KAZAKHMYS

KAZAKHMYS PLC

6TH FLOOR
CARDINAL PLACE
100 VICTORIA STREET
LONDON SW1E 5JL
Tel: +44 (0) 20 7901 7800
Company registered in England and Wales
Company Number: 5180783

30 March 2010

KAZAKHMYS PLC AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

This preliminary results announcement includes the audited consolidated financial results of the Kazakhmys Group for the year ended 31 December 2009, including the Group's proportionate share of the unaudited earnings of ENRC PLC (ENRC), in which the Group has a 26% shareholding, on an equity accounted basis.

2009 HIGHLIGHTS

- ***Group EBITDA (excluding special items) of $1,634 million***
  - $1,211 million from managed businesses
  - $423 million contribution from ENRC

- ***Underlying Profit for the year of $602 million***
  - $223 million contribution from ENRC
  - EPS of $1.13 based on Underlying Profit

- ***Higher rate tax in 2009 reduced earnings***
  - Corporate income tax charge of $261 million impacted by one off items
  - Mineral extraction tax charge of $164 million
  - All-in effective tax rate (CIT and MET) likely to reduce in 2010 with higher copper prices

- ***Shareholders funds $6,582 million***
  - Net debt of $689 million from continuing operations, compared to $1,628 million at 31 December 2008
  - Draw down of first $300 million of CDB loan in March 2010 to fund Bozymchak and other growth projects
  - Revolving credit facilities increased to $250 million and extended
  - Value of ENRC holding $5,944 million at 29 March 2010

- ***Dividend***
  - Dividend already declared of 9 US cents per share

Matthew Hird, Chief Financial Officer commented: "We have a sound balance sheet and access to attractive debt facilities, which will enable us to move forward with our growth projects in 2010. Since the year end, we have drawn down the first $300 million of our major new $2.7 billion facility, which will be used for the development of Bozymchak and some of our mid sized projects. We look forward to updating on the progress of our growth projects during the year."

$ million (unless otherwise stated)	**Year ended 31 December 2009**	Year ended 31 December 2008
Revenues[1]	**2,404**	3,276
Earnings[2]:		
Group EBITDA (excluding special items)[3]	**1,634**	2,056
Profit before taxation[1]	**1,028**	1,144
Underlying Profit	**602**	1,112
EPS[2]:		
Basic and diluted ($)	**1.04**	1.85
Based on Underlying Profit[4] ($)	**1.13**	2.27
Free Cash Flow[5]	**579**	715
ROCE[1,6] (%)	**11**	21
Cash cost of copper after by-product credits[7] (USc/lb)	**72**	116

[1] From continuing operations only.
[2] Includes ENRC's published unaudited results.
[3] Reconciliation of Group EBITDA excluding special items to operating profit is found in note 5(a)(iii).
[4] Reconciliation of EPS based on Underlying Profit is found in note 9(b).
[5] Net cash flow from operating activities less sustaining capital expenditure on tangible and intangible assets.
[6] Profit from all operations before taxation and finance items, excluding special items, as a percentage of the average of opening and closing capital employed.
[7] Total of Kazakhmys Copper cash operating costs excluding purchased concentrate less by-product revenues, divided by the volume of copper cathode equivalent sold.

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

For further information please contact:

Kazakhmys PLC		
John Smelt	Head of Corporate Communications	**Tel: +44 20 7901 7882** **Tel: +44 78 7964 2675**
Irene Burton	Financial Analyst	**Tel: +44 20 7901 7814**
Zulfira Mukhamediyarova	Senior Manager - Media Relations	**Tel: +77 27 266 3317**
Merlin		
David Simonson		**Tel: +44 20 7726 8400**
Tom Randell		**Tel: +44 20 7726 8400**
Leonid Fink		**Tel: +44 20 7726 8400**

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

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

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

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

AVAILABILITY OF THIS ANNOUNCEMENT
This announcement will shortly be available on the Company's website (www.kazakhmys.com).

ANNUAL GENERAL MEETING
The 2010 Annual General Meeting will be held at 12.15pm on Friday 14 May 2010 at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED.

The 2009 Annual Report and Accounts and details of the business to be conducted at the Annual General Meeting will be mailed to shareholders and posted on the Company's website (www.kazakhmys.com) in early April 2010.

CHIEF FINANCIAL OFFICER'S REVIEW

Preliminary results announcement

On 4 March 2010, Kazakhmys PLC issued a trading update which covered the production and selected unaudited financial results of the Kazakhmys Group's managed businesses for the year ended 31 December 2009. The trading update excluded the contribution from ENRC PLC (ENRC), in which the Group has a 26% shareholding.

This preliminary results announcement includes the audited consolidated financial results of the Kazakhmys Group for the year ended 31 December 2009, including the Group's proportionate share of ENRC's earnings, on an equity accounting basis.

Revenues

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

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

EBITDA

Total segmental EBITDA excluding special items fell by 26% to $1,211 million given the lower profitability of Kazakhmys Copper during 2009 compared to 2008, and despite the inclusion of a full year of earnings from Kazakhmys Power which was acquired in May 2008. Group EBITDA excluding special items fell by 21% to $1,634 million. Included within Group EBITDA excluding special items is the Group's share of EBITDA of ENRC of $423 million based on its published unaudited results for 2009. A full year of earnings from ENRC is included for 2009 compared to 2008 when the Group commenced equity accounting in August 2008.

Special items

In light of developments impacting the Group's medium and major projects and the general economic environment experienced during 2009, management have taken a number of operational decisions which have resulted in a series of impairment charges being recognised in the Group accounts. Total special items for continuing operations amounted to $88 million compared to $366 million in 2008.

Taxation

The effective rate of tax for the year was 25.4% compared to a rate of 28.3% in the prior year. This is higher than the statutory tax rate of 20% within Kazakhstan due to the impact of withholding taxes and the non-deductibility of the hedging losses under Kazakhstan tax legislation. The overall tax charge was $261 million, a decrease of $63 million, largely due to the lower profitability of the Group during the year and the enactment of new tax legislation within Kazakhstan during 2009 which reduced corporate income tax rates.

Whilst the effective rate of tax for 2009 was 25.4%, the all-in effective tax rate[1], which is a more representative tax rate on the recurring profits of the Group's managed businesses, was significantly higher at 42.5% compared to 30.1% in 2008 primarily as a result of the introduction of the mineral extraction tax ('MET'). During periods of low copper prices, the all-in effective tax rate is relatively high as the MET is a revenue based tax and hence is particularly aggressive at these prices.

[1] The 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, hedging gains/losses, special items and other non-recurring items and share of profits from the associate.

However, as both the copper price and profitability of operations increase, the all-in effective tax rate decreases as the impact of the MET lessens, given its revenue based nature.

Earnings per share

Profit for the year attributable to owners of the Company from continuing operations decreased to $768 million from $819 million in 2008. Basic earnings per share decreased by 44% to $1.04 from continuing and discontinued operations. Earnings per share based on Underlying Profit from continuing and discontinued operations was $1.13 compared to $2.27 for the prior year, a decrease of 50%.

The reduction in both measures of EPS is as a result of the lower underlying profitability of the Group during the year, as well as an increase in the weighted average number of shares in issue which increased from 490.3 million in 2008 to 535.1 million in 2009 following the share exchange with the Government in July 2008.

Discontinued operations

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

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

Furthermore, the Directors have decided to dispose of the Maikuben West coal mine, also within the Kazakhmys Power division, following a change in the long-term strategy of the coal mine as a result of the sale of 50% of Ekibastuz GRES-1 LLP to Samruk.

Additionally, the Directors have decided to dispose of MKM given that the Group’s strategy is to focus on natural resource opportunities within the Central Asian region.

The profit after tax of Kazakhmys Power and MKM, together with impairment losses and any write down to fair value are included within the consolidated income statement as part of the loss for the year from discontinued operations. Prior to MKM and Kazakhmys Power being reclassified as assets held for sale, impairment reviews have been performed to write down the divisions to their recoverable amount, on a value in use basis. Once classified as an asset held for sale, a further write down is recognised to record the divisions at their expected fair value from disposal.

Cash flows

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

Expansionary capital expenditure amounted to $187 million, a decrease of $123 million compared to the prior year. Deferred consideration payments arising from the acquisition of Kazakhmys Power in May 2008 amounted to $185 million during 2009.

Balance sheet

Equity attributable to owners of the Company was $6,582 million at 31 December 2009, a decrease of $895 million compared to the balance as at 31 December 2008. Whilst the Group has been profitable for the year, the impact of the devaluation of the tenge has given rise to a non-cash foreign exchange loss within equity of $1,133 million due to the retranslation on consolidation of the Group’s Kazakhstan based subsidiaries whose functional currency is the tenge.

The Group's net debt position from continuing operations stood at $689 million at 31 December 2009 compared with $1,628 million at 31 December 2008. The reduction in net debt is primarily due to the receipt of $681 million in December 2009 prior to completion of the disposal of 50% of Ekibastuz GRES-1 LLP to Samruk in February 2010. Whilst net debt levels initially increased at the beginning of 2009 as commodity prices remained depressed, in addition to the $681 million received from Samruk, the beneficial impact of stronger commodity prices seen during the second half of the year, tight working capital management, the curtailment in the capital expenditure programme and dividend receipts from ENRC had the effect of reducing the overall net debt position.

At 31 December 2009, the ENRC shareholding had a market value of $4,879 million based on the public price quotation on the London Stock Exchange, compared to $1,600 million at 31 December 2008.

FINANCIAL REVIEW

BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRS. The standards and interpretations adopted in the year are described in the Annual Report and Accounts. The accounting policies have been consistently applied to all years presented. As explained below, the Kazakhmys Power Division and MKM have been classified as being held for sale at 31 December 2009. The MKM and Kazakhmys Power operations represent separate major business lines of the Group. As a result, these operations have been treated as discontinued operations at 31 December 2009. A single amount is shown on the face of the consolidated income statement comprising the post-tax result of discontinued operations and the post-tax loss recognised on the re-measurement to fair value less costs to sell of the discontinued operations. Accordingly, the income and expenses of both MKM and Kazakhmys Power are reported separately from the continuing operations of the Group. The consolidated income statement for the prior year has been restated to conform to this presentation. The assets and liabilities of these divisions are also separately shown within the consolidated balance sheet as single line items within current assets and current liabilities. The consolidated balance sheet for the prior year has not been restated. The consolidated cash flow statement includes the cashflows of continuing and discontinued operations for both the current and prior years.

INCOME STATEMENT

A summary of the consolidated income statement is shown below:

$ million (unless otherwise stated)	**2009**	2008
Continuing Operations		
Revenues	**2,404**	3,276
Operating costs excluding depreciation, depletion, amortisation, mineral extraction tax and special items	**(1,389)**	(1,690)
Segmental EBITDA (excluding special items)	**1,015**	1,586
Special items:		
Less: impairment of property, plant and equipment	**(50)**	(120)
Less: impairment of goodwill	**-**	(46)
Less: impairment of mining assets	**(23)**	(126)
Less: provisions against inventories	**(14)**	(73)
Less: loss on disposal of property, plant and equipment	**(1)**	(1)
Less: mineral extraction tax	**(164)**	-
Less: depreciation, depletion and amortisation	**(214)**	(288)
Operating profit	**549**	932
Share of profits from associate	**223**	255
Profit before finance items and taxation	**772**	1,187
Net finance income/(expense)	**256**	(43)
Profit before tax	**1,028**	1,144
Income tax expense	**(261)**	(324)
Profit for the year from continuing operations	**767**	820
Discontinued operations		
(Loss)/profit for the year from discontinued operations	**(214)**	90
Profit for the year	**553**	910
Minority interests	**1**	(1)
Profit for the year attributable to owners of the Company	**554**	909
EPS – basic and diluted ($)		
From continuing operations	**1.44**	1.67
From discontinued operations	**(0.40)**	0.18
	1.04	1.85
EPS based on Underlying Profit ($)		
From continuing operations	**1.02**	2.31
From discontinued operations	**0.11**	(0.04)
	1.13	2.27

Revenues and EBITDA

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

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

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

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

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

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

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

Special items

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

- an impairment charge of $50 million has been recognised in relation to property, plant and equipment within the Kazakhmys Copper division primarily due to the curtailment of the division's capital expenditure programme in the last 18 months and a focus on selected projects only;

- an impairment charge of $23 million has been recognised in relation to the Kazakhmys Gold division following a decision not to proceed with the Akjilga development project in Tajikistan in the foreseeable future as more economically attractive projects exist within the Group; and

- provisions against inventories includes an amount of $14 million in respect of certain by-products held in stock at the end of the year which have been written down to the lower of cost and net realisable value reflecting a fall in the market value of these by-products.

Total special items for continuing operations amounted to $88 million compared to $366 million in 2008. Special items in respect of discontinued operations of $256 million are explained below.

Equity accounting

Following the share exchange with the Government and incremental market purchases of shares during the second half of 2008, the Group's shareholding in ENRC stands at 26%. As the Directors are of the view that the Group has the ability to exercise significant influence over the operating and financial policies of ENRC, the Group has accordingly equity accounted for its interest in ENRC.

