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Kazakhmys PLC

Audited results for the year ended 31 December 2005

Highlights

- Revenues up 106.2% from $1,259.5 million to $2,597.5 million on the strength of rising copper prices and acquisition of MKM
- EBITDA excluding special items for the year increased by 35.6% from $791.4 million to $1,073.5 million
- Profit before taxation excluding negative goodwill of $111.3 million recognised in 2004, increased by 53.2% to $848.1 million
- EPS based on Underlying Profit increased by 40.9% to $1.31 per share
- Average realised copper price increased from $2,527 per tonne to $3,794 per tonne representing a 50.1% rise against an average increase in LME copper price of 28.3%
- Expansionary and new project capital expenditure of $190 million, representing significant investment for future growth
- Completion of Artemyevskoe underground mine well ahead of schedule and within budget
- Construction of new Zhaman-Aybat mine on schedule with completion expected in 2006
- Successfully listed on LSE raising net proceeds of $491.2 million in October 2005 and entered FTSE 100 index in December 2005
- Inaugural post-Listing dividend proposed of 36.0 US cents per share in respect of full year 2005 earnings

Financial highlights for year ended 31 December 2005

($million, unless stated)	Year ended 31 December 2005	Year ended 31 December 2004	% change
Revenues	2,597.5	1,259.5	106.2%
Earnings:			
Profit before taxation, finance items and negative goodwill	842.5	578.5	45.6%
Profit before taxation excluding recognition of negative goodwill	848.1	553.7	53.2%
EBITDA excluding special items (1)	1,073.5	791.4	35.6%
Underlying Profit (3)	549.8	376.1	46.2%
EPS:			
Basic and diluted ($)	1.29	1.06	21.7%
Based on Underlying Profit (2) ($)	1.31	0.93	40.9%
Free Cash Flow (3)	450.2	405.4 (4)	11.1%
ROCE (3) (%)	31.5%	30.2%	4.3%
Cash cost of copper after by-product credits (3) ($/tonne)	997	616	61.9%

Kazakhmys' Chairman Vladimir Kim commented:

"Following our Listing in October 2005, our maiden set of results demonstrates the underlying strength of the business with Underlying Profit up 46.2% at $549.8 million. We are delighted to propose a dividend of 36.0 US cents per share in respect of full year 2005 earnings. We continue to make progress on our strategy of building a world-class metals and mining company and creating shareholder value for the future."

(1) Reconciliation of EBITDA excluding special items to profit before taxation, finance items and negative goodwill is found in note 2(a) to the financial information.
(2) Reconciliation of EPS based on Underlying Profit to Basic and Diluted EPS is found in note 6 to the financial information.
(3) Refer to Glossary on page 46 for definition of these key financial indicators.
(4) Inclusive of expansionary and new project capital expenditure and sustaining capital expenditure of $162.2 million.

CHAIRMAN'S STATEMENT

I am delighted to present Kazakhmys PLC's first set of financial results for the year ended 31 December 2005. There is no doubt that 2005 will always be a landmark year in the history of Kazakhmys. We started the year as a long-life, low-cost mining company based in Kazakhstan, little known outside of the country. By the year end, we had successfully launched our shares on the London Stock Exchange raising $491.2 million in net proceeds and, within three months of Listing and at the first opportunity for inclusion, we entered the FTSE 100 Index - becoming the first CIS business to do so.

As a result of our successful Listing, Kazakhmys is now well placed to pursue its long term goals. Our strong share price performance illustrates the appetite from institutional investors for Kazakhmys as the price rose from £5.40 by 43% to reach £7.74 at the end of December 2005.

We believe that the success of our Listing also reflects the fundamental attraction of our business and Kazakhstan, with its current political stability, growing economy and exceptionally rich natural resources.

Less than six months have passed since our Listing and the production of our first set of financial results as a listed company. In this period, a great deal has already been achieved. We retained our business focus throughout the Listing process and in 2005 we have seen production figures at levels comparable with previous years, which, when combined with high copper and other metal prices, resulted in strong financial results. In 2005, the Group's revenues for the year rose to $2,597.5 million, a 106.2% increase on 2004. One of our key measures for comparing underlying trading performance between years, EBITDA excluding special items, increased by 35.6% to $1,073.5 million. On the back of these results, the Board has proposed an inaugural final dividend equivalent to 36.0 US cents per share in respect of full year earnings in line with our guidance at the time of the IPO.

Our strategic objective for the future is to maintain and strengthen our position as a leading copper producer and achieve a world class reputation. We will combine our strong focus on copper with diversification into other commodities within our region whilst continuing to maximise operational efficiencies and deliver organic growth. With virtually no debt and strong cash flows from our operations, we are well placed to make acquisitions where we find value-adding opportunities.

On 14 March 2006 we announced that the independent members of the Board of Kazakhmys PLC had granted permission to me (in a personal capacity) to acquire a 25% interest in ENRC Kazakhstan Holding B.V. ('EKH'), the holding company for certain assets of the Eurasia Natural Resources group's metals and mining business, which primarily operates in Kazakhstan, on the basis that the Company is given the benefit of a call option in respect of my shareholding in EKH. Any decision to exercise the call option would be taken by an independent committee of the Board. While I pledged certain shares to facilitate this transaction, I remain a fully committed long-term shareholder of Kazakhmys PLC.

I continue to remain bound by all of the terms of my employment contract with Kazakhmys PLC and, in particular, the obligations in that contract not to compete, directly or indirectly, with Kazakhmys PLC.

As a newly-floated company on the London Stock Exchange, my Board colleagues and I are firmly committed to delivering high standards of corporate governance. We believe that the combination of strong management and independent Directors will play a decisive role in the strategic development of the Group. The quality and industry knowledge of our Board members will strengthen and complement the skills and experience of our management team.

Our employees are a fundamental part of the business and we remain committed to improving the safety environment across our asset portfolio. The Group has established a Health, Safety & Environment ('HSE') committee chaired by David Munro, an independent non-executive Director, to monitor the Group's progress in raising HSE standards and performance. We are also delivering on our commitment to the broader community within which we operate.

Looking ahead, supply and demand fundamentals suggest continued copper price strength throughout 2006. We anticipate that the lower production levels in the first two months of 2006 will not be representative of the expected copper cathode production for the whole of 2006. We anticipate that 2006 production of copper cathode will be moderately higher than 2005, driven by a higher level of production from own concentrate. We will continue to maintain our tight focus on cost control and seek further growth opportunities.

I would also like to take this opportunity to thank all our employees, management team and advisors, who contributed to Kazakhmys' success in 2005. Their dedication and commitment are crucial in delivering these results and creating further shareholder value in the future.

REVIEW OF OPERATIONS

Summary of operational performance

Over the last year we have seen copper cathode production at levels comparable with previous years and improving production in zinc and precious metals, which, when combined with high copper and other metal prices, has resulted in strong financial results.

The copper market was buoyant in 2005 with average prices on the London Metal Exchange of $3,681 per tonne compared to $2,868 per tonne in 2004, a rise of 28.3% (Source: Brook Hunt). Exceptional demand from China has continued driving metal prices up to new higher levels. In 2005, Chinese copper consumption increased by 7% compared to 2004. We are a fully integrated copper producer and therefore benefit from any strengthening in the copper price. The main end-user market for copper in 2005 remained the global construction industry.

In 2005 we completed the construction of the underground mine, Artemyevskoe, within budget and ahead of schedule so that the Group now comprises twelve underground and five open pit mines, nine concentrators and two copper smelter/refineries, a zinc smelting plant, a precious metals refinery and a copper rod plant, and a fabricated products subsidiary, located in Germany.

At the beginning of 2005, we experienced a more challenging operating environment, which included temporary mining stoppages at several mines and a slope failure at the Nikolaevskoe open pit mine in the first quarter of 2005, which was fully resolved in the second quarter with the mine returning to full capacity. Furthermore, in accordance with our mining plan, we extracted and processed lower grade ores at some of our mines so that 2005 actual average copper content in ore was 21% below 2004 levels. Zinc content in ore was 20% above 2004 grade reflecting increasing extraction of zinc-rich ores in our production profile. In addition, productivity in early 2005 was affected by unusually cold weather in Kazakhstan and some delays in equipment supply. Nonetheless, by the end of May 2005, the Group had recovered from these operational challenges and ore output was satisfactory.

Due to anticipated lower copper content in the ores mined, we increased ore extraction volumes by 11.5% up compared to 2004, procuring an additional 268kt of concentrate from third parties and producing around 10kt of copper cathode through tolling arrangements.

In spite of the operating challenges, we were able to sustain our production at around 400kt of copper cathode and increase zinc metal production to 51kt, demonstrating that the Group can consistently produce large quantities of copper, maintaining our position as one of the world’s leading copper producers.

Copper

For the year ended 31 December 2005, we produced 397kt of copper cathode, processing 1,985kt of copper concentrate. Included in the 397kt of copper cathode produced was 10kt of copper produced through tolling arrangements.

The Zhezkazgan Complex produced 235kt of copper cathode, which produced 9kt of copper rod.

The Balkhash Complex produced 162kt of copper cathode, of which 10kt were produced under tolling arrangements.

At the East Region we produced 592kt of copper concentrate and 202kt of zinc concentrate in 2005 with additional 29kt processed for us by third parties.

As part of our maintenance programme, we carried out planned shutdowns at the Zhezkazgan copper smelter in the third quarter of 2005 and at the Balkhash copper smelter in the fourth quarter. These shutdowns resulted in slightly lower production volumes in the corresponding quarters, but did not significantly affect the overall production performance for the year.

During 2005, the Group produced 1,416kt of copper concentrate, of which 44kt were processed by a third party and a further 268kt of copper concentrate were purchased from third parties to better charge the Group’s refining capacity.

At present, the Group has insufficient concentrator capacity to handle the ore from the recently constructed Artemyevskoe mine so this concentrate is currently being processed by third parties. To address this issue, we are upgrading operating capacity at a number of our concentrators. The annual production capacity of the Karagaily concentrator is being upgraded from 1,000kt to 1,500kt, and the Nikolaevsky concentrator from 2,000kt to 2,500kt due to grinder reconstruction.

