAS 39. Interest is payable on the drawn balance at a rate of US$ LIBOR + 1.25%. Kazakhmys PLC, Kazakhmys Corporation LLC and Kazakhmys Sales Limited act as guarantors of the loan.

Revolving credit facilities
On 11 March 2010, Kazakhmys Finance PLC signed a one year $100 million revolving credit facility with a maturity date in March 2011. On 26 March 2010, Kazakhmys Finance PLC signed an agreement to extend the $150 million revolving credit facility for an additional year to March 2011. At 30 June 2010, the facilities were undrawn.

China Development Bank ("CDB") and JSC Sovereign Wealth Fund Samruk-Kazyna ("Samruk-Kazyna") financing line
Summary of the transaction
On 30 December 2009, Kazakhmys announced that it had secured an up to $2.7 billion financing line with CDB and Samruk-Kazyna, allocated from a $3.0 billion financing line agreed between CDB and Samruk-Kazyna. Of the up to $2.7 billion secured for the Group, facility agreements were signed for $2.1 billion on 30 December 2009, and for a further $200 million on 12 January 2010, for the development of the Group's projects at Bozshakol and Bozymchak and other development projects, with the balance of $400 million remaining available over the next three years. Samruk-Kazyna has separately signed an agreement for $300 million of the $3.0 billion to be used elsewhere and not for the benefit of the Group. As part of this financing package, Kazakhmys PLC (the "Company"), along with a subsidiary of Samruk-Kazyna, provided a guarantee in favour of CDB in respect of Samruk-Kazyna's obligations under the $3.0 billion financing line, including up to 85% of the $300 million which was not on-lent for the benefit of the Group.

Details of the transaction
The transaction consists of a two-tier structure, with loans from CDB to Samruk-Kazyna and 'back-to-back' arrangements between Samruk-Kazyna and the Company. Samruk-Kazyna has signed facility agreements with Kazakhmys Finance PLC ("Kazakhmys Finance"), pursuant to which Samruk-Kazyna will lend $2.3 billion of the up to $2.7 billion loan facility lent to it by CDB. It is intended that the remaining up to $400 million will be lent by CDB to Samruk-Kazyna and on-lent by Samruk-Kazyna to Kazakhmys Finance over the next three years for funding the development of the Group's projects approved by CDB and Samruk-Kazyna.

The agreements between Samruk-Kazyna and Kazakhmys Finance operate 'back-to-back' with the agreements between CDB and Samruk-Kazyna, such that any payment (both interest and principal) by Kazakhmys Finance to Samruk-Kazyna will result in a corresponding payment by Samruk-Kazyna to CDB. Other relevant terms, such as the period during which the loans are available and the termination dates of the agreements, also correspond. The funds are available for drawing anytime within a three year period and once drawn will attract interest semi-annually at an annualised rate of US$ LIBOR plus 4.8%. The loans have a final maturity of between 12 and 15 years from the first draw down and repayment of principal commences from the end of the third year following the first draw down under each facility.

As part of the financing package, the Company and JSC Kazakhtelecom ('Kazakhtel'), a subsidiary of Samruk-Kazyna, have provided a guarantee to CDB for a maximum of $2.0 billion of the $3.0 billion of loans made and to be made by CDB to Samruk-Kazyna (the 'Guarantee'). The Company's liability under the Guarantee is capped at $1.7 billion of principal plus 85% of

any interest and any other duly payable costs and expenses. Any payments under the Guarantee will be netted off against payments to be made by Kazakhmys Finance under the loan agreements between it and Samruk-Kazyna. As the Guarantee is several and covers the separate $300 million loan made by CDB to Samruk-Kazyna (but not lent on for the benefit of the Group), the Company will be liable as to 85% of that amount (i.e. up to $255 million) if Samruk-Kazyna fails to make a payment due under that loan to CDB. Furthermore, the Company has granted a separate $2.7 billion parent company guarantee to Samruk-Kazyna, pursuant to which the Company guarantees repayment of all amounts lent by Samruk-Kazyna to Kazakhmys Finance, as is typical in such corporate loan facilities.

The guarantees under this financing package took effect on 1 March 2010 following receipt of confirmation from the UK Listing Authority that shareholder approval for the transaction was not required. The first draw down under the signed facility agreements was for $300 million and was made on 17 March 2010, with $100 million of the funds being for the Bozymchak project in Kyrgyzstan and $200 million of the funds being for the development of the Group's projects, other than Bozymchak and Bozshakol.

