



KAZAKHMYS PLC

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Company Number: 5180783

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KAZAKHMYS PLC HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2009

FINANCIAL & PRODUCTION OVERVIEW

- ***Increased production and sales reflect success of management actions to maximise efficiency***
 - Production of 170 kt of copper cathode equivalent, an 8% increase on the previous period, assisted by use of stockpiled ore and productivity improvements
 - Sales of 200 kt of copper cathode equivalent, benefiting from reductions in inventory
- ***Cash costs significantly lower than 2008***
 - Net cash costs of 76 US cents per pound, compared to 116 US cents per pound for the full year 2008
 - Aided by cost reductions, lower input prices, currency devaluation and higher volumes in copper and by-products
- ***Average realised copper price of \$4,024 per tonne in H1 2009***
 - 51% below average realised copper price for H1 2008
 - Current price of \$6,305 per tonne recovering from \$2,902 per tonne at year end
- ***Financial performance benefited from improved costs and higher sales volumes, but affected by lower period on period copper prices***
 - Revenue declined 42% to \$1,648 million
 - EBITDA declined 49% to \$533 million excluding share of EBITDA from ENRC
 - Cash generated of \$406 million

OTHER HIGHLIGHTS

- ***Progress on major copper growth projects***
 - Pre-feasibility studies completed at both Aktogay and Boschekul
- ***Significant improvements in power tariffs in Kazakhstan***
 - Creating a commercial environment for further investment and expansion of power assets

OUTLOOK

- **Copper production expected to exceed annual target of 300 kt given additional 15 kt produced from stockpiled material**
 - Costs for the full year should be at the lower end of the target range of 90 to 120 US cents per pound
- **Power demand anticipated to increase in H2 along with further expected increase in tariffs**

\$ million (unless otherwise stated)	Six months ended 30 June 2009	Six months ended 30 June 2008
Revenues	1,648	2,838
Earnings:		
Group EBITDA excluding special items ¹	717	1,050
Profit before taxation	645	886
Underlying Profit	269	610
EPS:		
Basic and diluted (\$)	0.96	1.34
Based on Underlying Profit ² (\$)	0.50	1.34
Free Cash Flow ³	299	391
ROCE ⁴ (%)	5	11
Cash cost of copper after by-product credits ⁵ (USc/lb)	76	94

¹ Reconciliation of Group EBITDA excluding special items to operating profit is found in note 5(a).

² Reconciliation of EPS based on Underlying Profit is found in note 9(b).

³ Net cash flows from operating activities less sustaining capital expenditure on tangible and intangible assets.

⁴ Profit from all operations before taxation and finance items, excluding special items, as a percentage of the average of opening and closing capital employed.

⁵ Total of Kazakhmys Copper cash operating costs excluding purchased concentrate less by-product revenues, divided by the volume of copper cathode equivalent sales.

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

Oleg Novachuk, Chief Executive of Kazakhmys PLC, said: "This has been a strong six month performance with a successful execution of our operational initiatives delivering higher production and lower costs. Their actions, combined with a recovering copper price and targeted capital expenditure, led to solid cash flow generation and an improving balance sheet. Demand for copper has been positive and with our strong customer relationships in China we have been well placed to take advantage of this opportunity. Demand in our power business has been modest, but the outlook for both demand and pricing is improving. Going forward we will continue to focus on operational efficiencies, cash flow generation and to move forward with our growth opportunities."

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

REGISTERED OFFICE

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FORWARD-LOOKING STATEMENT

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

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

No part of this half-yearly report constitutes, or shall be taken to constitute, an invitation or inducement to invest in Kazakhmys PLC, or any other entity, and shareholders are cautioned not to place undue reliance on the forward-looking statements. Except as required by the Listing Rules and applicable law, Kazakhmys does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this half-yearly report.

CHIEF EXECUTIVE'S REVIEW

BACKGROUND

These are a positive set of results, and I should like to start by thanking my colleagues for delivering so well over the first six months of 2009 and for meeting the challenges set in such a demanding environment.

The current year started with the backdrop of low commodity prices and an uncertain economic outlook. As mentioned in our 2008 Annual Report and Accounts, our aim in 2009 was to preserve cash and protect profit margins as much as possible. We planned to reduce capital expenditure, lower costs and cut back or suspend production at operations where margins were insufficient.