The share of profits from the associate recognised in the consolidated income statement for the full year, net of tax, is $223 million based on the unaudited results of ENRC for the year ended 31 December 2009 which were published on 24 March 2010. This contrasts against a figure of $255 million in 2008 which arose from five months of equity accounted earnings only.

Under equity accounting, dividends received from ENRC of $84 million during 2009 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 2009 final dividend announced by ENRC on 24 March 2010 of 6 US cents per share, the Group should receive $20 million in June 2010.

Reconciliation of Group 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 now excluded from the EBITDA (excluding special items) key financial indicator. The Directors believe that the exclusion of the MET provides a more informed measure of the operational profitability of the Group given the nature of the tax as further explained in the 'Taxation' section below.

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

$ million	2009	2008
Segmental EBITDA (excluding special items)		
Continuing operations		
Kazakhmys Copper	**1,027**	1,597
Kazakhmys Gold	**24**	19
Kazakhmys Petroleum	**(1)**	(1)
Corporate unallocated	**(35)**	(29)
Total continuing operations	**1,015**	1,586
Discontinued operations		
Kazakhmys Power	**120**	42
MKM	**76**	(1)
Total discontinued operations	**196**	41
Total segmental EBITDA (excluding special items)	**1,211**	1,627
Share of EBITDA of associate[1]	**423**	429
Group EBITDA (excluding special items)	**1,634**	2,056

[1] The share of EBITDA of the associate excludes the mineral extraction tax of the associate.

Total segmental EBITDA (excluding special items) fell by 26% to $1,211 million given the lower profitability of Kazakhmys Copper during 2009 compared to 2008, and despite the inclusion of a full year of earnings from Kazakhmys Power which was acquired in May 2008. Group EBITDA (excluding special items) fell by 21% to $1,634 million. Included within Group EBITDA (excluding special items) is the Group's share of EBITDA of ENRC of $423 million based on its published unaudited results for 2009. A full year of earnings from ENRC is included for 2009 compared to 2008 when the Group commenced equity accounting in August 2008.

Net finance items

Net finance income for the year was $256 million compared to a net finance expense of $43 million in 2008. This difference is primarily due to the impact of the devaluation of the Kazakhstan tenge in February 2009. An exchange gain of $336 million from continuing operations has arisen in the year as a result of the re-translation of US dollar denominated monetary assets and liabilities within the Group's Kazakhstan subsidiaries as a direct result of the devaluation, since the businesses in Kazakhstan have a tenge functional currency.

Furthermore, the Group has incurred interest charges of $51 million during the year (2008: $49 million) on the pre-export finance debt facility (PXF) which carries a margin of US$ LIBOR plus 1.25%. In December 2008, the Group took out a series of six month and 12 month interest rate swaps to hedge against the impact of short-term volatility in US$ LIBOR rates thereby fixing the estimated cost of servicing a substantial proportion of the outstanding PXF balance at 2.08%, including margin, for 2009. These swaps had expired by 31 December 2009.

Record low US$ LIBOR rates that were seen during 2009, combined with the lower average cash balances in the Group compared to 2008, has meant that interest income earned on cash and deposit balances fell to $8 million from $21 million in 2008.

Taxation

Mineral extraction tax

The Government of Kazakhstan introduced a new Tax Code which came into force on 1 January 2009. The new tax legislation reduced corporate income tax (CIT) rates over a number of years, with the CIT rate being reduced from 30% to 20% for the year ended 31 December 2009. Off-setting the reduction in CIT rates was the introduction of the mineral extraction tax which is similar in nature to the royalties that were levied prior to 1 January 2009. The MET is a revenue based tax based on the volume and metal content of extracted ore and global commodity prices and is determined largely independently of the profitability of operations. Given the significant increases in commodity prices in the second half of the year, particularly for copper, the Group has recognised an expense of $164 million for the full year in relation to the MET within cost of sales, which compared to an expense of $71 million for the first half of the year.

Transfer pricing
Included within the tax charge is $28 million in respect of a transfer pricing provision for 2009. New transfer pricing legislation came into force on 1 January 2009 as part of the introduction of the new Tax Code. This new legislation removed the 10% safe harbour provision which was permitted under the previous transfer pricing legislation and has been replaced by the concept of the 'arm's length principle'. However, this new legislation does not fully reflect the arm's length concept which forms the underlying basis of transfer pricing legislation within many OECD countries. The Group has recognised a transfer pricing provision of $28 million as at 31 December 2009 based on management's interpretation of the new transfer pricing legislation and the prevailing status of discussions with the tax authorities. The transfer pricing charge increases the Group's effective tax rate by 2.7% in 2009.

Excess profits tax
The new tax legislation also removed the tax stabilisation of subsoil use contracts which allowed the Government to amend the excess profits tax (EPT) methodology. Based on 2009 production and material flows within the Kazakhmys Copper division, there is no EPT charge for the year, compared to a charge of $28 million in 2008.

Deferred income tax
The income tax expense for the year includes a charge of $7 million in respect of deferred income tax. This debit arises due to the enactment of new tax legislation within Kazakhstan in November 2009, effective from 1 January 2010, such that the corporate income tax rate for the years 2010-2012 has been frozen at 20%, rather than being gradually reduced from 20% in 2009 to 15% in 2011 as was previously expected under the Tax Code which was effective from 1 January 2009. The deferred tax liabilities within the Group's Kazakh businesses have been recalculated taking into account the higher corporate income tax rates resulting from the new Kazakh tax legislation for the years 2010-2012.

Other
The Group's interest in the earnings of ENRC is included, net of tax, in the consolidated income statement below the Group's operating profit in arriving at profit before taxation, thereby reducing the Group's effective tax rate by 6.0%.

Non-deductible expenses for 2009 of $49 million are $34 million higher than the prior year. $26 million of the increase is due to the copper hedging programme within Kazakhmys LLC, such that no tax deduction is available for the $129 million hedging loss given the non-deductibility of these losses under Kazakhstan tax legislation. The impact of the non-deductibility of these losses increased the Group's effective tax rate by 2.5% in 2009.

Withholding taxes of $18 million have been recognised in 2009 in relation to the unremitted earnings of subsidiaries as at 31 December 2009, which are expected to be remitted to the UK in the future through dividend distributions from Kazakhstan. This factor contributed an additional 1.8% to the effective tax rate in 2009.

All-in effective tax rate
The table below shows the Group's effective tax rate as well as the all-in effective tax rate which takes into account 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 has also excluded the impact of the hedging gains and losses in 2008 and 2009, respectively, given that these are not expected to arise in the future.

$ million	2009	2008
Profit before tax from continuing operations	**1,028**	1,144
Add: mineral extraction tax	**164**	-
Add/(less): hedging losses/(gains)	**129**	(143)
Add: special items	**88**	366
Less: foreign exchange gain arising from devaluation of Kazakhstan tenge	**(336)**	-
Less: share of profits from associate	**(223)**	(255)
Adjusted profit before tax from continuing operations	**850**	1,112
Income tax expense	**261**	324
Add: mineral extraction tax	**164**	-
(Less)/add: tax effect of special items, hedging losses/gains and foreign exchange gain arising on devaluations of Kazakhstan tenge	**(64)**	11
Adjusted tax expense from continuing operations	**361**	335
Effective tax rate (%)	**25.4**	28.3
All-in effective tax rate[1](%)	**42.5**	30.1

[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, hedging gains/losses, special items and other non-recurring items and the share of profits from the associate.

Whilst the effective rate of tax for 2009 was 25.4% compared to a rate of 28.3% in the prior year, the all-in effective tax rate, which is a more representative tax rate on the recurring profits of the Group's managed businesses, was significantly higher at 42.5% compared to 30.1% in 2008 primarily as a result of the introduction of the MET.

During periods of low copper prices, the all-in effective tax rate is significantly higher than the effective tax rate as the MET is determined largely independently of the profitability of operations. However, as both the copper price and profitability of operations increase, the all-in effective tax rate decreases as the impact of the 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.

Future tax charges are materially affected by the application of different taxes and tax rates in Kazakhstan. Although new tax legislation, effective from 1 January 2010, freezes the CIT rate within Kazakhstan at 20% for the years 2010-2012, with a phased reduction in rates of 17.5% for 2013 and 15% for 2014 and beyond, higher levels of MET will offset the benefit arising from the lower CIT rates. As explained above, the Group's all-in effective tax rate will be dependent on copper prices in the future given the nature of MET.

Discontinued operations
As explained above in the 'Basis of preparation' section, the Kazakhmys Power Division and MKM have been classified as being held for sale and as discontinued operations within the financial statements.

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

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

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

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

$ million	**2009**	2008
Kazakhmys Power		
(Loss)/profit before tax of Kazakhmys Power excluding impairment loss	**(10)**	2
Impairment losses	**(69)**	(2)
Taxation (charge)/credit	**(5)**	131
(Loss)/profit for the year	**(84)**	131
MKM		
Profit/(loss) before tax of MKM excluding impairment losses	**49**	(41)
Impairment losses	**(32)**	(17)
Taxation credit	**11**	17
Impairment loss on re-measurement to fair value	**(158)**	-
Loss for the year	**(130)**	(41)
(Loss)/profit for the year from discontinued operations	**(214)**	90

Kazakhmys Power

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

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

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

MKM

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

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

Underlying Profit and earnings per share

Profit for the year attributable to the owners of the Company from continuing operations decreased to $768 million from $819 million in 2008. 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 profit attributable for the year, 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 2008.

The reconciliation of Underlying Profit from profit attributable to owners of the Company is set out below. The 2009 figures have been presented to show continuing operations separately from discontinued operations, with the prior year figures restated to conform to this style of presentation.

$ million	**2009**	2008
Net profit attributable to owners of the Company from continuing operations	**768**	819
Special items:		
Impairment of goodwill	**-**	46
Impairment of property, plant and equipment	**50**	120
Impairment of mining assets	**23**	126
Provisions against inventories	**14**	73
Loss on disposal of property, plant and equipment	**1**	1
Foreign exchange gain arising on devaluation of Kazakhstan tenge:		
Managed businesses	**(336)**	-
Associate	**(55)**	-
Tax effect of non-recurring items:		
Managed businesses	**52**	-
Associate	**11**	-
Release of deferred tax liabilities:		
Impairment of Kazakhmys Gold	**6**	(32)
Change in tax rates of non-acquisition related deferred tax liabilities in Kazakhstan:		
Managed businesses	**6**	(20)
Associate	**4**	-
Minority interest effect of non-recurring items	**1**	(1)
Underlying Profit from continuing operations	**545**	1,132
Net (loss)/profit attributable to owners of the Company from discontinued operations	**(214)**	90
Special items:		
Impairment loss – MKM	**187**	16
Impairment loss – Maikuben West	**69**	-
Foreign exchange loss arising on devaluation of Kazakhstan tenge – Kazakhmys Power	**53**	-
Tax effect of non-recurring items	**(45)**	-
Change in deferred tax liabilities:		
Change in tax rates on Kazakhmys Power fair value adjustments	**7**	(126)
Underlying Profit/(loss) from discontinued operations	**57**	(20)
Total Underlying Profit	**602**	1,112

A description of the special items, the change in deferred tax liabilities and discontinued operations are explained above.

$ million (unless otherwise stated)	**2009**	2008
Net profit attributable to owners of the Company	**554**	909
Underlying Profit	**602**	1,112
Weighted average number of shares in issue (million)	**535.1**	490.3
EPS – basic and diluted ($)	**1.04**	1.85
EPS based on Underlying Profit ($)	**1.13**	2.27

Basic earnings per share decreased by 44% to $1.04 from continuing and discontinued operations. Earnings per share based on Underlying Profit from continuing and discontinued operations was $1.13 compared to $2.27 for the prior year, a decrease of 50%. Earnings per share based on Underlying Profit from continuing operations decreased by 56% to $1.02.

The reduction in both measures of EPS is as a result of the lower underlying profitability of the Group during the year, as well as an increase in the weighted average number of shares in issue which increased from 490.3 million in 2008 to 535.1 million in 2009 following the share exchange with the Government in July 2008.

Dividends

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

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

Following the improvement in economic conditions with higher commodity prices being seen for the Group's products, the sharp reduction in the Group's net debt position and the funding which has been put in place for the Bozshakol project and the Group's medium sized development projects, the Directors have decided to reinstate a dividend payment in respect of the 2009 financial year. Accordingly the Directors recommend a final dividend in respect of the year ended 31 December 2009 of 9.0 US cents per share ($48 million) which reflects a 10.4% pay-out ratio of the Group's full year Underlying Profits as adjusted for the removal of ENRC's equity accounted earnings but including dividends received from ENRC during the year. Subject to approval of shareholders at the Annual General Meeting to be held on 14 May 2010, the dividend shall be paid on 18 May 2010.