Accounting for the transaction
At the date of the initial draw down on 17 March 2010, the Group received funds of $300 million under the signed facility agreements which are included in non-current borrowings at fair value less $8 million of transaction costs representing arrangement and legal fees. Subsequently, the loan balance outstanding is accounted for on the amortised cost basis in accordance with the Group's accounting policy for borrowings such that the outstanding balance as at 30 June 2010 is $292 million.

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

(b) Discontinued operations

Revolving trade finance facility
In May 2006 MKM entered into a revolving trade finance facility with a syndicate of banks for a four year loan to finance the repayment of external borrowings and intercompany balances due to Kazakhmys LLC, and to fund working capital. In June 2009 the facility was refinanced with a new €170 million facility for three years with a final maturity in June 2012. Interest is payable on the drawn balance at a rate of EURIBOR + 3.00%. The loan is secured over the inventories and receivables of MKM.

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

$ million	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Profit before taxation from continuing operations	**631**	666
Profit before taxation from discontinued operations	**76**	(21)
Interest income	**(5)**	(5)
Interest expense	**28**	37
Depreciation and depletion	**132**	141
Amortisation	**1**	1
Share of profits from joint venture	**(19)**	-
Share of profits from associate	**(211)**	(119)
Impairment losses	**13**	60
Loss on disposal of property, plant and equipment	**-**	1
Unrealised foreign exchange (loss)/gain	**12**	(229)
Operating cash flows before changes in working capital and provisions	**658**	532
(Increase)/decrease in inventories	**(11)**	34
Increase in prepayments and other current assets	**(8)**	(12)
Increase in trade and other receivables	**(47)**	(84)
Increase in employee benefits	**2**	2
Increase in provisions	**3**	24
Increase/(decrease) in trade and other payables	**71**	(54)
Cash inflow from operations before interest, income taxes and dividends from associate	**668**	442

20. Movement in net debt

$ million	At 1 January 2010	**Cash flow**	**Attributable to discontinued operations**	**Net exchange translation**	**At 30 June 2010**
Cash and cash equivalents	903	**106**	**36**	**(3)**	**1,042**
Current investments	58	**-**	**-**	**(1)**	**57**
Borrowings	(1,650)	**(121)**	**62**	**25**	**(1,684)**
Net debt	(689)	**(15)**	**98**	**21**	**(585)**

$ million	At 1 January 2009	Cash flow	Net exchange translation	At 30 June 2009
Cash and cash equivalents	540	(46)	(62)	432
Current investments	32	33	(6)	59
Borrowings	(2,200)	142	(1)	(2,059)
Net debt	(1,628)	129	(69)	(1,568)

21. Related party disclosures

(a) Transactions with related parties

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

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

$ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Companies related to the Government				
30 June 2010	**-**	**-**	**-**	**-**
30 June 2009	-	-	-	-
Companies under trust management[1]				
30 June 2010	**7**	**4**	**44**	**1**
30 June 2009	6	1	33	1
Other[1]				
30 June 2010	**2**	**22**	**7**	**3**
30 June 2009	1	17	9	3

[1] A provision of $43 million (30 June 2009: $30 million) has been set against the amounts owed by related parties within companies under trust management and other companies. The bad debt expense in relation to related parties was $3 million for the period (2009: $9 million).

(i) Government

Share issue

On 24 July 2008, the Company issued 80,286,050 ordinary shares of 20 pence each to the Government, thereby making the Government a 15% shareholder of the Company and a related party with effect from this date.

Sale of 50% of Ekibastuz GRES-1 LLP to JSC Sovereign Wealth Fund Samruk-Kazyna

In December 2009 it was announced that the Group had agreed to dispose 50% of Ekibastuz GRES-1 LLP, a 100% owned subsidiary within the Kazakhmys Power Division, to Samruk-Kazyna, an entity wholly owned and controlled by the Government of Kazakhstan, for consideration of $681 million. The transaction completed on 26 February 2010.

China Development Bank ("CDB") and JSC Sovereign Wealth Fund Samruk-Kazyna financing line

As explained in note 18, the Group secured a $2.7 billion financing line with Samruk-Kazyna. The terms and conditions of the financing line, including a guarantee issued by the Group over the debt obligations of Samruk-Kazyna to the CDB under the financing line are considered to be on an arm's length basis.

Other transactions

Throughout the normal course of business, the Group conducts transactions with entities controlled by the Government. The principal activities relate to the payment of electricity transmission fees, use of railway infrastructure and payments to tax authorities. Transactions between the Group and Government departments and agencies are considered to be related party transactions unless they meet all of the following criteria:

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

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

Dividend payment

The Government's share of the final dividend paid by the Company on 18 May 2010 was $7 million.

(ii) ENRC

In 2010 the Group received dividends of $20 million from ENRC, the associated undertaking (2009: $64 million).