REVIEW OF OPERATIONS (continued)

The work began in 2005 and once the Nikolaevsky upgrade is completed, all of the concentrate from the Artemyevskoe mine will be processed internally.

As stated at the time of our Listing, we are currently developing several organic growth projects. The majority of these projects are anticipated to come on line in the short to medium term and include both new sites and continuations of existing mines. New site projects include Aktogay, the Group's primary project, where feasibility studies continue to be undertaken and Zhaman-Aybat, which is expected to enter production during 2006. Recently completed projects include Stepnoy, which is currently ramping up to full capacity and Artemyevskoe, which was completed in 2005 ahead of schedule and within budget and is preparing to ramp up to full capacity in 2007.

Zinc

We continue to make progress with the implementation of our growth plans in the zinc business, although our zinc smelter ramp-up is progressing at a slower rate than originally anticipated. In 2005, we increased the output of zinc metal in concentrate to 82kt from 66kt in 2004. Production of zinc metal increased from 18kt in 2004 to 51kt in 2005.

Over the course of 2006 we will continue fine-tuning our operating performance at the Balkhash zinc plant complex. The zinc rich concentrate from the recently completed Artemyevskoye mine should contribute to improving the quality of concentrate and ensure zinc metal production volumes are more consistent in 2006.

Precious metals

Our precious metals refinery, located in the Balkhash region, recovers gold and silver from the slimes from all of the Group’s operations. We also treat slimes from third parties on a tolling basis.

Our precious metals output rose during the year as the Abyz and Artemyevskoe mines started production of their silver- and gold-rich ores. In 2005 the Group produced 21 million ounces of silver, of which 90 thousand ounces of silver were produced on a tolling basis. We produced 146 thousand ounces of gold of which 45 thousand ounces were produced on a tolling basis.

MKM production

MKM is a fabricating subsidiary of the Group, located in Germany. MKM produces and sells copper and copper alloy semi-finished products predominantly in the European Union for various applications. MKM is organised into three business units: wire products, tubes and bars, flat products (strips, plates and sheets).

In 2005, MKM’s total production was 219kt. The wire products business unit produced 120kt of wire products. Total tubes and bars production was 40kt in 2005, of which tubes production was 19kt and bars production was 21kt. The flat products business unit produced 59kt of flat products, of which 5kt were pre-rolled flats, 12kt were sheets, and 42kt were strips.

MKM invested $13.5 million in asset optimisation and production expansion in the last year, with the main emphasis on the expansion of the tube production capacity from 19kt to 28kt. Production bottlenecks were eliminated with an investment of $7.2 million for new drawing lines as well as upgrades of existing equipment.

In 2005, MKM’s capabilities to produce de-oxidised copper were improved by investment in related equipment. As a result, an extended product range can be produced starting in 2006, allowing MKM to target additional market segments.

During 2005, MKM was also able to achieve improvement in the utilisation of the ContiM® equipment. MKM operates some of the most advanced ContiM® equipment worldwide. In 2005, production volumes for this equipment were increased by more than 200%, primarily driven by good market demand for wire products.

Other production

We also generate power for the needs of our business. In Kazakhstan, the Group owns and operates a power plant located at Karaganda, a combined heat and power and a power plant located at Zhezkazgan and a heat and power plant in Balkhash. In 2005, the Group generated 6,441 MJ of electricity and 4,013 KHcal of heating power, most of which was used by our operations.

FINANCIAL REVIEW

Summary of the year

Revenues for the year amounted to $2,597.5 million, a 106.2% increase from 2004. Profit before taxation, finance items and negative goodwill rose by 45.6% to $842.5 million and our key performance measure for earnings, EBITDA excluding special items, was $1,073.5 million, a 35.6% increase compared to 2004. The improved earnings were attributable to rising commodity prices during 2005 and the acquisition of MKM on 15 December 2004.

These results translated to an increased profit attributable to equity shareholders of $538.8 million, compared to $429.8 million in the prior year, a rise of 25.4%. As negative goodwill of $111.3 million arose during the prior year, a more informed measure of the Group's financial performance on a post-tax and minority interest level is Underlying Profit, which removes special items. An increase of 46.2% to $549.8 million was reported by this performance measure.

Basic and diluted EPS increased by 21.7% to $1.29 per share. EPS based on Underlying Profit, was $1.31 per share compared to $0.93 per share reported in 2004, an improvement of 40.9%.

The Directors recommend a final dividend of 36.0 US cents per share. Dividend cover for the final dividend is over three times, and provides a solid platform to ensure a stable dividend flow in future years, subject to the performance of the business and continued growth in earnings.

The following review of the Group's financial performance analyses the two business segments separately given their distinct nature.

Revenues

<u>Kazakh Mining</u>

Revenues for Kazakh Mining increased from $1,259.5 million to $1,740.9 million, a 38.2% improvement against the prior year. The major contribution to revenues within the Kazakh Mining business remained copper cathodes, although there were strong performances from other commodities, particularly zinc metal and silver.

Revenues from the sale of copper cathodes were $1,377.2 million, or 79.1% of the total revenues of the Kazakh Mining business. Although production volumes, excluding tolling, were 5% lower than the previous year, sales volumes of copper cathodes were flat as 48kt of 2004 production was utilised in the manufacture of copper rods in that year, compared to 8kt during 2005. The increase in revenues of 51.1% between years was primarily driven by an improvement in the average realised copper price to $3,794 per tonne compared to $2,527 per tonne for 2004, an increase of 50.1%.

As the commissioning of the Balkhash zinc smelter continued to ramp-up, zinc metal production increased by 183%, which contributed to an 11-fold rise in zinc metal revenues. Average realised zinc prices increased by 34.7%, which also had a positive impact on revenues. However, zinc metal sales volumes were slightly disappointing as the ramp-up of the zinc smelter is taking longer than anticipated. In addition, production was lower than expected due to the use of low grade ores as a consequence of technical problems experienced in the first half of the year.

Zinc concentrate sales volumes decreased by 3%, although revenues increased by 61.8% to $15.0 million as a result of higher zinc prices enjoyed during 2005.

Silver sales volumes were similar to production volumes. Revenues improved by 27.8% compared to the prior year assisted by an increase in production volumes as a result of the commencement of operations at the Abyz mine, which has a relatively higher grade of silver, and a rise in realised silver prices of 11.6% compared to 2004.

Gold sales volumes from own ore were 17% less than production volumes due to the internal use of gold within the jewellery factory. There was a 162.1% improvement in gold revenues from own production due to the commencement of operations at the Abyz mine and higher realised gold prices of 30.5% compared to the prior year. Gold tolling revenues were $3.1 million compared to $1.2 million in the prior year due to higher volumes.

Copper rod revenues were down by 80.3% following an 83% decrease in sales volumes. The fall in copper rod sales followed a combination of weak customer demand and the decreased amount of refined copper being allocated to copper rod production in order to fulfil export contracts for copper cathodes.

FINANCIAL REVIEW (continued)

Other revenues of $66.4 million compared to $59.0 million in the prior year, and related to the sale of surplus electricity, heating and coal, as well as the sales of other minor by-products, such as lead and rhenium.

MKM

For the year ended 31 December 2005, MKM reported revenues of $856.6 million, an increase of over 75% from the prior year's revenue figure of $486.9 million. The two key factors behind this growth were increased sales volumes, up by over 70% compared to the prior year, and the increase in copper prices during the year.

The main component within MKM's revenues is the input value of copper, accounting for approximately 85% of sales price. Contractual arrangements with customers ensure the input price of copper cathodes is passed on in full. With the increase in the purchased component of copper increasing by 29% in value terms compared to the prior year, this contributed to approximately $140 million of the total growth in revenues.

There were strong performances in the sales of wire rods, up eight-fold, drawn wire, up by 10%, and strips, up by 12%, compared to the prior year. As wire rods, drawn wire and strips account for 40%, 14% and 19%, respectively, of total sales by volume, these were the main contributors to the overall growth in sales volumes.

Earnings

Profit before taxation, finance items and negative goodwill increased from $578.5 million to $842.5 million, an increase of 45.6%, split between $820.8 million for the Kazakh Mining business and $21.7 million for MKM. Depreciation, depletion and amortisation amounted to $219.6 million in 2005, an increase of 40.2% compared to $156.7 million in 2004, as a result of increased capital expenditure and the acquisition of MKM.

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

During 2004, these non-recurring or variable items related to the loss on disposal of fixed assets of $25.9 million and the write off of fixed assets of $30.3 million, which compared to $4.6 million and $6.8 million, respectively, for these categories in 2005. Overall, the margin at the level of EBITDA before special items decreased from 62.8% to 41.3%, primarily as a result of the acquisition of MKM. For 2005, MKM reported a margin based on EBITDA excluding special items of 4.6% compared to a margin of 59.4% for the Kazakh Mining business.

Kazakh Mining

The margin at the level of EBITDA excluding special items was slightly depressed from 62.8% in 2004 to 59.4% in 2005. Although average realised copper prices increased by 50.1% from 2004 to 2005, the reduction in mined ore grade from 1.30% to 1.03% and the resulting increased proportion of copper cathodes produced from purchased concentrate (less than 1% of total copper cathode production in 2004 to 12.4% of total copper cathode production in 2005, excluding tolling), acted to offset the impact of rising copper prices on the profit margin.

Purchases of copper concentrate increased in monetary terms from around $32 million in 2004 to $166 million in 2005. This significant increase reflects the higher volumes of purchased concentrate amounting to 268kt during 2005 compared to 14kt in the prior year. The impact of rising copper prices also increased the cost of purchased concentrate compared to the prior year.

Costs associated with the transportation of purchased concentrate also increased from the prior year by approximately $9.5 million or 77%, which was attributable to the increased volumes of purchased concentrate.

Other factors which contributed to the lower profit margin included an increase in fuel costs of 50%, which accounted for 15% of cost of sales, and an increase of approximately 27% in wages and salaries, which accounted for around 27% of total operating costs, excluding depreciation, depletion, amortisation and special items.

The captive power stations in the Kazakh Mining business produce sufficient electricity and heat for the business' own requirements. However, rising diesel prices adversely impact running costs for plant and equipment operating in the mines.