Key financial indicators

The Group's key financial indicators are set out below:

	2009	2008
Group EBITDA (excluding special items) ($ million)	**1,634**	2,056
EPS based on Underlying Profit ($)	**1.13**	2.27
Free Cash Flow ($ million)	**579**	715
Return on Capital Employed[1] (%)	**11**	21
Net cash cost of copper after by-product credits excluding purchased concentrate (USc/lb)	**72**	116

[1] From continuing operations only.

CASH FLOWS

A summary of cash flows is shown below:

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

Summary of the year

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

Working capital

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

- an increase in work in progress within the smelters in Kazakhmys Copper in the last quarter of the year which will be processed into copper cathodes during 2010;

- negative final pricing adjustments on provisionally priced contracts at 31 December 2008 within Kazakhmys Copper of approximately $50 million were paid to Chinese customers in January and February 2009 due to the sharp fall in copper prices at the end of 2008. This contributed to the adverse working capital movement in respect of trade and other payables within Kazakhmys Copper;

- an increase in the level of trade receivables within the Kazakhmys Copper division given the sharp increase in commodity prices seen during the second half of the year; and

- within MKM the adverse working capital impact on inventory levels of $102 million and trade receivables of $16 million was largely commodity price driven.

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

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

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

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

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

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

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

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

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

Dividends received

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

BALANCE SHEET

Summary of movements

Equity attributable to owners of the Company was $6,582 million at 31 December 2009, a decrease of $895 million compared to the balance as at 31 December 2008. Whilst the Group has been profitable for the year, the impact of the devaluation of the tenge has given rise to a non-cash foreign exchange loss within equity of $1,133 million primarily due to the retranslation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge.

A summary of capital employed is shown below:

$ million (unless otherwise stated)	2009	2008
Equity attributable to owners of the Company	**6,582**	7,477
Minority interests	**13**	20
Borrowings	**1,650**	2,200
Capital employed	**8,245**	9,697
Profit before finance items and taxation before special items[1]	**860**	1,553
ROCE (%)	**11**	21

[1] From continuing operations only.

ROCE decreased from 21% in 2008 to 11% in 2009 primarily due to the lower earnings within the Group and the impact of equity accounting for ENRC whereby equity accounted earnings for 2009 were $223 million while the investment had a carrying value in the consolidated balance sheet of $3,917 million at 31 December 2009.

ENRC

The Group's 26% investment in ENRC is shown within investment in associate in the consolidated balance sheet and has a book value of $3,869 million at 31 December 2009 compared to $4,045 million at 31 December 2008, as the Group's share of equity accounted earnings of $223 million for the year has been offset by $84 million of dividends received from ENRC in 2009 and the net share of losses of the associate recognised within equity of $310 million. Most of these losses relate to the non-cash foreign exchange loss arising on the devaluation of the tenge and the resulting impact on ENRC's net assets. At 31 December 2009, the ENRC shareholding had a market value of $4,879 million based on the public price quotation on the London Stock Exchange.

Net debt

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

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

[1] Excludes MKM and Kazakhmys Power for 2009.

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

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

On 26 August 2008 the Group signed a $200 million revolving credit facility with a group of banks for general corporate purposes and to provide standby liquidity. On 30 March 2009 the facility was reduced to $150 million and extended to 31 March 2010. On 26 March 2010 the $150 million facility was extended for an additional year to March 2011. The facility has remained undrawn since its inception. A further one year revolving facility for $100 million was signed on 11 March 2010 with a maturity date in March 2011, thereby taking the total revolving credit facilities available to the Group to $250 million as at 29 March 2010.

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

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

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

Discontinued operations

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

Kazakhmys Power

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

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

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

RISK MANAGEMENT

Kazakhmys' risk environment has improved significantly over the past few years with progress being made in better understanding and managing the Group's significant risks and embedding a risk governance framework in operational management processes. Overall management of these risks is vested in the Board, with the Audit Committee having delegated authority for reviewing the Group's risk management framework.

MANAGING GROUP RISKS

The Group, in the course of its business activities, is exposed to operational and financial risks. The Group's approach to internal control is business risk driven, with emphasis on both operational and financial risks.

The Board has approved a formalised but pragmatic Group risk management framework. This framework is designed to provide assurance that risks are being identified and managed in a manner appropriate to the Group's circumstances. It comprises risk identification and assessment processes, together with risk response and monitoring activities.

The Group Risk Manager coordinates the risk assessment and identification activities, and facilitates the development of appropriate responses to identified risks.

RISK FACTORS

The significant risks identified by Kazakhmys are those that could materially affect the Group's financial condition, performance, strategies and prospects. These should be carefully considered in conjunction with the cautionary statement set out above. There may be other risks unknown, or currently believed immaterial, by Kazakhmys which could turn out to be material.

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.

Impact

Health, safety and environmental incidents could lead to a number of adverse consequences, including harm to people, the environment and communities near Kazakhmys' operations as well as production disruption, reputational damage and financial loss.

Action

Kazakhmys recognises that the highest standards of health, safety, environmental and community practices are vital to its success, and are a key responsibility of all employees. The Group's policies and procedures in these areas are designed to identify relevant risks and opportunities and provide a clear framework for conducting business.

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.

Impact

Any disruption to operational activities could have a negative impact on the Group's profitability and cash flows, and may require the Group to make large unplanned capital expenditures. In addition to revenue losses, long-term business interruption could result in a loss of customers and reputational damage.

Action
Work is being carried out across the Group, with the support of appropriate in-house and third party specialists, to address operational risk issues. The Group is partially protected from the loss of key assets by the availability of geographically diversified operations and access to multiple power sources.

The Group's insurance coverage can provide protection from some, but not all, of the costs that may arise from unforeseen events. A combined property damage and business interruption catastrophic insurance programme is in place which can provide protection from some of the financial impact of a major incident at the Group's main concentrating, smelting and refining facilities, and power stations.

Assets controlled by third parties and joint ventures
Kazakhmys holds a 26% investment in ENRC. 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.

Impact
Decisions made by the board of ENRC could have a material impact on the reported earnings of Kazakhmys. Furthermore, changes in market or macroeconomic conditions could impact the cash flows and the valuation of Kazakhmys' investment in ENRC.

The Group's partner in the Ekibastuz GRES-1 joint venture may have business interests inconsistent with those of the Group and may exercise its right to block certain actions. The partner may take actions which are inconsistent with the Group's policies or standards.

Action
Kazakhmys monitors the business and financial performance of its 26% investment in ENRC. The Group has the ability to exercise its rights as the single largest shareholder of ENRC.

Kazakhmys seeks to ensure that the appropriate governance structures are in place to manage its Power joint venture in accordance with the Group's business interests and that they are consistent with the Group's policies and standards. Under the terms of the joint venture arrangement, Kazakhmys is entitled to appoint the operational management of the power plant until 2015, overseen by a supervisory board consisting of representatives of both joint venture partners.

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.

Impact
Projects may fail to achieve the desired economic returns due to an inability to recover mineral reserves and higher than expected capital and operating costs. Projects may also suffer delays which result in a financial loss to the Group.

Action
Prior to an investment decision being made, certain activities are performed including, where appropriate, feasibility and other technical studies. The Group ensures that sufficient expertise, from both in-house and third party specialists, is utilised on projects throughout their life cycle. Furthermore, there are procedures in place addressing areas such as budgeting and management of capital expenditure projects.

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.

Impact
Changes to Kazakhstan's foreign trade (export and import), foreign investments, property, tax, environmental or mining regimes or other changes that affect the supportive business environment in Kazakhstan could negatively affect the Group's business, financial position and performance.

Action
The Government of Kazakhstan has actively pursued a programme of economic reform, helping to make it one of the most politically stable and economically developed countries in Central Asia. The Government of Kazakhstan has representation on the Board of Kazakhmys and is a significant shareholder in the Group. The Board continues to view the political, social and economic environment within Kazakhstan favourably, and looking forward, remains optimistic about the conditions for business in the region.

Kazakhmys maintains a proactive dialogue with the Government of Kazakhstan across a range of issues.

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.

Impact
As many of Kazakhstan's subsoil use laws have been adopted relatively recently, the legal consequences of a given breach may not be predictable. However, non-compliance with the requirements of subsoil use contracts could potentially lead to regulatory challenges and subsequently to fines/litigation and ultimately to the loss of operating licences. The loss of any of the Group's subsoil use rights could have a material adverse effect on its mining operations.

Action
The Group's management makes every effort to engage with the relevant regulatory authorities and ensure compliance with all relevant legislation and subsoil use contracts.

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.

Impact
Changes in reserves could adversely impact mine plans and the economic viability of projects resulting in economic losses, negatively impacting the Group's financial position and performance.

Action
Kazakhmys engages the services of independent experts to review reserve calculations for operating mines and development projects, normally on an annual basis. A project is underway to digitise selected mine reserves which will be used in the future for revised estimates of reserves and to support improved estimation of ore grades and mine planning.

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.

Impact
Commodity prices can fluctuate widely and could have a material impact on the Group's asset values, revenues, earnings and cash flows. In addition, commodity price increases could cause supply or capacity constraints in areas such as specialist staff or mining equipment.

Action
The Group keeps under regular review its sensitivity to fluctuations in commodity prices. The Group does not as a matter of course hedge commodity prices, but may enter into a hedge programme for certain commodities where the Board determines it is in the Group's interest to provide greater certainty over future cash flows, as was the case in 2009. In response to the reduction in commodity prices, the Group took a number of actions to control costs of which further details are set out in the Annual Report and Accounts.

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.

Impact
Failure to manage financing risks could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes.

Action
The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group. The Group has also secured funding for Bozshakol and selected medium-sized projects. Further details are set out in the Financial Review.

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.

Impact
The uncertainty of interpretation and application, and the evolution, of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's cash flows, earnings and financial position.

Action
The Group makes every effort to comply with tax legislation, and works closely with the tax authorities to ensure compliance. Further details are set out in the Financial Review.

RESPONSIBILITY STATEMENT

Each Director confirms to the best of his knowledge that:

- the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards;

- the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

$ million (unless otherwise stated)	Notes	2009	2008
CONTINUING OPERATIONS			
Revenues	5(b)	**2,404**	3,276
Cost of sales		**(1,144)**	(1,620)
Gross profit		**1,260**	1,656
Selling and distribution expenses		**(52)**	(80)
Administrative expenses		**(402)**	(407)
Other operating income		**28**	192
Other operating expenses		**(159)**	(48)
Impairment losses	6	**(126)**	(381)
Operating profit		**549**	932
Share of profits from associate	11	**223**	255
Profit before finance items and taxation		**772**	1,187
Analysed as:			
Profit before finance items and taxation excluding special items		**860**	1,553
Special items		**(88)**	(366)
Finance income	7	**479**	113
Finance costs	7	**(223)**	(156)
Profit before taxation		**1,028**	1,144
Income tax expense	8(a)	**(261)**	(324)
Profit for the year from continuing operations		**767**	820
DISCONTINUED OPERATIONS			
(Loss)/profit for the year from discontinued operations	4	**(214)**	90
Profit for the year		**553**	910
Attributable to:			
Owners of the Company		**554**	909
Minority interests		**(1)**	1
		553	910
Earnings per share attributable to owners of the Company – basic and diluted			
From continuing operations ($)	9(a)	**1.44**	1.67
From discontinued operations ($)	9(a)	**(0.40)**	0.18
		1.04	1.85
EPS based on Underlying Profit – basic and diluted			
From continuing operations ($)	9(b)	**1.02**	2.31
From discontinued operations ($)	9(b)	**0.11**	(0.04)
		1.13	2.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

$ million	Notes	**2009**	2008
Profit for the year		**553**	910
Other comprehensive income/(loss) for the year after tax:			
Unrealised gain on available for sale investment	12(c)	**-**	1,041
Exchange differences on retranslation of foreign operations		**(1,134)**	(36)
Losses/(gains) on cash flow hedges taken to equity		**138**	(142)
(Losses)/gains on cash flow hedges taken to income statement		**(138)**	143
Impairment of associate recognised against unrealised gain on available for sale investment in equity	11	**-**	(2,636)
Share of other comprehensive loss of associate	11	**(315)**	(6)
Other comprehensive loss for the year		**(1,449)**	(1,636)
Total comprehensive loss for the year		**(896)**	(726)
Attributable to:			
Owners of the Company		**(889)**	(732)
Minority interests		**(7)**	6
		(896)	(726)