(iii) Companies under trust management agreements

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

(iv) Other

Transactions with other companies primarily relate to the provision of goods and services, on an arm's length basis, with companies whose boards include members of senior management from the Group's subsidiaries.

During 2009 for commercial reasons, Kazakhmys LLC advanced amounts totalling $25 million to Eduard Ogay, the Chief Executive Officer of Kazakhmys LLC, who engaged third parties to negotiate with suppliers to ensure that competitive terms and pricing were being obtained for the benefit of Kazakhmys LLC. Until 31 December 2009, the third parties repaid $5 million of the amounts advanced to Eduard Ogay, who in turn repaid these amounts to Kazakhmys LLC, such that the amount outstanding as at 31 December 2009 was $20 million. By 29 March 2010, all outstanding amounts were repaid by Eduard Ogay to Kazakhmys LLC.

(b) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

22. Events after the balance sheet date

(a) Interim dividends

The Directors have declared an interim dividend in respect of the year ended 31 December 2010 of 6.0 US cents per share. This dividend shall be paid on 5 October 2010 to shareholders on the register as at 10 September 2010.

GLOSSARY

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

Capital employed
The aggregate of equity attributable to owners of the Company, minority interests and borrowings

Cash cost of copper after by-product credits
The total of cash operating costs excluding purchased concentrate less by-product revenues, divided by the volume of copper cathode equivalent sales

Company or Kazakhmys
Kazakhmys PLC

Directors
The Directors of the Company

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

EBITDA
Earnings before interest, taxation, depreciation, depletion, amortisation and the mineral extraction tax

Ekibastuz GRES-1
Ekibastuz GRES-1 LLP

ENRC or ENRC PLC
Eurasian Natural Resources Corporation PLC

EPS
Earnings per share

EPS based on Underlying Profit
Profit before special items and other non-recurring or variable non-trading items, and their resulting taxation and minority interest impact, divided by the weighted average number of ordinary shares in issue during the period

EPT
Excess profits tax

EURIBOR
European Inter Bank Offer Rate

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

Free Cash Flow
Net cash flow from operating activities less sustaining capital expenditure on tangible and intangible assets

g/t
Grammes per metric tonne

Government
The Government of the Republic of Kazakhstan

the Group
Kazakhmys PLC and its subsidiary companies

Group EBITDA
Earnings before interest, taxation, depreciation, depletion, amortisation and the mineral extraction tax adjusted for special items and including the share of EBITDA of the associate and joint venture

GVA
Gross value added, which is calculated as turnover less the input cost of copper cathode

GW
Gigawatt, a unit of power equal to one billion watts

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

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

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

Kazakhmys Copper
An operating segment of the Group comprising Kazakhmys Corporation LLC and Kazakhmys Sales Limited, which includes the processing and sale of copper and other metals and onward sale to third parties

Kazakhmys Gold
An operating segment of the Group, which includes the processing of gold ore into refined ore and exploration and development activity in the precious metals sector in Central Asia

Kazakhmys Petroleum
An operating segment of the Group, which holds a licence to conduct oil and gas exploration and development activity in the Eastern Akzhar exploration block in western Kazakhstan

Kazakhmys Power
An operating segment of the Group, which includes the Ekibastuz GRES-1 coal-fired power plant and Maikuben West coal mine, whose principal activity is the sale of electricity and coal to external customers

Kazakhstan
The Republic of Kazakhstan

KEGOC
Kazakhstan Electricity Grid Operating Company

koz
Thousand ounces

kt
Thousand metric tonnes

kW
kilowatt, a unit of power equal to one thousand watts

kWh
kilowatt hour

lb
pound, unit of weight

LIBOR
London Inter Bank Offer Rate

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

LME
London Metal Exchange

MKM
MKM Mansfelder Kupfer und Messing GmbH, the Group's operating subsidiary in the Federal Republic of Germany and an operating segment of the Group, which manufactures copper and copper alloy semi-finished products

MT
Million metric tonnes

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

Ounce or oz
A troy ounce, which equates to 31.1035 grammes

ROCE
Return on Capital Employed, defined as profit before taxation and finance items, excluding special items, as a percentage of the average of opening and closing capital employed

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

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

Segmental EBITDA
Earnings before interest, taxation, depreciation, depletion, amortisation and the mineral extraction tax including special items from the Group's continuing operations and including the share of EBITDA of the joint venture

Special items
Those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. Special items are set out in note 8 to the condensed consolidated half-yearly financial statements

t
metric tonnes

tenge or KZT
The official currency of the Republic of Kazakhstan

UK
United Kingdom

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

USc/lb
US cents per pound