FINANCIAL REVIEW (continued)

Wages and salaries increased by approximately $41 million or 27% from 2004 to 2005 due to the new Abyz and Artemyevskoe mines entering production, a wage increase agreed in November 2005 in Kazakhstan and the inception of a head office in London. Competition amongst mining companies, together with a strongly performing economy in Kazakhstan, contributed to wage pressures.

Legal and professional fees increased over three-fold to approximately $24 million, largely as a result of the Listing, and additional professional fees incurred in the London head office. Selling and distribution costs were $7.6 million or 42% higher as a greater proportion of the Group's sales were made to European customers which involve higher transportation costs.

Depreciation and depletion increased by 26.4% from $155.6 million to $196.7 million. Of the increase, approximately $30 million arose from the Balkhash zinc smelter, with the remainder arising from higher levels of capital expenditure during 2005.

MKM

MKM's cost of sales includes the purchase price of copper cathode, and has therefore risen at approximately the same rate as the increase in revenues. Gross profit margins are therefore largely unaffected by increases in copper prices.

Despite the growth in sales volumes, the change in product mix, towards lower margin wire rods, adversely impacted margins during 2005. Margins also came under pressure through product substitution in certain key market segments.

Within profit before taxation and finance items of $21.7 million, a contribution of approximately $25 million arose from an increased stock valuation as a result of rising copper prices. This favourable impact on earnings did not translate into operating cash flows. If copper prices decline in future, this will conversely have a negative impact on earnings.

Depreciation remained in line with 2004 levels at around $21 million.

Net financing items

Net financing income was $5.6 million during 2005, which contrasted with the net financing cost of $24.9 million that arose in the prior year.

A foreign exchange loss of $11.0 million is included within net financing income, compared to a loss of $29.5 million that was recognised during 2004. The foreign exchange loss mostly arose within Kazakhmys LLC as a result of the loss arising on the Euro denominated loan extended by Kazakhmys LLC to MKM due to the strengthening of the Kazakhstan Tenge against the Euro. This loss was partly offset by the gains arising on the US dollar denominated deposits as a result of the strengthening of the US dollar against the Kazakhstan Tenge.

Net financing income, other than foreign exchange losses, included a finance cost of $8.8 million which related to interest payable on the short term credit lines within Kazakhmys LLC and the $100.0 million loan to Citibank which was repaid in November 2005. Unwinding of long term provisions and employee benefits also gave rise to an interest charge of $5.2 million.

Finance income primarily relates to interest earned from fixed term US dollar and Kazakhstan Tenge denominated deposits placed with banks in Kazakhstan, and the proceeds raised from the Listing which remained in the UK until the year end.

Income tax

The effective tax rate for the year was 35.1% compared to a rate of 33.6% in the prior year. The rate was split between a current tax rate of 35.4% and a deferred tax credit of 0.3%. Income tax in absolute terms increased by $73.5 million or approximately 33%, primarily due to higher earnings within the Kazakh Mining business compared to 2004.

The effective tax rate increased since the prior year principally due to the recognition of non-taxable negative goodwill arising during 2004 on the acquisition of MKM, and additional levels of excess profits tax being accrued during 2005 as a result of higher profits within certain profitable subsoil contracts. Excess profits tax added 3.8% to the effective tax rate during 2005 which compared to an incremental 2.1% during 2004.

FINANCIAL REVIEW (continued)

The higher German effective tax rate for MKM was reduced during 2005 from 38.13% to 35.98% which marginally reduced the overall effective rate by 0.3% as deferred tax balances within MKM were recalculated using the lower rate.

Withholding taxes of $11.9 million were accrued during 2005 on profits arising within Kazakhmys LLC which either have been or will be remitted to the UK for dividend purposes. These withholding taxes added an additional 1.4% to the effective tax rate.

The effective tax rate is expected to remain at levels in excess of the statutory Kazakhstan tax rate of 30% due to excess profits taxes arising on profitable subsoil contracts at the current time of high commodity prices.

Minority interests

Upon completion of the share exchange agreement with Kazakhmys LLC's shareholders, the Company's interest in Kazakhmys LLC was 97.40%. As the financial statements have adopted a pooling of interests method of accounting, this interest was used in determining the Company's share of Kazakhmys LLC's earnings for all periods presented. On 26 September 2005, the Company issued additional shares in consideration for the transfer to it of further units in Kazakhmys LLC which resulted in the Company's interest in Kazakhmys LLC increasing to 98.68%, this being the Company's interest in Kazakhmys LLC at the year end date.

Profit for the year and Underlying Profit

Profit for the year attributable to equity shareholders increased from $429.8 million to $538.8 million, an increase of 25.4%. Due to the recognition of negative goodwill of $111.3 million during 2004, together with the presence of several non-recurring or variable non-trading items during that year, amounting to $56.2 million (before tax and minority interests effects), Underlying Profit is seen as a more informed measure of the performance of the business at a post-tax and minority interest level.

Underlying Profit removes non-recurring or variable non-trading items from attributable profit for the year, and their resulting tax and minority interest impacts. It provides a more consistent basis for comparing the underlying trading performance of the Group between 2004 and 2005.

The increase of 46.2% in Underlying Profits principally reflects the favourable impact of rising copper prices on earnings.

Earnings per share

Basic EPS based on attributable profit for the year increased from $1.06 per share to $1.29 per share, despite the recognition of negative goodwill during 2004 of $111.3 million, which increased last year's Basic EPS by $0.28 per share. The increase in the weighted average number of shares in issue arises mainly from the 58.4 million newly issued shares at the time of Listing. There are no differences between Basic and Diluted EPS.

Assuming no changes in capital structure during 2006, the weighted average number of shares in issue will increase from 418.1 million shares during 2005 to 467.5 million shares during 2006 an increase of 11.8%. Without a corresponding increase in earnings during 2006, the increased weighted average number of shares in issue will lower the EPS figure in 2006.

EPS based on Underlying Profit increased from $0.93 per share to $1.31 per share, a 40.9% improvement, principally reflecting the impact of higher commodity prices.

Dividends

The Board has proposed a final dividend equivalent to 36.0 US cents per share in respect of the year ended 31 December 2005.

FINANCIAL REVIEW (continued)

The interim dividend paid on 5 July 2005 of $6.81 per ordinary share of £5 each (or equivalent to 27.0 US cents per ordinary share of 20 pence each after the share split which took place on 23 September 2005) at a total cost of $110.0 million was paid out of profits available for distribution as shown in the accounts of the Company for the year ended 31 December 2004 but was charged against retained earnings during the year ended 31 December 2005 in accordance with IFRS.

The Company intends to adopt a dividend policy which will take into account the profitability of the business and underlying growth in earnings of the Group, but taking cognisance of the cash flows required to invest in its capital expenditure programme. The Directors will also ensure dividend cover is prudently maintained. Interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

Cash flows

Summary of the year

During the year, the net liquid funds position of the Group strengthened from $231.9 million to $829.4 million, an increase of almost $600 million. This movement was mainly attributable to net proceeds of $491.2 million raised from the Listing and the conversion of higher earnings into operating cash flows.

Other key cash flows during the year were income tax payments of $333.3 million, capital expenditure of $365.4 million, net repayment of borrowings of $54.7 million and payment of dividends of $164.8 million.

Free Cash Flow, a key performance indicator of the Group's ability to translate earnings into cash flow available for dividends, and investment and financing purposes, was $450.2 million, compared to $405.4 million in 2004. The Free Cash Flow in 2005 was stated after deducting sustaining capital expenditure of $175.4 million (including expenditure on investment in intangible assets and mine development costs), out of the total capital expenditure of $365.4 million. In respect of 2004, total capital expenditure of $162.2 million has been included within Free Cash Flow; this has not been separated between sustaining capital expenditure and expansionary and new project capital expenditure.

The Group's ability to generate continued positive Free Cash Flows provides funds for additional investment in expanding the Group's existing operations and capacities, as well as providing flexibility to respond to any opportunistic acquisitions.

Operating cash flows

Operating cash flows increased by 10.2% from $567.6 million in 2004 to $625.6 million in 2005.

During the year, the Kazakh Mining business benefited from its payment terms with customers whereby, as a minimum, over 90% of settlements for copper cathode delivery are paid prior to transfer of title. All settlements are received in advance of transfer of title for zinc metal, silver and gold sales. These terms ensured rapid conversion of increased revenues into cash available for the business. Tight controls over working capital ensured there was no material change in the working capital requirements for the Kazakh Mining business.

As MKM must pay in advance for its supply of copper cathodes, working capital requirements increased substantially in light of rising copper prices. The increase in MKM's working capital was the main factor contributing to an overall increase in the working capital of the Group of around $100 million.

If the two businesses are taken together, cash flows from operations before income tax and interest increased by 31.8%, compared to an increase in EBITDA excluding special items of 35.6%. The lower increase in cash flows from operations compared to the equivalent of the cash profits of the Group (being EBITDA excluding special items) was primarily a result of the adverse working capital movements within MKM as noted above.

Income tax payments more than doubled from $164.2 million to $333.3 million, principally reflecting improved earnings during 2005, and correspondingly higher tax charges. Tax payments in 2005 included around $80 million in respect of tax arising in prior periods.

The major component of interest paid related to the interest incurred on the $100.0 million loan payable to Citibank which amounted to $4.7 million.

FINANCIAL REVIEW (continued)

Investing and financing cash flows

Of the total interest income of $17.3 million, $4.4 million was received in the UK, largely attributable to the proceeds received on Listing, with the balance arising within Kazakhmys LLC from its funds on deposit.

Capital expenditure on mine developments cost, mining licences and property, plant and equipment amounted to $365.4 million, compared to $162.2 million in the prior year. Major items of capital expenditure were the development of the Zhaman-Aybat, Artemyevskoe and Abyz mines, as well as the construction of the sulphuric acid plant at the Balkhash Complex. Sustaining capital expenditure and investment in mine development costs were around $144 million and $26 million, respectively. Proceeds from the disposal of property, plant and equipment were under $10 million as redundant assets are normally sold for scrap or negligible value.