CONSOLIDATED BALANCE SHEET
At 31 December 2009

$ million	Notes	2009	2008
Assets			
Non-current assets			
Intangible assets		**510**	1,100
Tangible assets		**2,022**	3,601
Property, plant and equipment		**1,774**	3,326
Mining assets		**248**	275
Investment in associate		**3,869**	4,045
Other non-current investments		**7**	5
		6,408	8,751
Current assets			
Inventories		**500**	734
Prepayments and other current assets		**325**	238
Income taxes reclaimable		**4**	126
Trade and other receivables		**150**	233
Investments		**58**	32
Cash and cash equivalents		**903**	540
		1,940	1,903
Assets classified as held for sale	4	**1,615**	-
		3,555	1,903
TOTAL ASSETS		**9,963**	10,654
Equity and liabilities			
Share capital	12(a)	**200**	200
Share premium		**2,648**	2,648
Capital reserves	12(c)	**(994)**	449
Retained earnings		**4,728**	4,180
Equity attributable to owners of the Company		**6,582**	7,477
Minority interests		**13**	20
TOTAL EQUITY		**6,595**	7,497
Non-current liabilities			
Deferred tax liability	8(b)	**99**	266
Employee benefits		**50**	40
Provisions		**95**	198
Borrowings	13	**1,132**	1,702
		1,376	2,206
Current liabilities			
Provisions		**17**	107
Borrowings	13	**518**	498
Trade and other payables		**935**	306
Income taxes payable		**60**	36
Derivative financial instruments		**-**	2
Dividend payable		**2**	2
		1,532	951
Liabilities directly associated with assets classified as held for sale	4	**460**	-
		1,992	951
TOTAL LIABILITIES		**3,368**	3,157
TOTAL EQUITY AND LIABILITIES		**9,963**	10,654

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2009

$ million	Notes	**2009**	2008
Cash flows from operating activities			
Cash inflow from operations before interest, income taxes and dividends from associate	14	**943**	1,752
Interest paid		**(63)**	(70)
Income taxes paid		**(144)**	(621)
Dividends from associate		**84**	38
Net cash inflow from operating activities		**820**	1,099
Cash flows from investing activities			
Interest received		**10**	28
Proceeds from disposal of property, plant and equipment		**14**	17
Purchase of intangible assets		**(6)**	(12)
Purchase of property, plant and equipment		**(327)**	(654)
Investments in mining assets		**(95)**	(28)
Licence payments for subsoil contracts		**(12)**	(3)
Proceeds from disposal of non-current investments		**-**	14
Acquisition of non-current investments		**(2)**	(2)
Investment in short-term bank deposits (net)		**(31)**	25
Proceeds received in advance from disposal of share in subsidiary		**681**	-
Acquisition of associate		**-**	(918)
Payment of deferred consideration arising from business acquisition		**(83)**	(5)
Advanced payment of deferred consideration arising from business acquisition		**(102)**	-
Acquisition of subsidiaries (net of cash acquired)		**-**	(993)
Net cash flows from/(used in) investing activities		**47**	(2,531)
Cash flows from financing activities			
Purchase of own shares		**(7)**	-
Purchase of Company's issued share capital		**-**	(121)
Proceeds from borrowings - net of arrangement fees paid of $3 million (2008: $26 million)		**253**	2,122
Repayment of borrowings		**(649)**	(268)
Dividends paid by the Company		**-**	(200)
Net cash flows (used in)/from financing activities		**(403)**	1,533
Net increase in cash and cash equivalents		**464**	101
Cash and cash equivalents at the beginning of the year		**540**	439
Effect of exchange rate changes on cash and cash equivalents		**(59)**	-
Cash and cash equivalents at the end of the year	15	**945**	540

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

		Attributable to owners of the Company						
$ million	Notes	Share capital	Share premium	Capital reserves[1]	Retained earnings	Total	Minority interests	Total equity
At 1 January 2008		170	570	2,088	3,591	6,419	14	6,433
Profit for the year		-	-	-	909	909	1	910
Unrealised gain on available for sale investment		-	-	1,041	-	1,041	-	1,041
Impairment of associate recognised against unrealised gain on available for sale investment in equity	11	-	-	(2,636)	-	(2,636)	-	(2,636)
Share of (losses)/gains of associate recognised in equity	11	-	-	(11)	-	(11)	5	(6)
Gains on cash flow hedges taken to equity		-	-	(142)	-	(142)	-	(142)
Gains on cash flow hedges included in income statement		-	-	143	-	143	-	143
Exchange differences on retranslation of foreign operations		-	-	(36)	-	(36)	-	(36)
Total comprehensive (loss)/income for the year		-	-	(1,641)	909	(732)	6	(726)
Purchase of Company's issued share capital	12(a)	(2)	-	2	(121)	(121)	-	(121)
Shares issued pursuant to acquisition of interest in associate (net of issue costs of $10 million)	12(a)	32	2,078	-	-	2,110	-	2,110
Share-based payment		-	-	-	1	1	-	1
Equity dividends paid by the Company	10(a)	-	-	-	(200)	(200)	-	(200)
At 31 December 2008		200	2,648	449	4,180	7,477	20	7,497
Profit for the year		**-**	**-**	**-**	**554**	**554**	**(1)**	**553**
Share of (losses)/gains of associate recognised in equity	11	**-**	**-**	**(310)**	**-**	**(310)**	**(5)**	**(315)**
Losses on cash flow hedges taken into equity		**-**	**-**	**138**	**-**	**138**	**-**	**138**
Losses on cash flow hedges included in income statement		**-**	**-**	**(138)**	**-**	**(138)**	**-**	**(138)**
Exchange differences on retranslation of foreign operations		**-**	**-**	**(1,133)**	**-**	**(1,133)**	**(1)**	**(1,134)**
Total comprehensive (loss)/income for the year		**-**	**-**	**(1,443)**	**554**	**(889)**	**(7)**	**(896)**
Share-based payment		**-**	**-**	**-**	**1**	**1**	**-**	**1**
Own shares acquired	12(b)	**-**	**-**	**-**	**(7)**	**(7)**	**-**	**(7)**
At 31 December 2009		**200**	**2,648**	**(994)**	**4,728**	**6,582**	**13**	**6,595**

1 Refer to note 12(c) for an analysis of 'Capital reserves'.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

Year ended 31 December 2009

1. CORPORATE INFORMATION

(a) Organisation and operation

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

The figures shown are based on the statutory accounts for the relevant years on which the auditors reports were unqualified but do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The annual report and accounts for the current year were approved by the Board of Directors on 29 March 2010 but have not yet been delivered to the Registrar of Companies.

2. BASIS OF PREPARATION

The financial statements set out below have been prepared using consistent accounting policies. The Company has taken the exemption under section 408 of the Companies Act 2006 and has not published the Company's income statement and related notes.

(a) Going concern

The Group's business activities, together with the factors likely to impact its future growth and operating performance are set out in the Business Review section of the Annual Report and Accounts. The financial position of the Group, its cash flows, financial risk management policies and available debt facilities are described in the Financial Review section of the Annual Report and Accounts. In addition, details of the Group's objectives, policies and processes for managing its capital structure, liquidity position and financial risks arising from exposures to commodity prices, interest rates and foreign exchange are set out in the notes to the financial statements in the Annual Report and Accounts.

With the recovery in the commodity prices throughout 2009 and into early 2010 and the disposal of 50% of Ekibastuz GRES-1, the Group has a strong cash position with available funds of $903 million at 31 December 2009 and reduced debt levels of $1,650 million. The Directors have considered the Group's financial position, the available credit facilities, the outlook for the Group's products, along with accessibility to customers in the key markets of China and Europe, and believe there is sufficient cover to meet the Group's anticipated cash flow requirements.

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 consolidated financial statements.

(b) Basis of accounting

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

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2009 and the Group's financial performance for the year ended 31 December 2009.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Minority interests primarily represent the interests in Kazakhmys LLC not held by the Company. The Company applies the equity concept method of consolidation and accounts for the acquisition of minority interests within equity.

(d) Statement of compliance
The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union, and in accordance with the provisions of the Companies Act 2006.

(e) Devaluation of the tenge
In February 2009, the National Bank of Kazakhstan announced that it would support the tenge within a range of 3%, at a lower level of 150 KZT/$, resulting in a devaluation of the tenge of approximately 25%. The impact of the devaluation in the consolidated financial statements is as follows:

- net finance income includes a foreign exchange gain of $336 million for continuing operations which primarily arises due to the retranslation of US dollar denominated monetary assets and liabilities within the Group's Kazakhstan subsidiaries which have a tenge functional currency. The loss for the year from discontinued operations includes a foreign exchange loss of $53 million;

- the goodwill balance arising on the acquisition of Kazakhmys Power has been retranslated as at 31 December 2009 since the goodwill arises in respect of businesses acquired whose functional currencies are the tenge. This gives rise to a foreign exchange loss of $106 million being recognised within equity and a corresponding reduction in the goodwill balance to $443 million as at 31 December 2009 prior to the goodwill being re-classified as an asset held for sale;

- a non-cash foreign exchange loss of $1,060 million (which includes the $106 million goodwill foreign exchange loss) has been recognised within equity. This is primarily due to the re-translation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the Kazakhstan tenge; and

- a reduction in the carrying value of the investment in associate of $342 million as the Group has recognised its share of the foreign exchange loss recognised in equity by ENRC.

3. BUSINESS ACQUISITION – EKIBASTUZ POWER PLANT AND MAIKUBEN WEST COAL MINE
On 29 May 2008 the Group acquired 100% of the Ekibastuz GRES-1 coal-fired power plant and Maikuben West coal mine in Kazakhstan. In accordance with IFRS 3 'Business combinations' based on further tax information received during 2009 in relation to the fair value of provisions at the acquisition date, the acquisition fair value table has been amended such that the fair value of provisions is $26 million lower at $21 million than that published in the 2008 Annual Report and Accounts. Accordingly, the restated net identifiable assets balance is $696 million (previously: $670 million) and goodwill arising on acquisition is $568 million (previously: $594 million). The final fair value table is shown below.

$ million	Carrying value at acquisition date	Fair value adjustments at acquisition date	Fair value at acquisition date (provisional)	Adjustments	Fair value at acquisition date (final)
Assets					
Intangible assets	6	(5)	1	-	1
Property, plant and equipment	131	858	989	-	989
Mining assets	1	45	46	-	46
Inventories	17	1	18	-	18
Trade and other receivables	26	8	34	-	34
Cash and cash equivalents	102	-	102	-	102
Liabilities					
Deferred tax liability	(12)	(267)	(279)	-	(279)
Provisions	(14)	(33)	(47)	26	(21)
Borrowings	(159)	-	(159)	-	(159)
Trade and other payables	(35)	-	(35)	-	(35)
Net identifiable assets	63	607	670	26	696
Goodwill arising on acquisition			594	(26)	568
Total acquisition cost			1,264	-	1,264

As a requirement of IFRS, the goodwill balance has been re-translated as at 31 December 2009 since the goodwill arises in respect of businesses acquired whose functional currencies are the Kazakhstan tenge. This gives rise to a foreign exchange loss of $109 million being recognised within equity and a corresponding reduction in the goodwill balance to $443 million as at 31 December 2009 prior to the goodwill being impaired by $16 million and reclassified as an asset held for sale (see note 4).

4. DISCONTINUED OPERATIONS

Discontinued operations consist of MKM (see note 4(a)) and the Kazakhmys Power division (see note 4(b)) comprising the Ekibastuz GRES-1 coal-fired power plant and Maikuben West coal mine.

Following the announcement on 10 December 2009 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 for a consideration of $681 million, the Directors have classified Ekibastuz GRES-1 LLP as an asset held for sale at the balance sheet date, and correspondingly as a discontinued operation in the consolidated income statement. The transaction completed in February 2010 and the Group has retained a non-controlling interest of 50% in the entity which shall be accounted for as a joint venture after the date of completion.

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

$ million	**2009**	2008
Revenues	**1,276**	1,875
Cost of sales	**(1,050)**	(1,777)
Operating costs	**(100)**	(115)
Impairment losses	**(101)**	(19)
Net finance costs	**(87)**	(22)
Impairment loss recognised on the re-measurement to fair value less costs to sell	**(158)**	-
Loss before tax from discontinued operations	**(220)**	(58)
Income taxes:		
Related to current year loss before taxation (current and deferred taxes)	**(1)**	148
Related to measurement to fair value less costs to sell (deferred tax)	**7**	-
(Loss)/profit for the year from discontinued operations	**(214)**	90
Analysed as:		
MKM	**(130)**	(41)
Kazakhmys Power	**(84)**	131

The MKM and Kazakhmys Power operations represent separate major business lines of the Group. As a result, these operations have been treated as discontinued operations at 31 December 2009. A single amount is shown on the face of the consolidated income statement comprising the post-tax result of discontinued operations and the post-tax loss recognised on the re-measurement to fair value less costs to sell of the discontinued operations. Accordingly, the income and expenses of both

MKM and Kazakhmys Power are reported separately from the continuing operations of the Group. The consolidated income statement for the prior year has been restated to conform to this style of presentation. The assets and liabilities of these divisions are also separately shown within the consolidated balance sheet as single line items within current assets and current liabilities. The 2008 consolidated balance sheet has not been restated.