In the first six months of 2009 we have delivered on all of these objectives and exceeded production and sales targets, through increased production at several mines, the use of stockpiled material, reductions of inventory, improvements in recovery rates and other efficiencies. Our major growth projects, at Aktogay and Boschekul, have both completed their pre-feasibility studies and confirmed their potential as large, low cost and long life assets.

COPPER PRODUCTION AND SALES

The suspension of four mines, at the end of 2008, should have resulted in a decline in ore output of around 3 MT with consequential reductions in metal production. However, a series of actions taken by management has allowed us to offset the impact of the suspensions and maximise production. Output was raised at several producing mines, such that ore output declined by just 1.5 MT to 16 MT.

The processing of previously stockpiled ore and higher recovery rates, at the concentrators and smelters, meant that the production of copper in concentrate from own material actually increased by 4.5% to 178 kt and the production of copper cathode equivalent rose by 8% to 170 kt. Action was also taken to reduce inventories of finished product, in order to release working capital, as a result of which sales of copper cathode equivalent were 200 kt during the period.

PRODUCTION AND SALES OF BY-PRODUCTS

In our by-products, principally zinc, silver and gold, there were similar benefits from the processing of stockpiled material, release of work in progress and improved recovery rates, which offset the decline in ore output. Compared to the first half of 2008, there were increases in production of 15%, 10% and 8%, respectively. There may be a limited further release of work in progress in silver and gold in the second half of the year.

MARKETS AND DEMAND

For the 2009 financial year, contracts are in place for the sale of around 90% of our anticipated copper cathode production, slightly higher than last year, with sales evenly split between Europe and China. Demand for copper softened at the end of last year, though without the significant disruptions seen in some other commodities. There was a noticeable improvement in demand for copper in early March and we took advantage of this opportunity to actively sell material from inventory. Non-contract, or 'spot sales', have been dominated by our Chinese customers for most of the year, reflecting underlying demand for material. In the period under review, 16.6 kt of copper concentrate was sold, equivalent to 15.9 kt of cathode. These concentrate sales were led by buoyant demand for concentrate due to the excess smelting capacity in China.

As previously reported, at the start of the year we hedged 8.5 kt of production for each month in 2009, around one third of our anticipated production. This was done to protect some of our higher cost operations, in the event of prolonged weakness in the copper price. These transactions offset the negative impact of copper prices falling below \$3,000 per tonne at the cost of sacrificing the upside when the price rose above \$4,000 per tonne.

At the start of 2009 we set a production target of 300 kt of copper cathode equivalent for the full year. The final number may be increased by the additional copper, just under 15 kt of copper in concentrate, which was produced in the first six months from stockpiled material.

COST CONTROL

Cost control in the first six months of the year has been above expectations and has shown the ability of operational management to quickly respond to the challenging conditions of the last 12 months. Gross costs have reduced by 19% to 143 US cents per pound, compared to 177 US cents per pound in 2008. This sharp reduction has been achieved by a mixture of active cost control by management, lower input prices, higher sales volumes and the 25% devaluation of the tenge in February 2009. By-product credits of \$294 million resulted in a net cash cost of 76 US cents per pound, below the 90 to 120 US cents per pound range that we set at the start of the year, and significantly better than the 116 US cents per pound average for the full year 2008.

Costs in the second half of the year are likely to be higher as input costs, such as diesel, have risen and inflation in Kazakhstan may increase as a consequence of the earlier devaluation. However, subject to the prices received for our by-products, we remain on track to stay within the target range mentioned above.

FINANCIAL PERFORMANCE

The dominant influence on the financial results was the decline in commodity prices, with the average realised sales price of copper at \$4,024 per tonne for the first six months of the year, compared to \$8,192 per tonne in the prior period. Reflecting this decline in metals prices, revenue fell 42% to \$1,648 million, despite approximately \$100 million from the additional material sold from inventory. The improved production costs, mentioned above, helped reduce the impact of lower prices on profitability, such that EBITDA for our managed businesses was \$533 million. Including our 26.0% share of ENRC's results, Group EBITDA amounted to \$717 million, a decline of 32% from \$1,050 million in the prior period. Earnings per share, including our share of ENRC's equity accounted earnings, was 50 US cents per share compared to 134 US cents per share for the first six months of 2008.