Listing proceeds, net of expenses, amounted to $491.2 million. During the year, dividends of $164.8 million were paid by the Group, representing the 2004 interim dividend of $52.2 million payable by Kazakhmys LLC in February 2005 and the 2005 interim dividend of $110.0 million payable by the Company in July 2005 (which was largely funded by the 2004 final dividend paid by Kazakhmys LLC).

The major net cash outflow in respect of borrowings was the repayment of the $100.0 million Citibank loan in November 2005. There was a cash inflow of $7.2 million relating to an increase in short term borrowings within MKM and $38.8 million within Kazakhmys LLC.

To maximise returns, the Group invested surplus funds in current investments with varying maturities of between one and twelve months. The cash outflow from investing in these deposits was $98.8 million compared to a cash inflow of $3.6 million arising from liquidation of these funds in the prior year.

Balance sheet

Summary of movements

Shareholders’ funds as at 31 December 2005 stood at $2,600 million, an increase of $833.2 million compared to the balance as at 31 December 2004. The increase was primarily due to net proceeds received on the Listing of $491.2 million, retained earnings for the year of $538.8 million, offset by currency translation differences of $70.4 million and dividends payable of $160.8 million.

The currency translation differences largely arose in respect of Kazakhmys LLC due to the weakening of the Kazakhstan Tenge against the US dollar from a rate of 129.96 KZT/$ as at 1 January 2005 to 133.77 KZT/$ as at 31 December 2005. There was also a depreciation of the Euro against the US dollar in respect of MKM which contributed to the currency translation difference.

Non-current assets and liabilities

Property, plant and equipment as at 31 December 2005 was slightly higher compared to the prior year balance, after capital expenditure of $333.7 million, was offset by depreciation of $216.8 million and currency translation differences of $67.9 million.

Mine stripping costs increased substantially from $16.9 million to $41.8 million due to the stripping work at Nurkazgan and Artemyevskoe mines.

The liability for employee benefits remained at a similar level to the prior year. The main component of the liability relates to unfunded post retirement benefits of $23.1 million for employees in Kazakhmys LLC. It also includes a liability of $5.6 million relating to part-time contracts for older employees at MKM that have been collectively agreed with the employees’ trade union.

FINANCIAL REVIEW (continued)

The Group has no pension obligations, other than a contingency in respect of the payment obligations of the Kazakhmys LLC-sponsored pension fund, termed the ‘Accumulating Pensions Funds of Kazakhmys LLC Corporation’ (the ‘Fund’). Certain of Kazakhmys LLC's employees and former employees are beneficiaries. The Fund's rules set out that the payment obligations to fund beneficiaries are based on the nominal value of contributions made by the beneficiaries, indexed in accordance with a formula set out in the Fund's rules. In the event that the assets of the Fund are insufficient to cover the payment obligations to the beneficiaries, the voting shareholders of the Fund (including Kazakhmys LLC) are jointly liable for the shortfall.

The last valuation as at 31 December 2005 showed that the payment obligations of the Fund were $102.4 million, and the market value of its assets was $119.6 million. No deficit has arisen within the Fund at any balance sheet date since its inception.

Provisions of $45.9 million were in line with the prior year. The most significant provision of $24.5 million relates to site restoration obligations which are determined with reference to the requirements of legislation in Kazakhstan.

Working capital

Working capital, including inventories, trade and other receivables, prepayments and other current assets, restricted cash and trade and other payables, increased by approximately $100 million. Although working capital was tightly controlled within the Kazakh Mining business, the effects of higher copper prices caused inventories, trade receivables and other debtors within MKM to increase from $134.0 million to $220.0 million, an increase of $86.0 million. If copper prices decline during the course of 2006, working capital within MKM should move back towards levels seen as at 31 December 2004.

Net liquid funds

Net liquid funds as at 31 December 2005 comprised cash and cash equivalents of $522.0 million, current investments of $356.5 million and borrowings of $49.1 million.

Cash and cash equivalents include $496.6 million of fixed rate deposits with a maturity of less than three months. Of the total cash and cash equivalents balance, the Company held $491.2 million and $15.1 million as fixed rate deposits and cash, respectively, in the UK. Cash held by MKM was $2.6 million, and the balance of cash and cash equivalents of $13.1 million was held by Kazakhmys LLC in Kazakhstan.

Current investments include fixed rate deposits of $245.3 million and $111.2 million held in US dollars and Kazakhstan Tenge, respectively, within Kazakhmys LLC. The maturities of the deposits held in Kazakhmys LLC are of varying periods up to twelve months.

Borrowings decreased from $102.1 million to $49.1 million. During the year, the loan of $100.0 million payable to Citibank was voluntarily repaid in light of the Group’s strong cash position, leaving short term credit facilities for Kazakhmys LLC and MKM of $41.6 million and $7.3 million, respectively. The Kazakhmys LLC facilities are used to fund its working capital depending on cash flow requirements and the maturity profile of bank deposits.

Capital employed

Capital employed increased in the year to $2,675 million as at 31 December 2005 from $1,916 million at the prior year end, primarily due to the proceeds raised from the Listing and retained earnings for the year. ROCE has shown an improvement from 30.2% to 31.5% partly due to a full year’s contribution from MKM, but primarily due to the improved earnings.

If the capital employed attributable to MKM was excluded from the Group capital employed figure as at 31 December 2004, then ROCE would have been in the region of 33%. To achieve a like-for-like comparison, if the proceeds raised from the Listing are excluded from capital employed as at 31 December 2005, then ROCE would have been around 39%.

The minority interests balance decreased from $47.2 million to $26.3 million as a result of the reduction in minority interest arising from the transaction with Kinton Trade Limited, as explained in note 8 to the financial information, which was partly offset by increased retained earnings within Kazakhmys LLC.

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2005 $'million	**Year ended 31 December 2004 $'million**
Group		
Revenues	2,597.5	1,259.5
Profit before taxation, finance items and negative goodwill	842.5	578.5
EBITDA excluding special items	1,073.5	791.4
EBITDA excluding special items margin (%)	41.3%	62.8%
Net finance items and negative goodwill	5.6	86.5
Profit before taxation	848.1	665.0
Effective tax rate (%)	35.1%	33.6%
Profit for the year	550.8	441.3
Equity minority interests (%)	2.2%	2.6%
Profit attributable to equity shareholders	538.8	429.8
Underlying Profit	549.8	376.1
EPS:		
Basic and Diluted ($)	1.29	1.06
EPS based on Underlying Profit ($)	1.31	0.93
Post-Listing dividend per share ($)	0.36	n/a
Return on Capital Employed (%)	31.5%	30.2%
Free Cash Flow	450.2	405.4
Net liquid funds	829.4	231.9

FINANCIAL HIGHLIGHTS (continued)

	Year ended 31 December 2005 $'million	Year ended 31 December 2004 $'million
Kazakh Mining		
Revenues	1,740.9	1,259.5
Profit before taxation, finance items and negative goodwill	820.8	578.5
EBITDA excluding special items	1,034.4	791.4
EBITDA excluding special items margin (%)	59.4%	62.8%
Net liquid funds	834.3	170.6
Cash cost of copper after by-product revenues ($/tonne)	997.2	615.5
Average $/KZT exchange rate	132.88	135.95
MKM		
Revenues	856.6	-
Profit before taxation, finance items and negative goodwill	21.7	-
EBITDA excluding special items	39.1	-
EBITDA excluding special items margin (%)	4.6%	-
Net liquid (debt)/funds	(4.9)	61.4
Average $/Euro exchange rate	0.80	0.80

CONSOLIDATED INCOME STATEMENT

Year ended 31 December

	Notes	2005 $'million	2004 $'million
Revenues	2	2,597.5	1,259.5
Cost of sales		(1,506.6)	(505.4)
Gross profit		**1,090.9**	**754.1**
Selling and distribution expenses		(55.5)	(18.0)
Administrative expenses		(185.3)	(109.4)
Other operating income		39.0	48.7
Other operating expenses		(34.8)	(55.0)
Write-offs and impairment losses	3	(11.8)	(41.9)
Profit before taxation, finance items and negative goodwill		**842.5**	**578.5**
Finance income	4	87.4	70.3
Finance costs	4	(81.8)	(95.1)
Recognition of negative goodwill		-	111.3
Profit before taxation		**848.1**	**665.0**
Income tax expense	5	(297.3)	(223.7)
Profit for the year		**550.8**	**441.3**
Attributable to:			
Equity shareholders of the parent		538.8	429.8
Minority interests		12.0	11.5
		550.8	**441.3**
Earnings per share attributable to equity shareholders of the parent:			
Basic and diluted	6	**$1.29**	**$1.06**
EPS based on Underlying Profit	6	**$1.31**	**$0.93**

CONSOLIDATED BALANCE SHEET

As at 31 December

	Notes	2005 $'million	2004 $'million
Assets			
Non-current assets			
Intangible assets		21.6	19.3
Tangible assets		1,743.1	1,676.9
Property, plant and equipment		1,701.3	1,660.0
Mining stripping costs		41.8	16.9
Investments		5.8	5.3
		1,770.5	1,701.5
Current assets			
Inventories		377.7	289.1
Trade and other receivables		210.8	125.4
Prepayments and other current assets		41.5	71.4
Investments		356.5	259.9
Restricted cash		1.0	30.7
Cash and cash equivalents		522.0	74.1
		1,509.5	850.6
TOTAL ASSETS		**3,280.0**	**2,552.1**
Equity and liabilities			
Share capital	8	173.3	151.1
Share premium		503.4	-
Foreign currency translation reserve		147.9	218.3
Reserve fund		9.4	14.8
Retained earnings		1,765.8	1,382.4
Equity attributable to shareholders of the parent		**2,599.8**	**1,766.6**
Minority interests		26.3	47.2
Total equity		**2,626.1**	**1,813.8**
Non-current liabilities			
Borrowings		-	78.0
Employee benefits		28.7	28.4
Provisions		44.5	43.5
Deferred tax liability		260.9	269.5
		334.1	419.4
Current liabilities			
Trade and other payables		158.7	144.6
Borrowings		49.0	24.1
Provisions		1.4	0.3
Dividend payable		3.1	0.5
Income tax payable		107.6	149.4
		319.8	318.9
Total liabilities		**653.9**	**738.3**
TOTAL EQUITY AND LIABILITIES		**3,280.0**	**2,552.1**