The balance sheets of the discontinued operations are shown below:

$ million	2009
Assets	
Intangible assets	**444**
Property, plant and equipment	**801**
Inventories	**196**
Prepayments and other current assets	**3**
Trade and other receivables	**129**
Cash and cash equivalents	**42**
Assets classified as held for sale	**1,615**
Liabilities	
Deferred tax liability	**(110)**
Employee benefits and provisions	**(116)**
Borrowings	**(157)**
Trade and other payables	**(68)**
Income taxes payable	**(9)**
Liabilities directly associated with assets classified as held for sale	**(460)**
Net assets directly associated with disposal group	**1,155**

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

$ million	2009
Assets classified as held for sale:	
MKM	**308**
Kazakhmys Power	**1,307**
	1,615
Liabilities directly associated with assets classified as held for sale:	
MKM	**(225)**
Kazakhmys Power	**(235)**
	(460)

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

$ million	2009	2008
Operating activities	**(8)**	63
Investing activities	**(65)**	(1,017)
Financing activities	**89**	987
Net cash inflow	**16**	33

(a) MKM

The Directors have decided to dispose of MKM given the Group's strategy is to focus on natural resource opportunities in the Central Asian region. This business has therefore been classified as a disposal group with the assets and related liabilities being shown as held for sale at the balance sheet date, and correspondingly as a discontinued operation in the consolidated income statement. The Directors consider that MKM meets the criteria to be classified as held for sale at the balance sheet date 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 2010.

(i) Results of discontinued operation
The results of MKM for the year are presented below:

$ million	2009	2008
Revenues	**1,038**	1,719
Cost of sales	**(935)**	(1,683)
Operating costs	**(47)**	(60)
Impairment losses	**(32)**	(17)
Net finance costs	**(7)**	(17)
Impairment loss recognised on the re-measurement to fair value less costs to sell	**(158)**	-
Loss before tax from discontinued operation	**(141)**	(58)
Income taxes related to current year loss before taxation	**11**	17
Loss for the year from discontinued operation	**(130)**	(41)

The re-measurement to fair value resulted in a loss of $141 million before tax. In a light of the continuing economic weakness in Europe, MKM's core marketplace, a pre-tax impairment loss of $29 million has been recognised to write down the carrying value of MKM to its recoverable amount on a value in use basis. A further impairment charge of $158 million has been recognised to write down MKM to its expected fair value less costs to sell.

(ii) Balance sheet
The major classes of assets and liabilities of MKM classified as held for sale as at 31 December are as follows:

$ million	2009
Assets	
Inventories	**187**
Trade and other receivables	**121**
Assets classified as held for sale	**308**
Liabilities	
Deferred tax liability	**(5)**
Employee benefits and provisions	**(7)**
Borrowings	**(157)**
Trade and other payables	**(47)**
Income taxes payable	**(9)**
Liabilities directly associated with assets classified as held for sale	**(225)**
Net assets directly associated with disposal group	**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 $187 million (2008: $132 million).

The amount of trade receivables held as security for MKM borrowings is $121 million (2008: $97 million).

(iii) Cash flows
The net cash flows incurred by MKM are as follows:

$ million	2009	2008
Operating activities	**(28)**	29
Investing activities	**(6)**	9
Financing activities	**34**	(32)
Net cash inflow	**-**	6

(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

- Following the announcement on 10 December 2009 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 for a consideration of $681 million, the Directors have classified Ekibastuz GRES-1 LLP as an asset held for sale at the balance sheet date, and correspondingly as a discontinued operation in the consolidated income statement. The transaction completed in February 2010 and the Group has retained a non-controlling interest of 50% in the entity which shall be accounted for as a joint venture after the date of completion.

Maikuben West coal mine

- Additionally the Directors have 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. The Directors considered that the Maikuben West coal mine meets the criteria to be classified as held for sale at the balance sheet date for the following reasons:
  - the Directors are committed to selling the Maikuben West coal mine and an active programme to sell the business was initiated in December 2009;
  - it is available for immediate sale and can be sold to a potential buyer in its current condition; and
  - the Directors have received expressions of interest from a potential buyer and expect to sell the mine during 2010.

The results of Kazakhmys Power for the year are presented below:

$ million	**2009**	2008
Revenues	**238**	156
Cost of sales	**(115)**	(94)
Operating costs	**(53)**	(55)
Impairment losses	**(69)**	(2)
Net finance costs	**(80)**	(5)
Loss before tax from discontinued operation	**(79)**	-
Income taxes:		
Related to current year loss before taxation	**(12)**	131
Related to measurement to fair value less costs to sell (deferred tax)	**7**	-
(Loss)/profit for the year from discontinued operation	**(84)**	131

In light of the Directors' decision to dispose 50% of Ekibastuz GRES-1 LLP to Samruk, a pre-tax impairment loss of $69 million has been recognised to write down the carrying value of Maikuben West coal mine to its recoverable amount on a value in use basis. No impairment losses have been recognised in relation to Ekibastuz GRES-1 LLP.

Following completion of the sale of 50% of Ekibastuz GRES-1 LLP in February 2010, a profit on disposal will be recognised in the Group's results for the year ended 31 December 2010. Even though the disposal was announced during 2009, and the cash proceeds of $681 million were received by the Group in December 2009, since the disposal was conditional upon receiving shareholder approval and regulatory clearances, which were obtained in February 2010, the profit on disposal can only be recognised when all approvals are obtained and legal completion takes place in the 2010 financial year.

(ii) Balance sheet

The major classes of assets and liabilities of Kazakhmys Power classified as held for sale as at 31 December are as follows:

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

(iii) Cash flows

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

$ million	2009	2008
Operating activities	**20**	34
Investing activities	**(59)**	(1,026)
Financing activities	**55**	1,019
Net cash inflow	**16**	27

5. SEGMENT INFORMATION

For management purposes the Group is organised into five separately managed 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 Ltd. The principal activity of Kazakhmys Corporation LLC is the processing and sale of copper and other metals, while Kazakhmys Sales Ltd 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 4(a), the Directors have decided to dispose of MKM. As a result, at 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 stated in note 4(a), following the announcement on 10 December 2009 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 for a consideration of $681 million, the Directors have classified Ekibastuz GRES-1 LLP as an asset held for sale at the balance sheet date, and correspondingly as a discontinued operation in the consolidated income statement. The transaction completed in February 2010 and the Group has retained a non-controlling interest of 50% in the entity which shall be accounted for as a joint venture after the date of completion. Furthermore, the Maikuben West coal mine has also been classified as an asset held for sale and a discontinued operation. The comparative segment information has been restated accordingly.

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.

There are no inter-segment sales within the Group.

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

(a) Business segments

(i) Income statement information

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Discontinued operations [1,2]	Continuing operations
								Year ended 31 December 2009	
Sales to external customers	**2,357**	**1,038**	**238**	**47**	**-**	**-**	**3,680**	**1,276**	**2,404**
Gross profit	**1,241**	**103**	**123**	**19**	**-**	**-**	**1,486**	**226**	**1,260**
Operating costs	**(540)**	**(47)**	**(53)**	**(7)**	**(1)**	**(37)**	**(685)**	**(100)**	**(585)**
Impairment losses	**(102)**	**(190)**	**(69)**	**(24)**	**-**	**-**	**(385)**	**(259)**	**(126)**
Segmental operating results	**599**	**(134)**	**1**	**(12)**	**(1)**	**(37)**	**416**	**(133)**	**549**
Share of profits from associate[3]							**223**	**-**	**223**
Profit/(loss) before finance items and taxation							**639**	**(133)**	**772**
Net finance income/(costs)							**169**	**(87)**	**256**
Income tax expense							**(255)**	**6**	**(261)**
Profit for the year							**553**	**(214)**	**767**

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see 4(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see 4(b)).
3 Share of profits from associate is net of tax.

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Discontinued operations [1,2]	Continuing operations
								Year ended 31 December 2008	
Sales to external customers	3,227	1,719	156	49	-	-	5,151	1,875	3,276
Gross profit	1,639	36	62	17	-	-	1,754	98	1,656
Operating costs	(304)	(60)	(55)	(7)	(1)	(31)	(458)	(115)	(343)
Impairment losses	(221)	(17)	(2)	(158)	(2)	-	(400)	(19)	(381)
Segmental operating results	1,114	(41)	5	(148)	(3)	(31)	896	(36)	932
Share of profits from associate[3]							255	-	255
Profit/(loss) before finance items and taxation							1,151	(36)	1,187
Net finance costs							(65)	(22)	(43)
Income tax (expense)/ recovery							(176)	148	(324)
Profit for the year							910	90	820

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see 4(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see 4(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	Discontinued operations [1,2]	Continuing operations
									At 31 December 2009
Assets									
Tangible and intangible assets[3]	**1,894**	**-**	**1,245**	**93**	**527**	**18**	**3,777**	**1,245**	**2,532**
Non-current investments	**6**	**-**	**-**	**1**	**-**	**-**	**7**	**-**	**7**
Intra Group investments	**-**	**-**	**-**	**-**	**-**	**6,442**	**6,442**	**-**	**6,442**
Operating assets[4]	**770**	**308**	**122**	**26**	**3**	**81**	**1,310**	**328**	**982**
Current investments	**58**	**-**	**-**	**-**	**-**	**-**	**58**	**-**	**58**
Cash and cash equivalents	**159**	**-**	**42**	**10**	**12**	**722**	**945**	**42**	**903**
Assets classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,615)**	**1,615**
Segment assets	**2,887**	**308**	**1,409**	**130**	**542**	**7,263**	**12,539**	**-**	**12,539**
Income taxes reclaimable							**4**	**-**	**4**
Investment in associate							**3,869**	**-**	**3,869**
Elimination							**(6,449)**	**-**	**(6,449)**
Total assets							**9,963**	**-**	**9,963**
Liabilities									
Employee benefits and provisions	**135**	**7**	**109**	**2**	**25**	**-**	**278**	**116**	**162**
Operating liabilities[5]	**227**	**47**	**21**	**4**	**3**	**710**	**1,012**	**68**	**944**
Liabilities directly associated with the assets classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(460)**	**460**
Segment liabilities	**362**	**54**	**130**	**6**	**28**	**710**	**1,290**	**(276)**	**1,566**
Deferred tax liability							**209**	**110**	**99**
Borrowings							**1,807**	**157**	**1,650**
Income taxes payable							**69**	**9**	**60**
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 4(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see 4(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	At 31 December 2008 Total
Assets							
Tangible and intangible assets[1]	2,277	150	1,605	137	520	12	4,701
Non-current investments	4	1	-	-	-	-	5
Intra Group investments	-	-	-	-	-	6,249	6,249
Operating assets[2]	888	233	27	22	1	36	1,207
Current investments	32	-	-	-	-	-	32
Cash and cash equivalents	330	-	26	14	5	165	540
Segment assets	3,531	384	1,658	173	526	6,462	12,734
Income taxes reclaimable							126
Investment in associate							4,045
Elimination							(6,251)
Total assets							10,654
Liabilities							
Employee benefits and provisions	122	7	188	2	26	-	345
Operating liabilities[3]	240	28	24	2	3	15	312
Segment liabilities	362	35	212	4	29	15	657
Deferred tax liability							266
Borrowings							2,200
Income taxes payable							36
Elimination							(2)
Total liabilities							3,157

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 \$31 million in Kazakhstan, \$81 million in Kyrgyzstan and \$23 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]

$ million	Kazakhmys Copper	MKM[2]	Kazakhmys Power[3]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Discontinued operations [2,3]	Continuing operations
								Year ended 31 December 2009	
Operating profit/(loss)	**599**	**(134)**	**1**	**(12)**	**(1)**	**(37)**	**416**	**(133)**	**549**
Special items:									
Add: impairment of goodwill	**-**	**-**	**16**	**-**	**-**	**-**	**16**	**16**	**-**
Add: impairment of other intangible assets	**-**	**2**	**-**	**-**	**-**	**-**	**2**	**2**	**-**
Add: impairment of property, plant and equipment	**50**	**133**	**17**	**-**	**-**	**-**	**200**	**150**	**50**
Add: impairment of mining assets	**-**	**-**	**36**	**23**	**-**	**-**	**59**	**36**	**23**
Add: impairment of inventories	**14**	**52**	**-**	**-**	**-**	**-**	**66**	**52**	**14**
Add: loss on disposal of property, plant and equipment	**1**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Profit/(loss) before finance items and taxation excluding special items	**664**	**53**	**70**	**11**	**(1)**	**(37)**	**760**	**123**	**637**
Add: depreciation and depletion	**200**	**23**	**50**	**10**	**-**	**2**	**285**	**73**	**212**
Add: amortisation	**2**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**
Add: mineral extraction tax[4]	**161**	**-**	**-**	**3**	**-**	**-**	**164**	**-**	**164**
Segment EBITDA excluding special items	**1,027**	**76**	**120**	**24**	**(1)**	**(35)**	**1,211**	**196**	**1,015**
Share of EBITDA of associate[5]	**-**	**-**	**-**	**-**	**-**	**423**	**423**	**-**	**423**
Group EBITDA excluding special items	**1,027**	**76**	**120**	**24**	**(1)**	**388**	**1,634**	**196**	**1,438**

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 4(a)).
3 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see 4(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.