FINANCIAL POSITION

The control of costs and release of working capital had a significant impact on our ability to generate cash, even in a lower price environment. Over the six months, the business generated cash of \$406 million, from which we funded capital expenditure of \$196 million, made debt repayments of \$175 million and terminated the contract with AES at Ekibastuz GRES-1 for an initial cash settlement of \$80 million in April 2009. Our net debt reduced to \$1,628 million from the year end to \$1,568 million at 30 June 2009, with cash and deposits on the balance sheet of \$491 million.

In March 2009, we started repayments on our \$2.1 billion debt facility, at the rate of \$44 million per month. The facility is repayable over 48 months and stood at \$1,925 million at 30 June 2009. The interest rate on a substantial portion of the facility in 2009 is fixed at 2.3%, which is

highly competitive. We also have an undrawn facility of \$150 million, which was renegotiated in March 2009 and extended to March 2010.

We will continue to reduce our debt as opportunities arise, however, the low interest rate on our pre-export finance debt facility makes refinancing unattractive at prevailing market rates.

POWER BUSINESS

Power generation at our Ekibastuz GRES-1 power plant was 32% lower in the first half of the year compared to the previous period, at 3,761 GWh, as economic conditions in Kazakhstan reduced demand. We have started to see some recovery in power consumption and believe that the outlook is improving, particularly as other commodity producers in Kazakhstan recover and start absorbing more of their own power output.

The negotiations to sell 25% of Ekibastuz GRES-1 to Samruk-Kazyna, retaining a 75% equity interest, are at an advanced stage. The proposed transaction is in keeping with our intention at the time of purchase, to seek a strategic partner to assist in the development and investment of Ekibastuz GRES-1. Ekibastuz GRES-1 is the largest power station in Kazakhstan, with a capacity of 2,250 MW, but with the potential to increase to its original nameplate capacity of 4,000 MW. This substantial increase in capacity will require total investment of around \$1 billion, across the five producing turbines and the three dormant turbines. Given the capital commitment needed to deliver this increase in capacity and the potential output of Ekibastuz GRES-1, which is substantially above our own needs, we may consider reducing our holding further.

A key issue for Kazakhstan has been the need to increase tariffs, thereby improving investment returns and encouraging investment in the sector. Without this action, Kazakhstan will suffer increasingly severe power shortages and economic growth will be delayed. The average tariff for the first six months of the year was 2.84 KZT per kWh, but the regulated ceiling for 2009 is now 3.6 KZT per kWh. These prices remain considerably below most international prices, but compare to 2.35 KZT per kWh, when we bought Ekibastuz GRES-1 in May 2008. The increase in tariffs seen already, and the expectation for future increases, starts to justify the investment required to increase capacity. The Government has also made good progress in improving the national grid, which will assist sales in the domestic market.

STRATEGY

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

During 2009, the primary focus has been on optimising our assets, in order to improve our efficiency. There have been significant operational achievements so far this year, but for longer term improvements, we continue to work on our operational improvement programme. This programme is at an early stage, though productivity, safety and cost control remain key targets.

Good progress has also been made on our major copper growth projects at Aktogay and Boschekul, and both projects have now completed their pre-feasibility studies. The studies indicate that they are both economically sound projects using conservative pricing estimates.

We believe that the copper market will return to a shortage of supply and we have large, viable projects that are near to existing infrastructure and in close proximity to our customers in China. We will now seek to take these projects forward to feasibility stage, with suitable financing arrangements, in order to provide a good return for our investors.

Our 26% stake in ENRC is currently worth \$4.67 billion or 59% of our market capitalisation. ENRC also mainly operate in Kazakhstan, though in a different suite of metals to us. We believe that this significant holding provides strategic opportunities, but any future potential action with the stake will be based solely on creating value for all our shareholders.

DIVIDEND

At the time of Listing, we stated that we would pay a dividend based on the underlying profitability and funding requirements of the business. We believed then that this policy was prudent for a business subject to the cyclical pricing of commodities and the last 12 months have shown it to be appropriate. The Board has decided not to pay an interim dividend for this half year, as we believe that we should continue to preserve cash and reduce debt. The Board will, of course, keep this under review.

CORPORATE SOCIAL RESPONSIBILITY

I regret to inform that there have been 13 fatalities since the start of the year, compared to 18 in the first six months of 2008. We continue to invest resources and place a significant emphasis on improving our health and safety record. In the first six months of 2009 this has included spending on protective clothing and new training and reporting systems in order to reduce unsafe behaviour and practice. Specific action is being taken to improve materials and training relating to roof falls, which continue to be a noticeable cause of fatalities.