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December

	Notes	2005 $'million	2004 $'million
Net cash inflow from operating activities	9	**625.6**	**567.6**
Cash flows from investing activities			
Interest received		17.3	13.4
Proceeds from disposal of property, plant and equipment		7.3	4.1
Purchase of property, plant and equipment		(333.7)	(152.8)
Mine stripping costs		(26.5)	(5.2)
Purchase of intangible assets		(5.2)	(4.1)
Licence payments for subsoil contracts		(0.9)	(0.4)
Proceeds from disposal of non-current investments		0.2	-
Acquisition of non-current investments		(3.0)	-
Proceeds from disposal of available for sale securities		0.5	87.0
Acquisition of available for sale securities		(1.0)	(1.2)
Investment in short term bank deposits, net		(98.3)	(82.2)
Acquisition of subsidiaries, net of cash acquired		-	4.5
Acquisition of Apro business		(1.0)	-
Net cash flows used in investing activities		**(444.3)**	**(136.9)**
Cash flows from financing activities			
Proceeds on issue of shares		548.4	-
Transaction costs associated with issue of shares		(57.2)	-
Receipt of funds from preference shares		0.1	-
Redemption of preference shares		(0.1)	-
Capital transactions between subsidiary and shareholders		-	(161.0)
Proceeds from borrowings		525.6	508.1
Repayment of borrowings		(580.3)	(661.4)
Dividends paid		(164.8)	(53.7)
Net cash flows from/(used in) financing activities		**271.7**	**(368.0)**
Net increase in cash and cash equivalents		453.0	62.7
Cash and cash equivalents at the beginning of the year		74.1	7.7
Effect of exchange rate changes on cash and cash equivalents		(5.1)	3.7
Cash and cash equivalents at the end of the year		**522.0**	**74.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December

		Attributable to equity shareholders of the parent							
	Note	**Share capital $'million**	**Share premium $'million**	**Foreign currency translation reserve $'million**	**Reserve fund $'million**	**Retained earnings $'million**	**Total $'million**	**Minority interests $'million**	**Total equity $'million**
At 31 December 2003		151.1	-	70.3	14.8	1,161.1	1,397.3	37.4	1,434.7
Profit for the year		-	-	-	-	429.8	429.8	11.5	441.3
Capital transactions between subsidiary and shareholders		-	-	-	-	(156.9)	(156.9)	(4.2)	(161.1)
Equity dividends paid by subsidiary undertaking prior to share exchange transactions		-	-	-	-	(51.6)	(51.6)	(1.4)	(53.0)
Currency translation differences		-	-	148.0	-	-	148.0	3.9	151.9
At 31 December 2004		**151.1**	**-**	**218.3**	**14.8**	**1,382.4**	**1,766.6**	**47.2**	**1,813.8**
Profit for the year		-	-	-	-	538.8	538.8	12.0	550.8
Transfer from reserve fund		-	-	-	(5.4)	5.4	-	-	-
Shares issued pursuant to Kinton Trade Limited transaction		1.9	32.5	-	-	-	34.4	(25.9)	8.5
Shares issued pursuant to Listing of the Company		20.3	528.1	-	-	-	548.4	-	548.4
Transaction costs associated with issue of shares		-	(57.2)	-	-	-	(57.2)	-	(57.2)
Equity dividends paid by subsidiary undertaking prior to share exchange transactions		-	-	-	-	(50.8)	(50.8)	(1.3)	(52.1)
Equity dividends paid by subsidiary undertaking to minority shareholders		-	-	-	-	-	-	(5.3)	(5.3)
Equity dividends paid by the Company	7	-	-	-	-	(110.0)	(110.0)	-	(110.0)
Currency translation differences		-	-	(70.4)	-	-	(70.4)	(0.4)	(70.8)
At 31 December 2005		**173.3**	**503.4**	**147.9**	**9.4**	**1,765.8**	**2,599.8**	**26.3**	**2,626.1**

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

(a) Accounting for the share exchange agreements relating to the acquisition of Kazakhmys LLC

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

Pursuant to the share exchange agreements, the Company issued 15,580,210 ordinary shares of £5 each on or around 25 November 2004, a further 568,738 ordinary shares of £5 each were issued in the period 29 December 2004 to 23 August 2005 and an additional 2,000 ordinary shares of 20 pence each were issued on 29 December 2005, equivalent to 80 ordinary shares of £5 each prior to the share split which took place on 23 September 2005 in which the Company's share capital was redenominated into ordinary shares of 20 pence each. Immediately after the initial issue of shares pursuant to the share exchange agreements, the Company's interest in Kazakhmys LLC was 93.96%. This interest increased to 97.40% upon completion of share allotments relating to the share exchange agreements.

As this transaction involved the combination of businesses under common control, the pooling of interests method of accounting has been applied in the presentation of the financial information for the two years ended 31 December 2005 which present the results of the Group as if the Company had always been the parent company of Kazakhmys LLC. The consolidated profit and loss account for the year ended 31 December 2004 combines the results of the Company from the date of incorporation to 31 December 2004 with those of Kazakhmys LLC for the year then ended. The consolidated balance sheet as at 31 December 2004 consolidates the balance sheet of the Company and that of Kazakhmys LLC group as at that date.

(b) Basis of accounting

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

(c) Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB as adopted by the European Union up to 31 December 2005.

Kazakhmys LLC, which previously prepared its financial statements under Kazakhstan Accounting Standards, had a transition date to IFRS of 1 January 2002. As a result, no reconciliation of equity or results reported under Kazakhstan Accounting Standards and equity and results reported under IFRS is reported in the consolidated financial statements.

(d) Comparative figures

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

(e) Changes in accounting policies

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

2. Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. From 1 January 2005, the primary format, business segments, is based on the Group's management and internal reporting structure following the acquisition by the Group of MKM.

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

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

The Group's activities principally relate to:

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

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

(a) Business segments

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

For the purposes of the financial information one business segment is therefore identified as a reportable segment in respect of the year ended 31 December 2004. From 1 January 2005, the UK operation has primarily purchased its products from the Kazakh mining business and applies an appropriate mark-up prior to onward sale to third party customers. It is therefore regarded as a sales function on behalf of the Kazakh mining business and is not considered a distinct business segment. The price at which sales are made to the Company by Kazakhmys LLC is the prevailing price of commodities as determined by the LME.

At the end of 2004, the Group acquired MKM, which operates from Germany, where it manufactures copper and copper alloy semi-finished products. MKM faces different risks to the Group's Kazakh mining operations and, therefore, from 1 January 2005 the Group operated two distinct business segments.

Segmental information in respect of these two business segments for the years ended 31 December 2005 and 2004 is presented below:

2. Segment information (continued)

(a) Business segments (continued)

Income statement information

	Year ended 31 December 2005			Year ended 31 December 2004		
	Kazakh Mining $'million	**MKM $'million**	**Total $'million**	**Kazakh Mining $'million**	**MKM $'million**	**Total $'million**
Sales to external customers	**1,740.9**	**856.6**	**2,597.5**	**1,259.5**	**-**	**1,259.5**
Gross profit	**1,024.8**	**66.1**	**1,090.9**	**754.1**	**-**	**754.1**
Operating costs	(204.1)	(44.3)	(248.4)	(175.6)	-	(175.6)
Profit before taxation, finance items and negative goodwill	**820.7**	**21.8**	**842.5**	**578.5**	**-**	**578.5**
Net finance income/(costs)			5.6			(24.8)
Recognition of negative goodwill			-			111.3
Profit before taxation			**848.1**			**665.0**
Income tax expense			(297.3)			(223.7)
Profit for the year			**550.8**			**441.3**

2. Segment information (continued)

(a) Business segments (continued)

Balance sheet information

	At 31 December 2005			At 31 December 2004		
	Kazakh Mining $'million	MKM $'million	Total $'million	Kazakh Mining $'million	MKM $'million	Total $'million
Assets						
Tangible and intangible assets	1,598.9	165.8	1,764.7	1,494.1	202.1	1,696.2
Non-current investments	2.7	3.1	5.8	2.0	3.3	5.3
Operating assets (1)	606.4	220.0	826.4	568.1	134.1	702.2
Current investments	356.5	-	356.5	259.9	-	259.9
Cash and cash equivalents	519.4	2.6	522.0	11.7	62.4	74.1
Segment assets	**3,083.9**	**391.5**	**3,475.4**	**2,335.8**	**401.9**	**2,737.7**
Unallocated assets			-			-
Elimination			(195.4)			(185.6)
Total assets			**3,280.0**			**2,552.1**
Liabilities						
Employee benefits and provisions	67.3	7.3	74.6	59.8	12.4	72.2
Trade and other payables	129.1	29.5	158.6	102.2	42.4	144.6
Borrowings	41.6	202.8	244.4	101.1	186.5	287.6
Segment liabilities	**238.0**	**239.6**	**477.6**	**263.1**	**241.3**	**504.4**
Unallocated liabilities			371.6			419.4
Elimination			(195.3)			(185.5)
Total liabilities			**653.9**			**738.3**

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

2. Segment information (continued)

(a) Business segments (continued)

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

	Year ended 31 December 2005			Year ended 31 December 2004		
	Kazakh Mining $'million	MKM $'million	Total $'million	Kazakh Mining $'million	MKM $'million	Total $'million
Profit before taxation, finance items and negative goodwill	820.8	21.7	842.5	578.5	-	578.5
Special items:						
Add: write-off of property, plant and equipment	6.8	-	6.8	30.4	-	30.4
Add/less: loss/(gain) on disposal of property, plant and equipment	8.6	(4.0)	4.6	25.9	-	25.9
Profit before taxation, finance items and negative goodwill excluding special items	**836.2**	**17.7**	**853.9**	**634.8**	**-**	**634.8**
Add: depreciation and depletion	196.7	21.0	217.7	155.6	-	155.6
Add: amortisation	1.5	0.4	1.9	1.0	-	1.0
EBITDA excluding special items	**1,034.4**	**39.1**	**1,073.5**	**791.4**	**-**	**791.4**

Net liquid funds/(debt) by business segments

	At 31 December 2005			At 31 December 2004		
	Kazakh Mining $'million	MKM $'million	Total $'million	Kazakh Mining $'million	MKM $'million	Total $'million
Cash and cash equivalents	519.4	2.6	522.0	11.7	62.4	74.1
Current investments	356.5	-	356.5	259.9	-	259.9
Borrowings [(2)]	(41.6)	(202.5)	(244.1)	(101.0)	(185.5)	(286.5)
Inter-segment borrowings [(2)]	-	195.3	195.3	-	185.5	185.5
Finance leases	-	(0.3)	(0.3)	-	(1.0)	(1.0)
Redeemable preference shares	-	-	-	(0.1)	-	(0.1)
Net liquid funds/(debt)	**834.3**	**(4.9)**	**829.4**	**170.5**	**61.4**	**231.9**

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

(2) Borrowings of MKM include amounts borrowed from the Kazakh Mining segment.