$ million	Kazakhmys Copper	MKM[1]	Kazakhmys Power[2]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Discontinued operations [1,2]	Continuing operations
								Year ended 31 December 2008	
Operating profit/(loss)	1,114	(41)	5	(148)	(3)	(31)	896	(36)	932
Special items:									
Add: impairment of goodwill	-	-	-	46	-	-	46	-	46
Add: impairment of property, plant and equipment	118	-	-	-	2	-	120	-	120
Add: impairment of mining assets	14	-	-	112	-	-	126	-	126
Add: provisions against inventory	73	15	-	-	-	-	88	15	73
Add: loss on disposal of property, plant and equipment	1	-	1	-	-	-	2	1	1
Profit/(loss) before finance items and taxation excluding special items	1,320	(26)	6	10	(1)	(31)	1,278	(20)	1,298
Add: depreciation and depletion	274	25	36	9	-	2	346	61	285
Add: amortisation	3	-	-	-	-	-	3	-	3
Segment EBITDA excluding special items	1,597	(1)	42	19	(1)	(29)	1,627	41	1,586
Share of EBITDA of associate	-	-	-	-	-	429	429	-	429
Group EBITDA excluding special items	1,597	(1)	42	19	(1)	400	2,056	41	2,015

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see 4(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see 4(b)).

(iii) Net liquid funds/(debt)

$ million	**Kazakhmys Copper**	**MKM[1]**	**Kazakhmys Power[2]**	**Kazakhmys Gold**	**Kazakhmys Petroleum**	**Corporate unallocated**	**Total**	**Discontinued operations [1,2]**	**Continuing operations**
								At 31 December 2009	
Cash and cash equivalents	**159**	**-**	**42**	**10**	**12**	**722**	**945**	**42**	**903**
Current investments	**58**	**-**	**-**	**-**	**-**	**-**	**58**	**-**	**58**
Borrowings[3]	**(24)**	**(157)**	**(34)**	**(1)**	**-**	**(4,321)**	**(4,537)**	**(157)**	**(4,380)**
Inter-segment borrowings[4]	**24**	**-**	**34**	**1**	**-**	**2,671**	**2,730**	**-**	**2,730**
Net liquid funds/(debt)	**217**	**(157)**	**42**	**10**	**12**	**(928)**	**(804)**	**(115)**	**(689)**

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see 4(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see 4(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.

$ million	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
							At 31 December 2008
Cash and cash equivalents	330	-	26	14	5	165	540
Current investments	32	-	-	-	-	-	32
Borrowings[1]	(11)	(121)	(171)	(4)	-	(3,687)	(3,994)
Inter-segment borrowings[2]	11	-	171	4	-	1,608	1,794
Net liquid funds/(debt)	362	(121)	26	14	5	(1,914)	(1,628)

1 Borrowings of Corporate unallocated are presented net of capitalised arrangement fees of $21 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.

(iv) Capital expenditure, depreciation, and impairment losses

$ million	**Kazakhmys Copper**	**MKM[1]**	**Kazakhmys Power[2]**	**Kazakhmys Gold**	**Kazakhmys Petroleum**	**Corporate unallocated**	**Total**	**Discontinued operations [1,2]**	**Continuing operations**
									Year ended 31 December 2009
Property, plant and equipment	**212**	**7**	**61**	**10**	**34**	**5**	**329**	**68**	**261**
Mining assets	**91**	**-**	**-**	**5**	**-**	**-**	**96**	**-**	**96**
Intangible assets	**7**	**2**	**-**	**-**	**-**	**3**	**12**	**2**	**10**
Capital expenditure[3]	**310**	**9**	**61**	**15**	**34**	**8**	**437**	**70**	**367**
Depreciation and depletion	**200**	**23**	**50**	**10**	**-**	**2**	**285**	**73**	**212**
Amortisation	**2**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**
Depreciation, depletion and amortisation	**202**	**23**	**50**	**10**	**-**	**2**	**287**	**73**	**214**
Impairment losses	**102**	**190**	**69**	**24**	**-**	**-**	**385**	**259**	**126**

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see 4(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see 4(b)).
3 Capital expenditure within the Kazakhmys Copper segment includes capitalised depreciation of $2 million and $1 million for property, plant and equipment and mining assets, respectively. Capital expenditure on intangible assets within the Kazakhmys Copper segment includes $6 million capitalised in respect of contractual reimbursements to the Government for geological information and social commitments.

$ million	Kazakhmys Copper	MKM[2]	Kazakhmys Power[3]	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total	Discontinued operations [1,2]	Continuing operations
									Year ended 31 December 2008
Property, plant and equipment	559	10	38	8	42	-	657	48	609
Mining assets	24	-	-	5	-	-	29	-	29
Intangible assets	9	1	1	-	-	4	15	2	13
Capital expenditure[3]	592	11	39	13	42	4	701	50	651
Depreciation and depletion	274	25	36	9	-	2	346	61	285
Amortisation	3	-	-	-	-	-	3	-	3
Depreciation, depletion and amortisation	277	25	36	9	-	2	349	61	288
Impairment losses	221	17	2	158	2	-	400	19	381

1 MKM has been classified as an asset held for sale and is included within discontinued operations (see 4(a)).
2 Kazakhmys Power has been classified as an asset held for sale and is included within discontinued operations (see 4(b)).
3 Capital expenditure within the Kazakhmys Copper segment includes capitalised depreciation of $3 million and $1 million for property, plant and equipment and mining assets, respectively. Capital expenditure on intangible assets within the Kazakhmys Copper segment includes $3 million capitalised in respect of contractual reimbursements to the Government for geological information and social commitments.

(b) Segmental information in respect of revenues

Revenues by product are as follows:

$ million	2009	2008
Kazakhmys Copper		
Copper cathodes	**1,563**	2,272
Copper concentrate	**107**	19
Copper rods	**41**	314
Total copper products	**1,711**	2,605
Silver	**251**	251
Gold bullion	**127**	109
Zinc metal	**19**	88
Zinc metal in concentrate	**127**	61
Other by-products	**52**	51
Other revenue	**70**	62
	2,357	3,227
Kazakhmys Gold		
Gold doré	**47**	49
	47	49
Continuing operations	**2,404**	3,276
MKM		
Wire	**438**	783
Sheets and strips	**366**	571
Tubes and bars	**208**	337
Metal trade	**26**	28
	1,038	1,719
Kazakhmys Power		
Electricity generation	**209**	123
Coal	**29**	33
	238	156
Discontinued operations	**1,276**	1,875
Total revenues	**3,680**	5,151

Revenues by destination to third parties are as follows:

$ million	2009	2008
Continuing operations		
Europe	**1,138**	1,971
China	**1,005**	1,006
Kazakhstan	**254**	217
Other	**7**	82
	2,404	3,276
Discontinued operations		
Europe	**865**	1,430
China	**14**	32
Kazakhstan	**202**	128
Other	**195**	285
	1,276	1,875
Total revenues	**3,680**	5,151

Year ended 31 December 2009

Three customers collectively under common control, within the Kazakhmys Copper segment represent 26% of total Group revenue for the year from continuing operations. The total revenue from these customers is $616 million. The revenue from one of these customers individually represents 14% of total Group revenue from continuing operations.

Year ended 31 December 2008

Four customers, three of which are collectively under common control, within the Kazakhmys Copper segment represent 43% of total Group revenue for the year from continuing operations. The total revenue from these customers is $1,394 million. The revenue from two of these customers individually represents 16% and 12% of total Group revenue from continuing operations.

6. IMPAIRMENT LOSSES

$ million	2009	2008
Impairment of property, plant and equipment – notes 6(a), 6(f) and 6(h)	**50**	120
Impairment of mining assets – notes 6(b) and 6(g)	**23**	126
Provisions against inventories – notes 6(c) and 6(i)	**21**	73
Provisions against trade and other receivables – note 6(d)	**23**	10
Provisions against prepayments and other current assets	**9**	4
Impairment of goodwill	**-**	46
Impairment of other intangible assets	**-**	2
Continuing operations	**126**	381
Discontinued operations – note 6(e)	**259**	19
	385	400

Year ended 31 December 2009

(a) Kazakhmys Copper property, plant and equipment

An impairment charge of $50 million has been recognised in relation to property, plant and equipment within the Kazakhmys Copper division primarily due to the curtailment of the division's capital expenditure programme in the last 18 months and a focus on selected projects only.

(b) Kazakhmys Gold

An impairment charge of $23 million has been recognised in relation to the Kazakhmys Gold division following a decision not to proceed with the Akjilga development project in Tajikistan in the foreseeable future as more economically attractive projects exist within the Group.

(c) Kazakhmys Copper inventories

Provisions against inventories includes an amount of $14 million within the Kazakhmys Copper division in respect of certain by-products held in stock at the end of the year which have been written down to the lower of cost and net realisable value reflecting a fall in the market value of these by-products. The remaining balance included within provisions against inventories represents a general slow moving inventories provision.

(d) Kazakhmys Copper receivables

Provisions against trade and other receivables include an amount of $23 million within the Kazakhmys Copper division in respect of trust activities. Under the terms of its subsoil licences, Kazakhmys LLC is required to provide certain social services to the communities in which its mining activities operate. These trust activities are provided by municipal authority companies under trust management agreements. For most receivable balances due from municipal authorities, full provision is recognised in light of their past payment histories.

(e) Discontinued operations

Impairment losses within discontinued operations relate to the impairment of MKM ($190 million) and the Maikuben West coal mine ($69 million) – see notes 4(a) and 4(b) respectively.

Year ended 31 December 2008

(f) Zinc smelter

Included within impairment of property, plant and equipment is an impairment charge of $75 million relating to the Balkhash zinc smelter, which is included within the Kazakhmys Copper segment, and is part of this segment's zinc cash generating unit. An impairment charge has been recognised following management's decision to cease production at the zinc smelter in light of adverse changes in assumptions about future zinc prices and operating costs. The carrying value of the zinc smelter as at 31 December 2008 was $75 million, and in light of management's decision to cease production, the entire carrying value has been impaired.

(g) Kazakhmys Gold

Impairment of mining assets includes an amount of $112 million relating to the impairment of Kazakhmys Gold. An impairment charge has been recognised following a general change in the long-term strategy of the division, with the outlook for existing mines and development projects being less attractive than originally anticipated at the time of the acquisition. The value in use was assessed by reference to cash flow forecasts discounted at a pre-tax rate of 10%. Furthermore, goodwill of $46 million recognised on the acquisition of Kazakhmys Gold (as a result of the requirement to provide deferred tax on the acquisition fair value adjustments) has also been written off during the year.

(h) Kazakhmys Copper mining assets and property, plant and equipment

An impairment charge has been recognised within the Kazakhmys Copper segment on the property, plant and equipment and mining assets associated with the closure of certain mines which are loss making in a period of sustained commodity price weakness and are unlikely, in management's best estimate, to reopen in the foreseeable future.

(i) Kazakhmys Copper and MKM inventories

Impairment of inventories include an amount of $73 million and $15 million in respect of Kazakhmys Copper and MKM, respectively. For Kazakhmys Copper, the impairment primarily relates to the impairment of stockpiled ore which is not going to be processed in the foreseeable future as its processing is uneconomic at current commodity price levels. Within MKM, a provision has been recognised to record inventory at the lower of cost and net realisable value. This primarily relates to finished goods held in stock at the end of the year which have been written down reflecting the fall in copper price in December.

7. FINANCE INCOME AND FINANCE COSTS

$ million	**2009**	2008
Finance income		
Interest income	**8**	21
Foreign exchange gains	**471**	92
Continuing operations	**479**	113
Interest income	**1**	2
Foreign exchange gains	**17**	22
Discontinued operations	**18**	24
	497	137
Finance costs		
Interest expense	**(51)**	(49)
Interest on employee obligations	**(3)**	(4)
Unwinding of discount on provisions	**(6)**	(5)
Finance costs before foreign exchange losses	**(60)**	(58)
Foreign exchange losses	**(163)**	(98)
Continuing operations	**(223)**	(156)
Interest expense	**(10)**	(17)
Unwinding of discount on provisions	**(26)**	-
Foreign exchange losses	**(69)**	(29)
Discontinued operations	**(105)**	(46)
	(328)	(202)

Of the foreign exchange gain within continuing operations of $471 million, $336 million arises as a result of the devaluation of the tenge in February 2009. A foreign exchange loss of $53 million is included within discontinued operations in relation to the devaluation impact on Kazakhmys Power.

8. INCOME TAXES

(a) Income statement

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

$ million	2009	2008
Current income tax		
Corporate income tax – current period (UK)	**-**	5
Corporate income tax – current period (overseas)	**270**	430
Corporate income tax – prior periods	**1**	(9)
Excess profits tax – current period	**-**	27
	271	453
Deferred income tax		
Corporate income tax – current period	**(10)**	(136)
Corporate income tax – prior periods	**-**	6
Excess profits tax – current period	**-**	1
	261	(129)
Income tax expense attributable to continuing operations	**310**	324
Current income tax attributable to discontinued operations	**8**	16
Deferred income tax attributable to discontinued operations	**(14)**	(164)
	(6)	(148)
Total income tax expense	**255**	176

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

$ million	2009	2008
Profit before taxation from continuing operations	**1,028**	1,144
At statutory income tax rate of 28.0% (2008: 28.5%[1])	**288**	326
Tax effect of share of profits from associate	**(62)**	(73)
Overprovided in previous years – deferred income tax	**-**	6
Over/(underprovided) in previous years – current income tax	**1**	(9)
Unrecognised tax losses	**-**	24
Effect of domestic tax rates applicable to individual Group entities	**(67)**	17
Effect of changes in future tax rates	**6**	(20)
Unremitted overseas earnings	**18**	11
Non-deductible expenses/(non taxable income):		
Non-taxable income on zinc plant	**-**	(7)
Transfer pricing	**28**	-
Non-deductible expenses	**49**	21
Excess profits tax	**-**	28
Income tax expense attributable to continuing operations	**261**	324
Income tax attributable to discontinued operations	**(6)**	(148)
Total income tax expense	**255**	176

1 The UK statutory income tax rate for January to March 2008 was 30% and for April to December 2008 was 28%, giving a weighted average full-year rate of 28.5% for 2008.