We have completed construction of two educational establishments – in Astana and Balkhash – both of which are due to open on 1 September 2009. The school in Astana will provide training in such demanded professions as construction, transport, metalwork and catering. The technical college in Balkhash is designed to annually train 800 students in technical specialities for the mining sector. A similar college built in Satpayev has now seen its first year of 200 graduates.

OUTLOOK

So far, we have met the challenges of 2009, but the global economy remains fragile and we will continue to focus on cash generation and margin protection. We continue to believe that the long-term supply/demand fundamentals for copper are positive and as our major projects move forward, we will be well placed to take advantage of this outlook. The power market has had a weak start to the year, but the opportunities are as positive as we anticipated at the time of acquisition.

DIVISIONAL REVIEW

SUMMARY OF GROUP EBITDA EXCLUDING SPECIAL ITEMS

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Group	717	1,050
Kazakhmys Copper	453	990
Kazakhmys Gold	9	6
Kazakhmys Power	41	8
Kazakhmys Petroleum	-	-
MKM	45	55
Share of EBITDA of ENRC	184	-
Corporate unallocated	(15)	(9)

The Group's EBITDA in the first half of 2009 was \$717 million, 32% lower than in the same period in 2008. The fall in commodity prices which occurred in the second half of 2008 resulted in the average copper price in the first six months of 2009 being over 50% below the prior period average, with the consequence that Kazakhmys Copper's EBITDA declined from \$990 million to \$453 million. Kazakhmys Power made an EBITDA contribution of \$41 million, up from \$8 million in the first half of 2008 following its acquisition in May of that year. MKM's EBITDA fell as the downturn in the European automotive and construction industries impacted demand for its products. The share of ENRC's EBITDA of \$184 million has been recognised as Kazakhmys commenced equity accounting for its stake in ENRC in the second half of 2008.

REVIEW OF KAZAKHMYS COPPER

KAZAKHMYS COPPER PRODUCTION SUMMARY

Copper

kt (unless otherwise stated)	Six months ended 30 June 2009	Six months ended 30 June 2008
Ore output	16,013	17,472
Copper grade (%)	1.19	1.22
Copper in own concentrate	178	171
Copper cathodes from own concentrate ¹	154	157
Copper cathodes from own concentrate equivalent ²	170	157
Copper cathodes from purchased concentrate	4	17
Copper rod production	5	24

¹ Includes cathode converted into rod.

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

In the first six months of 2009, as Kazakhmys Copper focused on reducing operating expenditure and protecting profit margins, output was suspended at the higher cost mines of Belousovsky, Kounrad, North Nurkazgan and sections of the West and North mines. Akbastau mine, which reported output of 1 MT of ore in the first half of 2008, ceased operations to preserve the ore body ahead of the construction of a new concentrator at the site which will reduce transportation costs. The mine closures reduced ore output by almost 3 MT, but the lost ore volumes were partially offset by an improved performance from the South mine, following operational difficulties in the first half of 2008, and the successful launch of the West Nurkazgan underground mine in early 2009.

Whilst ore output declined 8% compared to the prior period, copper in concentrate production was 5% higher, the result of improved operational efficiency. Measures taken in the second half of 2008 and completed in the first half of 2009, include the upgrade of concentrators, for example Nurkazgan and Karagaily, which enabled stockpiled materials to be processed in 2009, contributing almost 15 kt of copper in concentrate. In addition, the overall copper recovery rate at the concentrators was raised from 84% to 86% when comparing the two periods.

The Zhezkazgan smelter had one of its two furnaces closed during the period, limiting its capacity but enabling more efficient utilisation levels. In the first six months of 2009, excess Zhezkazgan concentrate was shipped to the Balkhash smelter or was sold as copper concentrate into China. The copper concentrate sales are reflected in the copper cathodes from own concentrate equivalent figure shown above. In the prior period there were no external copper concentrate sales as all concentrate was processed into cathodes.

The 4 kt of production of cathodes from purchased concentrate was from the rundown of inventory held at 31 December 2008. Copper rod production is demand driven, and the lower premiums on offer in 2009 led to production being limited to local demand rather than exported for sale to China as was the case in the prior year.

Over the second half of 2009, the contribution to production from the processing of stockpiled material is expected to be reduced, such that Kazakhmys is on target to meet the market guidance of copper cathode equivalent production of 300 kt in 2009, but the additional cathode from stockpiled material may lift the final number.