2. Segment information (continued)

(a) Business segments (continued)

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

	Year ended 31 December 2005			Year ended 31 December 2004		
	Kazakh Mining $'million	MKM $'million	Total $'million	Kazakh Mining $'million	MKM $'million	Total $'million
Property, plant and equipment	321.2	12.5	333.7	152.8	-	152.8
Mine stripping costs	26.5	-	26.5	5.2	-	5.2
Intangible assets	4.2	1.0	5.2	4.2	-	4.2
Capital expenditure	**351.9**	**13.5**	**365.4**	**162.2**	**-**	**162.2**
Depreciation and depletion	196.7	21.0	217.7	155.6	-	155.6
Amortisation	1.5	0.4	1.9	1.0	-	1.0
Depreciation, depletion and amortisation	**198.2**	**21.4**	**219.6**	**156.6**	**-**	**156.6**
Write-offs and impairment losses	**11.8**	**-**	**11.8**	**41.9**	**-**	**41.9**

(b) Segmental information in respect of revenues

Revenues by product are as follows:

	2005 $'million	2004 $'million
Kazakh Mining		
Copper cathodes	1,377.2	911.5
Silver in granules	147.3	115.2
Zinc metal	64.3	5.7
Gold bullion	37.7	14.4
Copper rods	26.5	134.7
Other by-products	14.5	13.5
Zinc concentrate	15.0	9.3
Tolling from copper	3.4	8.5
Tolling from precious metals	3.1	1.2
Other revenue	51.9	45.5
	1,740.9	**1,259.5**
MKM		
Wire	389.1	-
Sheet steel and steel strips	252.3	-
Tubes and bars	167.3	-
Metal trade	47.9	-
	856.6	**-**
Total revenues	**2,597.5**	**1,259.5**

2. Segment information (continued)

(b) Segmental information in respect of revenues (continued)

Provisional pricing

Approximately 50% of sales agreements provide for provisional pricing of sales in the month of sale with final pricing settlement based on average LME copper price for the month following the sale.

For the year ended 31 December 2005 gains of $52.4 million (2004: nil), relating to the difference between provisional pricing and final pricing, have been included within revenues.

At 31 December 2005, copper sales totalling 20,881 tonnes remained to be finally priced and were recorded at that date at an average price of $4,342 per tonne based on provisional invoices. The gain arising in January 2006 of $7.9 million (2004: nil) relating to contracts provisionally priced in December will be recognised in the consolidated financial statements for the year ended 31 December 2006.

Revenues by destination are as follows:

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

	Year ended 31 December 2004			
	China $'million	Europe $'million	Other $'million	Total $'million
Sales to third parties	856.4	143.2	259.9	1,259.5

3. Write-offs and impairment losses

	2005 $'million	2004 $'million
Write off of plant, property and equipment	6.8	30.3
Provisions against prepayment and other current assets	3.8	-
Impairment for investments	1.8	-
Write off of goodwill	0.4	-
Provisions against trade and other receivables	0.3	13.3
Release of provisions for obsolete inventories	(1.3)	(1.7)
	11.8	41.9

4. Finance income and finance costs

	2005 $'million	2004 $'million
Finance income:		
Interest income	30.6	13.8
Foreign exchange gains	56.8	56.5
Total finance income	**87.4**	**70.3**
Finance costs:		
Interest expense	(8.8)	(4.9)
Interest on employee obligations	(2.0)	(1.6)
Unwinding of discount on provisions	(3.2)	(2.7)
Finance costs before foreign exchange losses	(14.0)	(9.2)
Foreign exchange losses	(67.8)	(85.9)
Total finance costs	**(81.8)**	**(95.1)**

5. Income tax

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

	2005 $'million	2004 $'million
Current income tax		
Corporate income tax - current period	281.0	238.0
Corporate income tax - prior periods	(7.7)	-
Excess profits tax	27.0	15.9
	300.3	253.9
Deferred income tax		
Corporate income tax - current period	(8.1)	(28.6)
Excess profits tax	5.1	(1.6)
	(3.0)	(30.2)
Income tax expense	**297.3**	**223.7**

5. Income tax (continued)

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

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

	2005 $'million	**2004 $'million**
Profit before taxation	848.1	665.0
At statutory income tax rate of 30%	254.4	199.5
Expenditure not allowable for income tax purposes	8.6	14.0
Overprovided in previous years	(7.7)	-
Effect of higher tax rate in Germany	0.7	-
Change in the tax rate in Germany	(2.7)	-
Recognition of negative goodwill	-	(33.4)
Transactions with related parties	-	23.9
Unremitted overseas earnings	11.9	5.4
Excess profits tax	32.1	14.3
At effective income tax rate of 35.1% (2004: 33.6%)	**297.3**	**223.7**

Corporate income tax is calculated at 30% of the assessable profit for the period for the Company and Kazakhmys LLC. The MKM tax rate is calculated at 35.98% (2004: 38.13%) and relates to German corporate income tax and trade tax.

Excess profits tax is levied on profitable subsoil contracts where the Internal Rate of Return for the current year exceeds 20%. The effective rate for excess profits tax for those subsoil contracts liable to this tax is 37% (2004: 18%).

6. Earnings per share

The earnings per share ("EPS") calculation has assumed that the number of ordinary shares issued pursuant to share exchange agreements in relation to the acquisition of Kazakhmys LLC have been in issue throughout the two year period ended 31 December 2005 consistent with the pooling of interests method used to account for combinations of businesses under common control. The EPS calculation has also assumed that the share split that occurred on 26 September 2005, in which the Company's share capital was redenominated into ordinary shares of 20 pence each, was in effect for all prior periods.

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

Basic and diluted EPS

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

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

	2005 $'million	2004 $'million
Net profit attributable to equity shareholders of the Company	538.8	429.8

	2005 No.	2004 No.
Number of shares		
Weighted average number of ordinary shares of 20 pence each for EPS calculation	418,105,627	403,725,750
EPS-basic and diluted	**$1.29**	**$1.06**

6. Earnings per share (continued)

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 between 2004 and 2005.

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:

	2005 $'million	**2004 $'million**
Net profit attributable to equity shareholders of the Company	538.8	429.8
Special items:		
Recognition of negative goodwill	-	(111.3)
Write-off of property, plant and equipment	6.8	30.3
Loss on disposal of property, plant and equipment	4.6	25.9
Tax effect of non-recurring items	(0.5)	2.9
Minority interest effect of non-recurring items	0.1	(1.5)
Underlying Profit	**549.8**	**376.1**
	2005 No.	**2004 No.**
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	418,105,627	403,725,750
EPS based on Underlying Profit – basic and diluted	**$1.31**	**$0.93**

7. Dividends paid and proposed

The dividend per share disclosures below have been calculated using the number of shares in issue at the date of payment after reflecting the share split that occurred on 26 September 2005 for comparability purposes. The dividends declared and paid during the years ended 31 December 2005 and 2004 are as follows:

	Per share $	Amount $'million
Year ended 31 December 2005		
Declared by the Company:		
Interim dividend in respect of year ended 31 December 2005	0.27	110.0
Declared by Kazakhmys LLC:		
Interim dividend in respect of year ended 31 December 2004	0.13	52.2
	0.40	162.2
Year ended 31 December 2004		
Declared by Kazakhmys LLC:		
Interim dividend in respect of year ended 31 December 2004	0.13	53.0

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

Dividend declared by Kazakhmys LLC

On 7 September 2004, Kazakhmys LLC paid an interim dividend in respect of the year ended 31 December 2004 of $53.0 million which was paid to shareholders on the register of Kazakhmys LLC as at 6 September 2004. On 24 February 2005, Kazakhmys LLC paid an interim dividend in respect of the year ended 31 December 2004 of $52.2 million, which was paid to shareholders on the register of Kazakhmys LLC as at 31 October 2004. Accordingly, as the share exchange agreement was not effective until 23 November 2004, these dividends were paid directly to Kazakhmys LLC's former shareholders, rather than to the Company. The dividends are shown in the financial information as cash outflows for the Group, consistent with the pooling of interests method of accounting.

Dividend declared by the Company

On 5 July 2005, the Company paid an interim dividend of $110.0 million in respect of the year ended 31 December 2005 to shareholders on the register as at 1 July 2005.

7. Dividends paid and proposed (continued)

Dividends declared after the balance sheet date

	Per share $	Amount $'million
Proposed by the Directors on 29 March 2006 (not recognised as a liability as at 31 December 2005):		
Final dividend in respect of the year ended 31 December 2005	0.36	168.3

In relation to the dividend proposed by the Directors on 29 March 2006 the UK pounds sterling per share amount is 20.6856 pence.

8. Share capital and reserves

(a) Authorised and allotted share capital

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

In the statutory accounts of the Company for the year ended 31 December 2004, the share capital as at 1 January 2004, resulting from the adoption of the pooling of interests method of accounting, was estimated based on the number of share swaps expected to be undertaken pursuant to share exchange agreements. As the number of share swaps undertaken was finalised during 2005, the share capital as at 1 January 2004 was restated to take account of those additional shares issued.