Corporate income tax is calculated at 28.0% (2008: 28.5%) of the assessable profit for the year for the Company and its UK subsidiaries and 20.0% for the operating subsidiaries in Kazakhstan (2008: 30.0%). MKM, which is included as part of discontinued operations, has a tax rate of 28.5% (2008: 28.5%) and relates to German corporate income tax and trade tax.

The effective tax rate for continuing operations for 2009 is 30.4% (2008: 28.3%).

New tax legislation

The Government of Kazakhstan introduced a new Tax Code which came into force on 1 January 2009. Included within the new tax legislation was a phased reduction in corporate income tax (CIT) rates from 30% in 2008 to 15% in 2011, together with the introduction of the mineral extraction tax.

Excess profits tax

The new tax legislation removed the tax stabilisation of subsoil use contracts and changed the excess profits tax (EPT) methodology. Based on 2009 production and material flows within the Kazakhmys Copper and Kazakhmys Gold divisions, there is no EPT charge for the year, compared to a charge of $28 million in 2008. Prior to 1 January 2009, excess profits tax (EPT) was levied on certain profitable subsoil contracts where the cumulative internal rate of return for the current year exceeded 20% in a given period.

Year ended 31 December 2009

The effective tax rate is higher than the statutory rate due to the following reasons:

Transfer pricing

Included within the tax charge is $28 million in respect of transfer pricing for 2009. New transfer pricing legislation came into force on 1 January 2009 as part of the introduction of the new Tax Code. This new legislation removed the 10% safe harbour provision which was permitted under the previous transfer pricing legislation and has been replaced by the concept of the 'arm's length principle'. However, this new legislation does not fully reflect the arm's length concept which forms the underlying basis of transfer pricing legislation within many OECD countries. Kazakhmys LLC has recognised a transfer pricing provision of $28 million at 31 December 2009 based on management's interpretation of the new transfer pricing legislation and the prevailing status of discussions with the Kazakhstan tax authorities.

Non-deductible expenses

Included within non-deductible expenses is an amount of $26 million in respect of the copper hedging programme within Kazakhmys LLC. A tax deduction is not available for the $129 million hedging loss due to the tax treatment of these losses under Kazakhstan tax legislation.

Unremitted overseas earnings

Withholding taxes of $18 million have been recognised in 2009 in relation to the unremitted earnings of subsidiaries as at 31 December 2009, which are expected to be remitted to the UK in the future through dividend distributions from Kazakhstan.

Equity accounting

The Group's interest in the earnings of ENRC is included, net of tax, in the consolidated income statement below the Group's operating profit in arriving at profit before taxation, thereby reducing the Group's effective tax rate.

Year ended 31 December 2008

The income tax expense for the year includes a credit of $178 million in respect of deferred income tax due to the impairment of the Kazakhmys Gold business and the enactment of the new tax legislation within Kazakhstan. This credit is split between continuing operations of $52 million and discontinued operations of $126 million, and is primarily made up of the following:

Continuing operations

On the acquisition of Kazakhmys Gold in July 2007, a deferred tax liability of $46 million was recognised arising from the requirement to provide deferred tax on the acquisition fair value adjustments, with a corresponding entry to goodwill. The goodwill recognised on acquisition and a proportion of the mining assets of the Kazakhmys Gold business were impaired during the year and this resulted in a taxation credit in the income statement of $32 million.

Additionally, the non-acquisition related deferred tax liabilities within the Group's Kazakhstan businesses were recalculated taking into account the lower corporate income tax rates resulting from the new Kazakhstan tax legislation. This calculation gave rise to a $20 million taxation credit in the income statement.

Discontinued operations

On completion of the acquisition of Kazakhmys Power in May 2008, a deferred tax liability of $267 million was recognised arising from the requirement to provide deferred tax on the acquisition fair value adjustments, with a corresponding entry to goodwill. The deferred tax liability was calculated based on a corporate income tax rate of 30%, the prevailing tax rate at the date of acquisition. As a consequence of the new Kazakhstan tax legislation, the deferred tax liability on the fair value adjustments was recalculated as $141 million resulting in a taxation credit in the income statement of $126 million.

Future tax rates

Future tax charges are affected by the mix of profits and tax rates in the various tax jurisdictions in which the Group operates. With the enactment of further new tax legislation in Kazakhstan in November 2009, which is effective from 1 January 2010, the corporate income tax rate will be frozen at 20% for the years 2010-2012 rather than being reduced to 17.5% in 2010 and 15% in 2011, which were to have been the revised rates under the previous tax legislation, which was effective from 1 January 2009. The lower corporate income tax rate in Kazakhstan will have the effect of significantly lowering the Group's overall future effective tax rate below the current UK statutory corporate income tax rate of 28%.

9. EARNINGS PER SHARE

(a) Basic and diluted EPS

Basic EPS is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the year. Purchases of the Company's shares by the Employee Benefit Trust are dilutive ordinary shares.

(b) EPS based on Underlying Profit

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

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

$ million	**2009**	2008
Net profit attributable to owners of the Company from continuing operations	**768**	819
Special items:		
Impairment of goodwill	**-**	46
Impairment of property, plant and equipment	**50**	120
Impairment of mining assets	**23**	126
Provisions against inventories	**14**	73
Loss on disposal of property plant and equipment	**1**	1
Net foreign exchange gain arising on devaluation of the Kazakhstan tenge:		
Managed businesses	**(336)**	-
Associate	**(55)**	-
Tax effect of non-recurring items:		
Managed businesses	**52**	-
Associate	**11**	-
Change in deferred tax liabilities:		
Impairment of Kazakhmys Gold	**6**	(32)
Change in tax rates in Kazakhstan:		
Managed businesses – note 8(a)	**6**	(20)
Associate	**4**	-
Minority interest effect of non-recurring items	**1**	(1)
Underlying Profit from continuing operations	**545**	1,132
Net profit attributable to owners of the Company from discontinued operations	**(214)**	90
Special items:		
Impairment of goodwill	**16**	-
Impairment of other intangible assets	**2**	-
Impairment of property plant and equipment	**150**	-
Impairment of mining assets	**36**	-
Provisions against inventories	**52**	15
Loss on disposal of property, plant and equipment	**-**	1
Net foreign exchange loss arising on devaluation of the Kazakhstan tenge	**53**	-
Tax effect of non-recurring items	**(11)**	-
Change in deferred tax liabilities:		
Impairment of MKM and Maikuben West	**(34)**	-
Change in tax rates in Kazakhstan	**7**	(126)
Underlying Profit from discontinued operations	**57**	(20)
Total Underlying Profit	**602**	1,112

Number	**2009**	2008
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	**535,136,298**	490,289,985
EPS based on Underlying Profit – basic and diluted ($)		
From continuing operations	**1.02**	2.31
From discontinued operations	**0.11**	(0.04)
	1.13	2.27

10. DIVIDENDS PAID AND PROPOSED

(a) Dividends paid

The dividends paid during the year ended 31 December 2008 are as follows:

	Per share US cents	Amount $ million
Year ended 31 December 2008		
Final dividend in respect of year ended 31 December 2007	**27.4**	**125**
Interim dividend in respect of year ended 31 December 2008	**14.0**	**75**
	41.4	**200**

(i) Year ended 31 December 2009

No dividends were paid by the Company in respect of the year ended 31 December 2009.

(ii) Year ended 31 December 2008

On 8 May 2008 the Company paid the final dividend of $125 million in respect of the year ended 31 December 2007 to shareholders on the register as at 4 April 2008. This final dividend was sourced by way of payment of an interim dividend in respect of the year ended 31 December 2007 by Kazakhmys LLC.

On 31 October 2008, the Company paid an interim dividend of $75 million in respect of the year ended 31 December 2008 to shareholders on the register as at 3 October 2008. This interim dividend was largely sourced by way of payment of the final dividend in respect of the year ended 31 December 2007 by Kazakhmys LLC.

(b) Dividends declared after the balance sheet date

	Per share US cents	Amount $ million
Proposed by the Directors on 3 March 2010 (not recognised as a liability as at 31 December 2009):		
Final dividend in respect of year ended 31 December 2009	**9.0**	**48**

In relation to the dividends proposed by the Directors on 3 March 2010, the UK pounds sterling per ordinary share amount is 5.8975 pence.

11. INVESTMENT IN ASSOCIATE

In 2007, the Group acquired an 18.8% interest in ENRC at a price of $806 million. At the time of the listing of ENRC on the main board of the London Stock Exchange in December 2007, new shares were issued by ENRC to which the Group did not subscribe and hence the Group's interest in ENRC reduced from 18.8% to 14.6% taking into account the full exercise of the over-allotment option.

On 24 July 2008, the Company issued 80,286,050 ordinary shares of 20 pence each to the Government in exchange for 98,607,884 shares in ENRC, which it received on 28 July 2008. The share price of the Company as at the date of the share issue was £13.17 per share, and the market value of the shares issued was $2,110 million. In addition stamp duty of $10 million was incurred, taking the total cost of the transaction to $2,120 million. Following completion of these transactions, the Group's share holding in ENRC increased to 22.2%.

Between 31 July and 8 August 2008, the Group purchased for a total cost of $800 million, a further 35,733,717 shares in ENRC thereby taking the Group's total holding in ENRC to 25.0% of the issued share capital.

Between 2 October and 27 October 2008, the Group purchased, for a total cost of $108 million, a further 12,647,009 shares in ENRC thereby taking the Group's total holding in ENRC to 334,824,860 or 26.0% of the issued share capital.

After the completion of these transactions, the total number of shares held by the Group in ENRC at 31 December 2008 and 2009 was 334,824,860.

$ million	2009	2008
Investment in associate		
At 1 January	**4,045**	-
Reclassified from available for sale investment	**-**	3,442
Additions	**-**	3,028
Share of profits from associate[1,2]	**223**	255
Net share of losses of associate recognised in equity[2]	**(315)**	(6)
Impairment recognised against unrealised gain on available for sale investment in equity	**-**	(2,636)
Dividends received	**(84)**	(38)
At 31 December	**3,869**	4,045

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

At 31 December 2009, the Group's 26.0% in ENRC had a market value of $4,879 million (31 December 2008: $1,600 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 seen during the 2009 financial year, particularly those of natural resource companies, and the upward trend 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 31 December 2009.

The accounting period end of ENRC is 31 December.

The following is a summary of the financial information of the Group's investment in ENRC based on ENRC's published unaudited results:

$ million	2009	2008
Share of associate's assets and liabilities		
Total assets	**2,500**	2,604
Total liabilities	**(419)**	(446)
Net assets	**2,081**	2,158
Carrying amount of the investment	**3,869**	4,045

$ million	2009	2008
Share of associate's revenue and profit		
Revenue	**996**	721
Operating profit	**316**	372
Profit before finance items and taxation	**308**	370
Net finance costs and share of loss of joint venture	**17**	(16)
Income tax expense and minority interests	**(102)**	(99)
Profit for the period	**223**	255

Year ended 31 December 2008
Following the piecemeal acquisition of ENRC, the Group's investment in associate has been impaired by $2,636 million. This impairment charge has been recognised directly in equity against the unrealised gain on the available for sale investment, and there is no impact on the consolidated income statement. The impairment arose due to the requirements of IFRS 3 'Business combinations' and IAS 28 'Investments in associates' which requires the cost of acquisition of each tranche to be compared to the fair value of the net identifiable assets of the acquiree. With the exception of the acquisition of the final tranche of ENRC shares in October 2008, the acquisitions in July and August 2008 were undertaken at a time prior to the sharp decrease in commodity prices and share prices of listed natural resource companies, and the prevailing market value of ENRC at that time was considerably in excess of the recoverable amount. The Group's cost of investment in the associate in excess of the fair value, arising from the piecemeal acquisition, has therefore been impaired and this has been recognised against the unrealised gain within equity (from when the shareholding was

classified as an available for sale investment) arising prior to the time when the Group equity accounted for its investment in ENRC. The recoverable amount used in assessing the impairment charge is value in use using a discounted cash flow model. The future cash flows are discounted using a pre-tax discount rate of 13%.