Zinc

kt (unless otherwise stated)	Six months ended 30 June 2009	Six months ended 30 June 2008
Zinc grade (%)	4.04	3.32
Zinc in concentrate	76	66
Zinc in metal	9	25

The suspension of mining at Akbastau and also at Abyz (whilst stockpiles are cleared), has led to zinc metal in ore output falling in the first half of 2009 compared to the prior period. The low grade Akbastau ore in the first six months of 2008 lowered the average zinc grade in that period.

Zinc in concentrate production was higher than in the first half of 2008, benefiting from the processing of stockpiled material, successfully improving zinc recovery rates at concentrators and the timing of receipts from material from third party processing.

The zinc metal refinery suspended output in March 2009 following several months of running down work in progress at the site. Options are being reviewed for the future of the zinc refinery. All of Kazakhmys' zinc concentrate production is now sold externally.

Precious Metals

	Six months ended 30 June 2009	Six months ended 30 June 2008
koz (unless otherwise stated)		
Average silver grade (g/t)	20.41	20.56
Silver own production	9,145	8,329
Average gold grade (g/t)	0.61	0.94
Gold own production	68	63

Extracted silver and gold metal in ore both decreased in the first half of 2009 compared to the prior period, with gold in particular being impacted by the suspension of production at the Abyz, Kosmurun and Akbastau mines. The suspension of these mines also lowered the average gold grade. Finished goods production from own material was however, higher for both silver and gold as stockpiled material was processed and recovery rates at the concentrators were improved. The processing of stockpiled material is likely to reduce over the second half of 2009, thereby impacting the production levels of both materials.

KAZAKHMYS COPPER FINANCIAL SUMMARY

	Six months ended 30 June 2009	Six months ended 30 June 2008
\$ million (unless otherwise stated)		
Sales revenues:	1,104	1,786
Copper cathodes	721	1,265
Copper rods	17	195
Copper concentrate	72	-
Zinc (metal and concentrate)	60	84
Silver	117	129
Gold	60	59
Other	57	54
Average realised price of copper (\$/tonne)	4,024	8,192
EBITDA excluding special items	453	990
Net cash costs excluding purchased concentrate (US\$/lb)	76	94
Capital expenditure	148	343
Sustaining	94	163
Expansionary	54	180

Revenues

Revenues from copper have fallen significantly due to weaker prices. Offsetting the lower prices, the sales volumes of copper products in the first half of 2009 benefited from a reduction in inventory of finished goods of 26 kt such that copper cathode and rod sales were 184 kt, up from 177 kt in 2008. Rod sales in the first six months of 2009 were only made to local customers as the premium into China was not sufficiently attractive.

Following the trial sales of copper concentrate in the second half of 2008 and the closure of one Zhezkazgan furnace, copper concentrate was sold for the first time in meaningful quantities. In the first half of 2009, 16.6 kt of copper in concentrate was sold to China on a contractual basis with no such sales in the first half of 2008.

The overall percentage of revenue attributable to copper has fallen from 82% to 73% as by-products contributed a greater proportion to revenues.

Zinc revenues were largely derived from zinc in concentrate sales in the first half of 2009 as the production of zinc metal was suspended in March 2009. The decrease in average zinc prices from \$2,272 per tonne to \$1,323 per tonne together with the lower volumes of zinc metal sold led to the reduction in revenue between the periods.

Silver became Kazakhmys' second most important metal in 2008 as strong prices led to revenues of \$129 million in the first six months of 2008. A sharp fall in average prices from \$17 per ounce to \$13 per ounce has reduced sales by 9% in the first half of 2009, despite volumes of granules sold rising by 675 koz to 8,038 koz and \$9 million of revenues from concentrate sales.

Gold revenues were in line with those in the first half of 2008 as the average gold price has remained consistent and as volumes sold of 66 koz were only slightly higher than in the prior period.

EBITDA excluding special items

EBITDA excluding special items has fallen by \$537 million as revenues have sharply declined, offset to a limited extent by a reduction in Kazakhmys Copper's costs.

Kazakhmys Copper's cost of sales decreased by 19% compared to the prior period, due to a combination of a number of cost reduction measures, implemented at the end of 2008, including the closure of selected higher cost mines and the renegotiation of supplier contracts, the impact of the devaluation of the tenge in February 2009 and no purchases of copper concentrate taking place in the first half of 2009.