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

	Number	£'million	$'million
Authorised - 31 December 2005			
Ordinary shares of 20 pence each	750,000,000	150.0	-
Special share of £1.00 each	1	-	-
At 31 December 2005	750,000,001	150.0	-
Allotted and called up share capital			
As at 31 December 2004	16,149,030	80.7	151.1
As at 31 December 2005	467,474,200	93.5	173.3

8. Share capital and reserves (continued)

(a) Authorised and allotted share capital (continued)

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

	Number of shares	Share capital $'million	Share premium $'million	Total $'million
Ordinary shares of £5 each issued and fully paid				
Shares issued to initial shareholders	2	-	-	-
Shares issued pursuant to share exchange agreements [(1)]	16,149,028	151.1	-	151.1
Number of shares in issue at 1 January 2004, 31 December 2004 and 23 September 2005	16,149,030	151.1	-	151.1

Share capital following the share split:

	Number of shares	Share capital $'million	Share premium $'million	Total $'million
Ordinary shares of 20 pence each issued and fully paid				
Number of shares in issue at 23 September 2005	403,725,750	151.1	-	151.1
Shares issued pursuant to transaction with Kinton Trade Limited	5,314,425	1.9	32.5	34.4
Shares issued pursuant to the Company's Listing (net of expenses $57.2 million)	58,434,025	20.3	470.9	491.2
	467,474,200	173.3	503.4	676.7

The special share is analysed as follows:

Special share of £1.00				
At 1 January 2004	-	-	-	-
Issue of special share	1	-	-	-
At 31 December 2004	1	-	-	-
Redemption of special share	(1)	-	-	-
At 31 December 2005	-	-	-	-

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

8. Share capital and reserves (continued)

(b) Ordinary shares

(i) Year ended 31 December 2004

On incorporation, the Company issued one ordinary share of £1 each to each of the two subscribers to the Memorandum of Association. On 28 September 2004, eight ordinary shares of £1 each were issued at par. Pursuant to a special resolution of the Company dated 22 October 2004, all the issued and unissued ordinary shares of £1 each of the Company were consolidated and divided into 10,000 ordinary shares of £5 each and the authorised share capital of the Company was increased to £100,050,000 by the creation of 19,990,000 ordinary shares of £5 each and 50,000 redeemable preference shares of £1 each. Pursuant to a written resolution dated 19 November 2004, the authorised share capital of the Company was increased from £100,050,000 to £100,050,001 by the creation of one special share of £1.

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

(ii) Year ended 31 December 2005

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

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

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

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

8. Share capital and reserves (continued)

(c) Special share

On 19 November 2004, a special share of £1 was issued to Perry Partners S.A. in connection with the refinancing by Credit Suisse First Boston, London Branch, of debt owed by Perry Partners S.A. The beneficial owner of the share was Perry Partners S.A. although the holder was Credit Suisse First Boston, London Branch, by way of a pledge agreement. The special share was the sole share of its class, and whilst not giving any form of control over the Company, it gave the holder the right of veto over a limited number of transactions by the Company. The special share did not qualify for dividends. On the Listing of the Company, the consent rights attaching to it ceased to apply. The special share was redeemed on 17 November 2005.

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

	2005 **$'million**	**2004** **$'million**
Profit before taxation	**848.1**	**665.0**
Interest income	(30.6)	(13.8)
Interest expense	8.8	4.9
Depreciation and depletion	217.7	155.6
Amortisation	1.9	1.1
Recognition of negative goodwill	-	(111.3)
Write off and impairment losses	11.8	41.8
Unrealised foreign exchange loss	0.3	13.3
Loss on disposal of property, plant and equipment	4.6	25.9
Operating cash flows before changes in working capital and provisions	**1,062.6**	**782.5**
Increase in inventories	(97.1)	(28.5)
(Increase)/decrease in trade and other receivables	(69.5)	79.4
Decrease in prepayments and other current assets	18.0	0.1
Decrease/(increase) in restricted cash	29.0	(30.7)
Increase/(decrease) in trade and other payables	20.3	(65.1)
Increase in employee benefits	1.2	1.1
Increase/(decrease) in provisions	3.4	(4.1)
Cash flows from operations before income taxes and interest	**967.9**	**734.7**
Income taxes paid	(333.3)	(164.2)
Interest paid	(9.0)	(2.9)
Net cash inflow from operating activities	**625.6**	**567.6**

10. Movement in net liquid funds

	At 1 January 2004 $'million	Cash flow $'million	Acquisition of MKM $'million	Net exchange translation $'million	Other non cash movements $'million	At 31 December 2004 $'million
Cash and cash equivalents	7.7	62.7	-	3.7	-	74.1
Current investments	260.0	(3.6)	-	25.4	(21.9)	259.9
Borrowings	(169.7)	153.3	(82.1)	8.4	(10.9)	(101.0)
Finance leases	-	-	(1.0)		-	(1.0)
Redeemable preference shares	-	-	-		(0.1)	(0.1)
Net liquid funds	98.0	212.4	(83.1)	37.5	(32.9)	231.9

	At 1 January 2005 $'million	Cash flow $'million	Net exchange translation $'million	Other non cash movements $'million	At 31 December 2005 $'million
Cash and cash equivalents	74.1	453.0	(5.1)	-	522.0
Current investments	259.9	98.8	(8.6)	6.4	356.5
Borrowings	(101.0)	54.0	2.5	(4.4)	(48.9)
Finance leases	(1.0)	0.7	0.1	-	(0.2)
Redeemable preference shares	(0.1)	0.1	-	-	-
Net liquid funds	231.9	606.6	(11.1)	2.0	829.4

11. Events after the balance sheet date

(a) Post year-end dividend

The Directors have proposed a final dividend in respect of the year ended 31 December 2005 of 20.6856 pence per share (equivalent to 36.0 US cents per share). Subject to approval of shareholders at the annual general meeting to be held on 23 May 2006, this dividend shall be paid on 26 May 2006.

(b) Capital contribution to Kazakhmys LLC

On 31 January 2006, the Company made a capital contribution of $185.7 million to Kazakhmys LLC. The offer period for subscribing shareholders to take up the right of minority interests who did not participate in the capital contribution, as permitted by legislation, closed on 14 March 2006. The Company's interest in Kazakhmys LLC resulting from this capital contribution increased from 98.68% as at 31 December 2005 to 99.08%.

11. Events after the balance sheet date (continued)

(c) Option agreement with Executive Chairman

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

12. Announcement based on audited accounts

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 December 2005 or 2004 but is derived from these accounts. The statutory accounts for the year ended 31 December 2004 have been delivered to the Registrar of Companies and those for 2005 will be delivered following the Company's AGM on 23 May 2006. The auditors have reported on those accounts and their report was unqualified and did not contain statements under Sections 237(2) or (3) Companies Act 1985.

NOTICE OF FINAL DIVIDEND

Notice is hereby given that a final dividend on the Company's ordinary share capital in respect of the year ended 31 December 2005 is proposed as follows:

Amount proposed in UK pounds sterling (subject to approval by shareholders at the AGM)	20.6856 pence per ordinary share
Amount to be paid in US dollars (subject to approval by shareholders at the AGM)	36.0 US cents per ordinary share
Currency conversion dates	23/24/27/28/29 March 2006
Ex-dividend on the London Stock Exchange from the commencement of trading on	26 April 2006
Record date	28 April 2006
Dividend warrants posted	25 May 2006
Payment date of dividend	26 May 2006

The Directors propose, subject to the passing of the resolution at the AGM relating to the adoption of revised Articles of Association, to pay the final dividend in US dollars at 36.0 US cents per ordinary share. Subject to shareholders approving this recommendation at the AGM, the dividend will be paid on 26 May 2006 to shareholders on the register at close of business on 28 April 2006. Shareholders may elect to receive their dividends in UK pounds sterling by completing a Currency Election Form, a copy of which may obtained from Computershare Investor Services PLC, the Company's registrars, and returning it to them by 12 May 2006.

By order of the Board

Matthew Hird

Company Secretary

29 March 2006

PRODUCTION AND SALES FIGURES

Historical production and sales figures for the year ended 31 December 2004 are taken from the Price Range Prospectus without material modification.

SUMMARY OF SIGNIFICANT PRODUCTION AND SALES FIGURES

	2005	2004
Kazakh Mining:		
Ore mined (kt)	39,446	35,376
Copper content in ore mined (%)	1.03	1.30
Copper cathode production (kt):		
From own concentrate	339	405
From purchased concentrate	48	3
Total Kazakhmys copper cathodes produced (excluding tolling) (kt)	**387**	**408**
Tolling (kt)	10	20
Total Kazakhmys copper cathodes produced (including tolling) (kt)	**397**	**428**
Total Kazakhmys copper cathodes and copper rods sold (kt)	**370**	**414**
MKM:		
Wire sales (t)	119,368	-
Flat sales (t)	57,866	-
Tubes and Bars sales (t)	40,773	-
Total MKM sales (t)	**218,007**	**-**

PRODUCTION AND SALES FIGURES (continued)