12. SHARE CAPITAL AND RESERVES

(a) Allotted share capital

	Number	£ million	$ million
Authorised - At 31 December 2008			
Ordinary shares of 20 pence each	750,000,000	150	-
Allotted and called up share capital			
At 1 January 2008	460,123,288	92	170
Purchase of Company's issued share capital	(5,169,000)	(1)	(2)
Shares issued	80,286,050	16	32
At 31 December 2008 and 2009	**535,240,338**	**107**	**200**

In January 2008 the Company completed a share buy-back programme and cancelled 5,169,000 ordinary shares at cost of $121 million including expenses.

In July 2008 the Company issued 80,286,050 ordinary shares of 20 pence each to the Government in exchange for 98,607,884 shares in ENRC. The share price of the Company as at the date of the share issue was £13.17 per share, and the market value of the shares issued was $2,110 million.

(b) Own shares

At 31 December 2009, the Group, through an Employee Benefit Trust, owned 379,825 Kazakhmys PLC shares (2008: nil) with a market value of $8 million and a cost of $7 million.

(c) Capital reserves

$ million	Reserve fund	Net unrealised gains reserve	Currency translation reserve	Capital redemption reserve	Hedging reserve	Total
At 1 January 2008	42	1,595	447	4	-	2,088
Unrealised gain on available for sale investment	-	1,041	-	-	-	1,041
Impairment of associate recognised against unrealised gain on available for sale investment in equity	-	(2,636)	-	-	-	(2,636)
Share losses of associate recognised in equity	-	(2)	(1)	-	(8)	(11)
Gains on cash flow hedges taken to equity	-	-	-	-	(142)	(142)
Gains on cash flow hedges included in income statement	-	-	-	-	143	143
Purchase of Company's issued share capital	-	-	-	2	-	2
Exchange differences on retranslation of foreign operations	-	-	(36)	-	-	(36)
At 31 December 2008	42	(2)	410	6	(7)	449
Share of gains/(losses) of associate recognised in equity	**-**	**2**	**(317)**	**-**	**5**	**(310)**
Losses on cash flow hedges taken to equity	**-**	**-**	**-**	**-**	**138**	**138**
Losses on cash flow hedges included in income statement	**-**	**-**	**-**	**-**	**(138)**	**(138)**
Exchange differences on retranslation of foreign operations[1]	**-**	**-**	**(1,133)**	**-**	**-**	**(1,133)**
At 31 December 2009	**42**	**-**	**(1,040)**	**6**	**(2)**	**(994)**

1 Of the $1,133 million of foreign exchange differences recognised in the currency translation reserve for the year, $101 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 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.

13. BORROWINGS

$ million	Maturity	Average interest rate during the year	Currency of denomination	Current $ million	Non-current $ million	Total $ million
31 December 2009						
Pre-export finance facility[1] – US$ LIBOR +1.25%	2013	2.08%	US dollar	**518**	**1,132**	**1,650**
Revolving trade finance facility[2] – EURIBOR +3.00%	2012	3.29%	Euro	**-**	**157**	**157**
31 December 2008						
Pre-export finance facility – US$ LIBOR +1.25%	2013	3.29%	US dollar	429	1,650	2,079
Revolving trade finance facility – EURIBOR +1.45%	2010	4.74%	Euro	69	52	121
				498	1,702	2,200

1 Relates to continuing operations.
2 Relates to discontinuing operations (see note 4(b)).

(a) Continuing operations
Pre-export finance facility
On 29 February 2008 Kazakhmys Finance PLC, a wholly owned subsidiary of the Company, signed a five year pre-export finance 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 31 December 2008 and 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 31 December 2009 of $12 million (2008: $21 million), gross cost before amortisation of $26 million (2008: $26 million), have been netted off against these borrowings in accordance with IAS 39. Interest is payable on the drawn balance at a rate of US$ LIBOR + 1.25%. Kazakhmys PLC, Kazakhmys LLC and Kazakhmys Sales Ltd act as guarantors of the loan. The pre-export finance facility contains change of control clauses.

Revolving credit facility
On 26 August 2008 Kazakhmys Finance PLC signed a $200 million revolving credit facility with a group of banks for general corporate purposes and to provide standby liquidity. On 30 March 2009, $150 million of this facility was extended to 31 March 2010. On 26 March 2010, the $150 million facility was extended for an additional year to March 2011. At 31 December 2009, the facility was undrawn.

Undrawn facilities

$ million	**2009**	2008
Revolving credit facility (within Kazakhmys Finance PLC)	**150**	200
Letter of credit and bank guarantee facilities (within Kazakhmys LLC)	**60**	79
	210	279

(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.

Undrawn facilities

$ million	**2009**	2008
Revolving trade finance facility (within MKM)	**86**	23

14. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

$ million	**2009**	2008
Profit before taxation from continuing operations	**1,028**	1,144
Profit before taxation from discontinued operations	**(220)**	(58)
Interest income	**(9)**	(23)
Interest expense	**61**	66
Depreciation and depletion	**285**	346
Amortisation	**2**	3
Share of profits from associate	**(223)**	(255)
Impairment losses	**385**	400
Unrealised foreign exchange loss	**(195)**	2
Gain on disposal of investments	**-**	(5)
Loss on disposal of property, plant and equipment	**1**	2
Operating cash flows before changes in working capital and provisions	**1,115**	1,622
Increase in inventories	**(133)**	(4)
Increase in prepayments and other current assets	**(42)**	(21)
(Increase)/decrease in trade and other receivables	**(89)**	91
Increase in employee benefits	**19**	3
Increase in provisions	**27**	7
Increase in trade and other payables	**46**	54
Cash flows from operations before interest, income taxes and dividends from associate	**943**	1,752

Non-cash transaction

As stated in note 12(a), in July 2008 the Company issued 80,286,050 ordinary shares of 20 pence each to the Government in exchange for 98,607,884 shares in ENRC. The share price of the Company as at the date of the share issue was £13.17 per share, and the market value of the shares issued was $2,110 million. This represents a non-cash transaction for the purposes of the consolidated cash flow statement.

15. MOVEMENT IN NET (DEBT)/LIQUID FUNDS

$ million	At 1 January 2009	Cash flow[1]	Attributable to discontinued operations	Net exchange translation	**At 31 December 2009**
Cash and cash equivalents	540	**464**	**(42)**	**(59)**	**903**
Current investments	32	**31**	**-**	**(5)**	**58**
Borrowings	(2,200)	**396**	**157**	**(3)**	**(1,650)**
Net debt	(1,628)	**891**	**115**	**(67)**	**(689)**

$ million	At 1 January 2008	Business acquisition	Cash flow[1]	Net exchange translation	At 31 December 2008
Cash and cash equivalents	439	-	101	-	540
Current investments	57	-	(25)	-	32
Borrowings	(198)	(159)	(1,854)	11	(2,200)
Net liquid funds/(debt)	298	(159)	(1,778)	11	(1,628)

1 Cash flow includes cash and cash equivalents acquired through business acquisitions.

16. 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				
2009	**-**	**-**	**-**	**681**
2008	-	-	-	-
Companies under trust management[1]				
2009	**16**	**7**	**41**	**2**
2008	14	11	37	1
Other[1]				
2009	**2**	**29**	**27**	**3**
2008	4	48	13	9

1 A provision of $43 million (2008: $25 million) has been set against the amounts owed by companies under trust management and other companies. The bad debt expense for the year in respect of related parties was $23 million (2008: $7 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 Samruk

On 10 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, an entity wholly owned and controlled by the Government of Kazakhstan, for consideration of $681 million. Although the transaction completed on 26 February 2010, the Group received the consideration in December 2009 and it is included within trade and other payables.

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 interim dividend paid by the Company on 24 October 2008 was $11 million.

(ii) ENRC
In 2009 the Group received dividends of $84 million from ENRC, the associated undertaking (2008: $38 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 purposes, Kazakhmys LLC advanced amounts totalling $25 million to Eduard Ogay, the Chief Executive 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 has in turn repaid these amounts to Kazakhmys LLC, such that the amount outstanding at 31 December 2009 was $20 million. As at 29 March 2010, all outstanding amounts had been 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.

17. EVENTS AFTER THE BALANCE SHEET DATE
(a) Sale of 50% of Ekibastuz GRES-1 LLP to Samruk
On 10 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, an entity wholly owned and controlled by the Government of Kazakhstan, for consideration of $681 million. The transaction completed on 26 February 2010 and the Group has retained a non-controlling interest of 50% in the entity which shall be accounted for as a joint venture after the date of completion.

The main governing board of the joint venture will be the supervisory board, which will comprise four members, two from the Group and two from Samruk. The supervisory board will make decisions (which require unanimity) in respect of areas such as personnel, investments, reporting, budgets, sales, procurement and loans. Management of Ekibastuz will initially be undertaken by a representative appointed by Kazakhmys for the first five years and will then rotate every five years. The appointment of the General Director and Audit Committee members will also rotate every five years. The Group and Samruk will each have 50% of the voting rights and no party will have overall control over Ekibastuz GRES-1 LLP.

(b) China Development Bank funding
Summary of the transaction
On 13 October 2009, the Group announced that it was in discussions with China Development Bank Corporation ('CDB') and Samruk regarding a potential loan facility. On 30 December 2009, Kazakhmys announced that it had secured up to $2.7 billion loan facilities with CDB and Samruk, allocated from a $3.0 billion financing line agreed between CDB and Samruk. Of the up to $2.7 billion secured for Kazakhmys, facility agreements were signed for $2.1 billion on 30 December 2009, and for a further $200 million on 12 January 2010, for the development of Kazakhmys' projects at Bozymchak and Bozshakol and other development projects, with the balance of $400 million remaining available over the next three years. In the event Samruk is unable to source financing for the Moynak hydro-electric plant then $100 million of the $400 million may be made available for the Moynak plant reducing the funds available to Kazakhmys to $300 million. Samruk 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, the Company, along with a subsidiary of Samruk, provided a guarantee in favour of CDB in respect of Samruk'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, which could increase to 85% of $400 million in the event that $100 million is lent for the Moynak plant.

The financing arrangements with CDB and Samruk were agreed on competitive terms, particularly given the prevailing market conditions and the difficulty experienced by CIS companies in accessing credit. Under the terms of the facility agreements, Kazakhmys secured a significant amount of funds on flexible and long dated terms which will be used to develop Kazakhmys' growth projects.

Related party transaction
Samruk is an entity wholly owned and controlled by the Government of Kazakhstan, the ultimate owner and controller of a 15% stake in the Company. The transaction therefore constitutes a 'related party transaction' for the purposes of the Listing Rules. Due to the size of the up to $340 million guarantee liability, the UK Listing Authority confirmed on 1 March 2010 that the transaction falls within the modified requirements for a 'smaller related party transaction' set out in Listing Rule 11.1.10.

Details of the transaction
The transaction consists of a two-tier structure, with loans from CDB to Samruk and 'back-to-back' arrangements between Samruk and the Company. Samruk has signed facility agreements with Kazakhmys Finance PLC ('Kazakhmys Finance'), a wholly owned subsidiary of the Company, pursuant to which Samruk 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 and on-lent by Samruk to Kazakhmys Finance over the next three years for funding the development of the Group's projects approved by CDB and Samruk, which could decrease to $300 million if $100 million is lent for the Moynak plant.

The agreements between Samruk and Kazakhmys Finance operate 'back-to-back' with the agreements between CDB and Samruk, such that any payment (both interest and principal) by Kazakhmys Finance to Samruk will result in a corresponding payment by Samruk 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 drawdown and repayment of capital commences from the end of the third year following the first drawdown.

As part of the financing package, the Company and JSC Kazakhtelecom ('Kazakhtel'), a subsidiary of Samruk, 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 (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. As the Guarantee is several and covers the separate $300 million loan made by CDB to Samruk (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 fails to make a payment due under that loan to CDB. In addition, should Samruk not secure $100 million for its Moynak hydro-electric plant by 31 March 2010, then the Guarantee will increase by 85% of this amount, to $340 million. Furthermore, the Company has granted a separate $2.7 billion parent company guarantee to Samruk, pursuant to which the Company guarantees repayment of all amounts lent by Samruk to Kazakhmys Finance, as is typical in such corporate loan facilities.

The guarantees under this facility took effect on 1 March 2010 following receipt of confirmation from the UK Listing Authority. The first drawdown under the facility for $300 million 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.

(c) Tenge bond
On 29 January 2010 the Group completed its debut bond issue on the Kazakhstan Stock Exchange. The bond, with a total value of 10 billion tenge (approximately $67 million), was issued by Ekibastuz GRES-1 LLP, for general corporate purposes, including financing the future capital expenditure

programme in the Ekibastuz GRES-1 power plant. The bond has a coupon of 12% and will mature in five years.

(d) 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.

(e) Post year-end dividend
The Directors recommend a final ordinary dividend in respect of the year ended 31 December 2009 of 9.0 US cents per share (equivalent to a sterling denominated dividend of 5.8975 pence based on the average exchange rate for the five business days ending two days before the announcement of the Company's Trading Update on 4 March 2010). Subject to approval of shareholders at the Annual General Meeting to be held on 14 May 2010, this dividend shall be paid on 18 May 2010 to shareholders on the register at the close of business on 23 April 2010.