The decision to suspend selected mines in 2009 reduced ore output by 3 MT, although this was partially offset by higher output from other mines, driving down costs including fuel, consumables and transportation costs. Where possible, the workers and equipment at the suspended mines were re-assigned to other operations.

The economic downturn gave Kazakhmys the opportunity in the fourth quarter of 2008 to renegotiate terms with many of its suppliers to reduce input prices. Falls in the price of commodities such as oil and steel have also had a beneficial impact on costs.

The tenge devalued against the US dollar in February 2009, moving from approximately 120 KZT/\$ to 150 KZT/\$. Whilst many production costs are indirectly linked to the US dollar, the devaluation resulted in a reduction in tenge denominated costs such as labour, local services and utilities. The devaluation may lead to higher inflation in Kazakhstan in the second half of 2009.

In 2008, Kazakhmys purchased copper concentrate to utilise spare capacity at the smelters but, due to the reduction in production capacity following the suspension of one of the Zhezkazgan smelter furnaces, no third party copper concentrate has been purchased in 2009. In the first half of 2008, 17 kt of copper concentrate was purchased.

Administrative expenses fell by 5% due to the impact of the tenge devaluation and lower social spending, which were partially offset by costs incurred in respect of the suspended operations and the recently launched change management programme. Social responsibility costs fell by \$15 million or by 45% as the Group reduced its extensive social programme in light of the

challenging economic environment and also in the first half of 2008, a \$10 million contribution was made to the city of Astana for its 10th anniversary celebration.

Other operating expenses rose as a charge of \$16 million was booked in respect of copper hedges entered into during the first half of 2009 for approximately one third of monthly production. Further details of the copper hedging programme can be found in the Financial Review.

Net cash cost

The gross cash cost of own copper (before by-product credits) fell from 177 US cents per pound to 143 US cents per pound when comparing the first six months of 2008 and 2009. The sales volumes of copper was significantly higher in 2009, which, combined with the cost factors noted earlier, led to the gross cash cost reducing on a per unit basis.

The reduced net cash cost of own copper in the first half of 2009 of 76 US cents per pound, down from 94 US cents per pound in the prior period, reflects the lower cost per unit noted above. However, the reduction was partially offset by lower by-product credits due to weaker commodity prices.

Capital expenditure

Kazakhmys Copper's capital expenditure in the first half of 2009 was significantly below the relatively high levels in the prior period, the result of the Group's focus on conserving cash during the economic downturn. Capital expenditure was reduced by rationing the spend on new projects and renegotiating existing supply contracts. Due to the level of capital expenditure in recent years, these actions should not impact short-term output.

The capital expenditure for stay in business and maintenance in the first half of 2009 mainly related to the residual payments for mining equipment purchased in the prior year. The scope of the 2009 equipment programme has been reduced with the focus on essential replacements. Areas of investment in the first half of 2009 included maintenance at Kazakhmys Copper's smelters and power stations. Work was performed on installing a copper anode production line at the Zhezkazgan smelter to improve the quality of copper cathode produced.

In February 2009, Kazakhmys Copper commenced production from the newly commissioned underground Nurkazgan West mine in the Karaganda Region. Capital expenditure during the first half of 2009 included the development of infrastructure at the mine to bring it to the production stage. Further expenditure will be committed to increase the capacity of the underground mine to 4 MT of ore per year by 2011.

The pre-feasibility study was successfully completed for the Boschekul sulphide ore deposit in April 2009. The pre-feasibility study confirmed the technical and economic viability of the mine. Additional work is being conducted to identify options to further improve the economics. Financing options for the project are being assessed after which the project is expected to progress to the feasibility stage.

The Aktogay deposit includes both oxide and sulphide ore. The pre-feasibility study for the sulphide project has been completed, the results of which are being assessed together with the feasibility study for the oxide project (completed in late 2008). Financing options for Aktogay are being considered prior to the project moving to the feasibility stage.

REVIEW OF KAZAKHMYNS GOLD

KAZAKHMYNS GOLD PRODUCTION SUMMARY

	Six months ended 30 June 2009	Six months ended 30 June 2008
Ore output (kt)	746	857
Average gold grade (g/t)	1.46	1.50
Gold doré production (koz)	20	22

The reduction in ore output, when comparing the first half of 2008 against 2009, is due to the closure of the Zhaima mine in September 2008 as the deposit was fully exploited. Output from the Mizek oxide and Mukur mines was largely unchanged between the periods. The gold grade has fallen slightly, the result of a small decline in the gold content in ore at the Mukur mine.