MINING

Metal Mining

	Ore Mined		Copper		Zinc		Gold		Silver	
	2005 kt	2004 kt	2005 %	2004 %	2005 %	2004 %	2005 g/t	2004 g/t	2005 g/t	2004 g/t
North	3,516	3,916	0.77	0.76	-	-	-	-	10.48	11.73
South	7,281	8,706	0.82	1.03	-	-	-	-	13.44	21.22
Stepnoy	3,481	-	0.76	-	-	-	-	-	17.27	-
East	5,776	4,415	0.95	1.16	-	-	-	-	24.26	26.59
West	3,185	3,157	0.61	0.95	-	-	-	-	18.25	23.62
Annensky	4,807	4,453	1.15	1.35	-	-	-	-	21.67	20.54
TOTAL ZHEZKAZGAN COMPLEX	28,046	24,647	0.87	1.06	-	-	-	-	17.73	20.86
Kounrad	3,508	3,626	0.28	0.28	-	-	-	-	1.62	1.68
Shatyrkul	473	227	2.24	1.67	-	-	0.37	0.34	2.62	2.70
Sayak I & Sayak III	1,645	1,213	1.19	1.07	-	-	0.30	0.33	6.02	6.09
Nurkazgan	247	609	0.40	1.85	-	-	0.15	0.33	1.41	2.87
TOTAL BALKHASH COMPLEX	5,873	5,675	0.70	0.67	-	-	0.30 (1)	0.33 (1)	2.99	2.79
Orlovskoe	1,667	1,666	4.31	4.47	3.91	3.76	0.55	0.52	54.20	48.40
Belousovskoe	247	293	0.91	0.90	2.84	3.72	0.45	0.58	46.68	52.22
Irtyshskoe	448	455	1.07	1.21	2.74	2.64	0.31	0.33	44.72	43.60
Nikolaevskoe	2,019	2,002	1.06	2.94	2.01	1.05	0.19	0.20	18.37	17.99
Yubileyno - Snegirikhinskoe	322	358	3.67	3.82	4.26	4.83	0.65	0.57	42.46	46.18
Artemyvevskoe	379	-	1.72	-	6.65	-	1.81	-	184.78	-
Shemonaikhinskoe	-	206	-	3.08	-	6.74	-	0.81	-	79.03
Abyz	445	74	1.07	0.15	3.90	0.82	4.91	1.51	54.55	17.94
TOTAL EAST REGION	5,527	5,054	2.23	3.20	3.28	2.74	0.84	0.41	48.31	36.79
TOTAL KAZAKHMYS	39,446	35,376	1.03	1.30	3.28 (2)	2.74 (2)	0.68 (3)	0.39 (3)	19.81	20.23

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

Coal Mining

	Coal mined		Waste stripped		Strip ratio	
	2005 kt	2004 kt	2005 kbcm	2004 kbcm	2005 bcm:t	2004 bcm:t
Borlynskoe	5,745	5,924	6,207	6,427	1.08	1.08
Kuu - Chekinskoe	1,262	1,376	4,631	5,392	3.67	3.92
TOTAL KAZAKHMYS	7,007	7,300	10,838	11,819	1.55	1.62

PRODUCTION AND SALES FIGURES (continued)

PROCESSING

Copper Processing

	Copper concentrate produced		Copper in concentrate	
	2005 kt	2004 kt	2005 %	2004 %
Zhezkazgan No.1	186	219	39.8	39.9
Zhezkazgan No.2	234	238	39.4	38.6
Satpaev	179	211	27.3	26.1
TOTAL ZHEZKAZGAN COMPLEX	599	668	35.9	35.1
Balkhash	181	175	18.2	17.2
TOTAL BALKHASH COMPLEX	181	175	18.2	17.2
Orlovskoe	321	345	20.2	19.5
Belousovskoe	12	14	14.6	14.6
Irtyshskoe	23	28	14.1	15.7
Nikolaevskoe	121	363	14.6	17.4
Karagaily	115	-	2.9	-
TOTAL EAST REGION	592	750	15.3	18.2
Own copper concentrate processed by third party	44	-	16.2	-
TOTAL KAZAKHMYS own concentrate	1,416	1,593	24.4	25.2
Purchased concentrate	268	14	19.4	21.4
TOTAL KAZAKHMYS own and purchased concentrate	1,684	1,607	23.6	25.2

PRODUCTION AND SALES FIGURES (continued)

Zinc and Precious Metals Processing

	Zinc concentrate produced		Zinc in concentrate		Silver		Gold	
	2005 kt	2004 kt	2005 %	2004 %	2005 koz	2004 koz	2005 koz	2004 koz
Zhezkazgan No.1	-	-	-	-	-	-	-	-
Zhezkazgan No.2	-	-	-	-	-	-	-	-
Satpaev	-	-	-	-	-	-	-	-
TOTAL ZHEZKAZGAN COMPLEX	-	-	-	-	-	-	-	-
Balkhash	-	-	-	-	-	-	-	-
TOTAL BALKHASH COMPLEX	-	-	-	-	-	-	-	-
Orlovskoe	106	92	43.2	45.5	115.7	101.8	1.1	1.0
Belousovskoe	11	18	43.6	42.4	154.5	157.3	1.7	1.4
Irtyshskoe	17	15	37.3	40.9	109.7	110.4	0.5	0.7
Nikolaevskoe	53	25	38.1	40.2	100.5	93.2	0.7	0.7
Karagaily	15	-	36.0	-	194.3	-	16.2	-
YSR (KazZinc)	15	-	34.4	-	-	-	-	-
Artemjevka (KazZinc)	14	-	51.1	-	-	-	-	-
TOTAL EAST REGION	231	150	40.9	43.8	119.0	107.9	2.0	1.0
TOTAL KAZAKHMYS	231	150	40.9 (1)	43.8 (1)	119.0	107.9	2.0	1.0

(1) Production from own concentrators within East Region.

PRODUCTION AND SALES FIGURES (continued)

Copper Smelter/Refinery- copper cathodes production

	Concentrate smelted		Copper in concentrate		Copper cathodes	
	2005 kt	2004 kt	2005 %	2004 %	2005 kt	2004 kt
Own concentrate	667	687	33.8	34.4	227	235
Purchased concentrate	31	3	25.4	20.5	8	1
Other (1)	192	119	3.2	3.8	-	-
TOTAL ZHEZKAZGAN COMPLEX	**890**	**809**	**26.9**	**29.8**	**235**	**236**
Own concentrate	706	966	16.5	18.4	112	170
Purchased concentrate	232	1	18.5	22.3	40	2
Other (1)	146	106	1.3	3.7	-	-
TOTAL BALKHASH	**1,084**	**1,073**	**14.9**	**16.9**	**152**	**172**
TOTAL KAZAKHMYS (excluding tolling)	**1,974**	**1,882**	**20.3**	**22.5**	**387**	**408**
Tolling	11	117	-	-	10	20
TOTAL KAZAKHMYS (including tolling)	**1,985**	**1,999**	**20.3**	**22.4**	**397**	**428**

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

Copper Smelter/Refinery- copper rod and acid production

	Copper rod		Acid production	
	2005 kt	2004 kt	2005 kt	2004 kt
Zhezkazgan	9	49	245	259
Balkhash	-	-	-	-
TOTAL KAZAKHMYS	**9**	**49**	**245**	**259**

PRODUCTION AND SALES FIGURES (continued)

Zinc Smelter/Refinery- zinc metal production

	Zinc concentrate smelted		Zinc in concentrate		Zinc metal	
	2005 kt	2004 kt	2005 %	2004 %	2005 kt	2004 kt
TOTAL KAZAKHMYS (all Balkhash)	186	77	41.2	44.6	51	18

Precious metal production

	Silver		Gold	
	2005 koz	2004 koz	2005 koz	2004 koz
Kazakhmys	20,426	17,715	101	54
Tolling	90	3	45	32
TOTAL KAZAKHMYS (including tolling)	**20,516**	**17,718**	**146**	**86**

PRODUCTION AND SALES FIGURES (continued)

Other production - Kazakhmys

	2005	2004
Electricity power space (MJ)	6,441	5,966
Heating power (KHcal)	4,013	4,014
Enamel wire (t)	506	412
Lead dust (t)	13,697	13,727

PRODUCTION AND SALES FIGURES (continued)

KAZAKHMYS SALES

	2005		2004	
	kt [1]	**$'000**	**kt [1]**	**$'000**
Copper cathode	362	1,377,199	366	911,523
Copper rod	8	26,535	48	134,658
TOTAL COPPER SALES	**370**	**1,403,734**	**414**	**1,046,181**
Zinc metal in concentrate	17	14,986	18	9,262
Zinc metal	52	64,326	6	5,724
Silver (koz)	20,174	147,267	17,619	115,225
Gold (koz)	84	37,722	42	14,393

(1) Kilotonne unless stated

Average Realised Prices

	2005	**2004**
Copper ($/t)	3,794	2,527
Zinc ($/t)	1,231	914
Silver ($/oz)	7.30	6.54
Gold ($/oz)	449	344

MKM PRODUCTION AND SALES

	2005	
	Production **t**	**Sales** **t**
Wire rod	88,913	88,047
Drawn wire	31,406	31,321
Total wire	**120,319**	**119,368**
Pre-rolled	4,942	4,907
Sheets	12,176	11,695
Strips	41,563	41,264
Total flat	**58,681**	**57,866**
Tubes	19,008	19,151
Bars	21,419	21,622
Total tubes and bars	**40,427**	**40,773**
TOTAL MKM	**219,427**	**218,007**

Glossary

AGM or Annual General Meeting

The Annual General Meeting of the Company which is scheduled to be held on Tuesday 23 May 2006 at 2.00 pm in the London Marriott Hotel, County Hall, Westminster Bridge Road, London SE1 7PB

Apro

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

bcm:t

Bank cubic metres excavated to recover one tonne of coal

Board or Board of Directors

The board of directors of the Company

Capital Employed

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

Cash cost of copper after by-products

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

Company or Kazakhmys

Kazakhmys PLC

Directors

The directors of the Company

Dollar or $

United States dollars, the currency of the United States of America

EBITDA

Earnings before interest, tax, depreciation and amortisation

EPS

Earnings per share

EPS based on Underlying Profit

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

EPT

Excess profits tax

Free Cash Flow

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

FTSE 100

Financial Times Stock Exchange top 100 companies

g/t

grammes per tonne

The Group

Kazakhmys PLC and its subsidiary companies

HSE Committee

Health Safety and Environment Committee

IASB

International Accounting Standards Board

IFRIC

International Financial Reporting Interpretations Committee

IFRS

International Financial Reporting Standards

Kazakh Mining business

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

Kazakhmys LLC

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

Kazakhstan

The Republic of Kazakhstan

kbcm

Thousand bank cubic metres

koz

Thousand ounces

kt

Thousand tonnes

Listing

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

LME

London Metals Exchange

LSE

London Stock Exchange

MKM

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

MJ

Megajoules of electric power

ROCE

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

$/t , $/tonnes

US dollars per tonne

Special Items

Those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. Special Items are set out in note 2(a) to the financial information

t

tonnes

Tenge or KZT

The official currency of the Republic of Kazakhstan

Underlying Profit

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

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