The 2 koz decrease in gold doré production reflects the reduction in metal in ore extracted, although there was a small continued contribution from the Zhaima mine as work in progress was processed.

KAZAKHMYNS GOLD FINANCIAL SUMMARY

\$ million (unless otherwise stated)	Six months ended 30 June 2009	Six months ended 30 June 2008
Sales revenues	19	18
Average realised price (\$/ounce)	958	918
EBITDA excluding special items	9	6
Cash cost (\$/ounce)	447	459
Capital expenditure	3	4
Sustaining	1	1
Expansionary	2	3

Kazakhmys Gold revenues increased by \$1 million to \$19 million in the first half of 2009, despite a slight decrease in production volumes compared with the prior period. The increase in revenue was due to sales of finished goods held at the start of the period.

EBITDA excluding special items for the first half of 2009 was higher than the prior period as Kazakhmys Gold's profitability benefited from favourable gold market conditions, and the devaluation of the tenge in February 2009.

Capital expenditure

In the first half of 2009, Kazakhmys Gold's capital expenditure mainly related to the development of the Bozymchak deposit which successfully moved from the feasibility stage to development stage during the period. Expenditure was also incurred on sustaining Kazakhmys Gold's existing mining operations and the continuing technical studies of the Akjilga and Mizek sulphide deposits.

The development of the Bozymchak copper and gold deposit is proceeding, following the positive results from the feasibility study completed in early 2009. The deposit has probable

reserves of 7,982 kt with a copper grade of 0.89% and a gold grade of 1.42 g/t. Open pit mining operations at the deposit are expected to commence in 2011. Kazakhmys is reviewing financing options for the project's development.

The technical studies on the Mizek sulphide project have been on-going during the period and are expected to be completed in the second half of 2009. Development of the infrastructure at the Mizek sulphide site remains on hold subject to the results of these studies.

Exploration work at the Akjilga silver and copper deposit in Tajikistan was conducted in the first six months of 2009, including drilling work to improve the definition of the deposit's resources. Further work will continue at the site throughout the remainder of 2009.

REVIEW OF KAZAKHMYS POWER

Kazakhmys completed the acquisition of the Ekibastuz GRES-1 coal-fired power plant and the Maikuben West coal mine, which are located in north east Kazakhstan's Pavlodar Oblast, on 29 May 2008 from AES Corporation. AES were retained as the operator of the power plant and coal mine under a management services agreement which has now ended, following which Kazakhmys assumed full operational responsibility for the power plant and coal mine during the second quarter of 2009.

During the first half of 2009, KEGOC, the operator of Kazakhstan's power network, completed a line linking the North and West regions of Kazakhstan. Construction work has also been carried out to expand the capacity of the North to South power line which, by the end of 2009, should have reached 1,350 MW. The upgraded linkage of Kazakhstan's power grids is expected to reduce the volumes imported from abroad and increase domestic demand from Kazakhstan based power stations.

KAZAKHMYS POWER PRODUCTION SUMMARY

	Six months ended 30 June 2009	Six months ended 30 June 2008
Net power generated (GWh)	3,761	5,506
Net power generated attributable to Kazakhmys ¹ (GWh)	3,761	938
Net dependable capacity (MW)	2,256	2,036
Coal extraction (kt)	1,654	1,771
Coal extraction attributable to Kazakhmys ¹ (kt)	1,654	377

¹ Period from acquisition on 29 May 2008.

Ekibastuz GRES-1's net power generation decreased by 32% to 3,761 GWh for the first six months of 2009 compared to the prior period as demand from industrial customers reduced, leading to a surplus of supply. Market conditions have progressively improved in the second quarter of 2009, with a consequent increase in the net power generated by Ekibastuz GRES-1 as sales to Russia resumed, domestic demand showed signs of recovery and neighbouring stations had maintenance outages.

The net dependable capacity increased from 2,036 MW in the first half of 2008, to 2,256 MW in the same period in 2009, with the completion of the major overhaul of Unit 6 in the second half of 2008. Unit 5 ceased operation in April 2009 for a major overhaul and is expected to restart production in November 2009, in time for the winter season. More limited maintenance has been performed on Units 3 and 6 during the first half of 2009.

KAZAKHMYS POWER FINANCIAL SUMMARY

\$ million (unless otherwise stated)	Six months ended 30 June 2009	1 month 2008 ¹
Sales revenues	85	19
Average tariff price (KZT/kWh)	2.84	2.40
Average cost (KZT/kWh)	1.54	1.44
EBITDA excluding special items	41	8
Capital expenditure	20	3
Sustaining	4	1
Expansionary	16	2

¹ Period from acquisition on 29 May 2008.

Revenue

The electricity generated by Ekibastuz GRES-1 is sold externally to a combination of business and residential customers. Approximately 20% of the output is exported to Russia. Of the total revenue, \$74 million was attributable to electricity sales and \$11 million to external sales of coal from the Maikuben West coal mine.

In the first six months of 2009, the economic downturn led to major industrial electricity consumers cutting their output, lowering demand for power. Electricity sales volumes fell by 37% or 2,230 GWh when compared to the first six months of 2008, as there was oversupply into the marketplace. In the first half of 2008, Ekibastuz GRES-1 sold power into Russia throughout the period, however in the first half of 2009, agreement was only reached in March after which sales resumed.

In April 2009, new regulations were introduced on tariffs which raised the tariff ceiling to 3.60 KZT/kWh for 2009 and provided indicative tariffs for future years which could reach 8.80 KZT/kWh in 2015. The realised tariffs for the first four months of 2009 were 2.76 KZT/kWh in Kazakhstan, but had risen to a June average of 3.12 KZT/kWh and further rises are anticipated over the second half of 2009. The average tariff over the first half of 2008 in Kazakhstan was 2.40 KZT/kWh.

As sales are largely denominated in tenge, the currency devaluation in February 2009 has had a negative impact on the revenues when reported in US dollars.

EBITDA excluding special items

EBITDA is primarily generated by Ekibastuz GRES-1, which comprised over 90% of Kazakhmys Power's EBITDA. The main cost at the power station is coal, which is sourced primarily from the nearby Bogatyr mine, with additional volumes being supplied from the Maikuben West mine. Bogatyr coal tariffs were increased by almost 9% in the first half of 2009. Both Ekibastuz GRES-1 and Maikuben West took measures to control costs in the period and raise operating efficiency. Partially offsetting the loss in revenues from the tenge devaluation was a currency related decrease in the costs of both Ekibastuz GRES-1 and Maikuben West which are substantially denominated in tenge.

Average cost

The cash cost per kilowatt hour of electricity increased by 7% or 0.10 KZT/kWh in the first half of 2009 as electricity production volumes were lower, leading to a greater fixed cost per unit. The upwards cost pressure from the lower volumes was partially offset by the tenge devaluation.

Capital expenditure

In the first half of 2009, Kazakhmys Power's capital expenditure included costs for the overhaul of Unit 5 as part of the continuing programme to modernise the five operating units at Ekibastuz GRES-1. Expenditure was also incurred to sustain the operations of the existing operating plant along with equipment purchases for the Maikuben West coal mine.

The overhaul of Unit 5 commenced in April 2009 and will increase the unit's gross dependable capacity from 430 MW to the nameplate capacity of 500 MW. The overhaul work will also involve the installation of an electrostatic precipitator to reduce ash emissions. The unit is expected to be operational in late 2009 and the electrostatic precipitator is planned to be commissioned in the second half of 2010.

The refurbishment of the three dormant units at Ekibastuz GRES-1 form part of the medium to long-term capital expenditure programme for the power station. Preliminary work has commenced on Unit 8 and is expected to continue through 2010 and 2011. The other two dormant units are scheduled to be restored following Unit 8. Once the dormant units have been refurbished, the plant will be restored to its nameplate capacity of 4,000 MW. The expansion programme is dependent upon the achievement of tariff increases in future years.

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

REVIEW OF KAZAKHMY'S PETROLEUM

KAZAKHMY'S PETROLEUM FINANCIAL SUMMARY

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
EBITDA excluding special items	-	-
Capital expenditure	17	17

Kazakhmys Petroleum continued oil exploration work on the East Akzhar field during the first half of 2009, finishing the 3D seismic survey and analysis which started in 2008, the results of which will be used to determine the location of future deep wells. The drilling of the first deep well, which commenced in 2008, was completed at a depth of 5,185 metres. As expected, oil was found, however the recoverability is still to be determined as technical difficulties were encountered during testing which require the removal of sections of the inner tubing.

Once the full depth of the first deep well was reached, the drilling rig was relocated to the site of the second deep well. At the end of June 2009, the second deep well had reached a depth of 4,362 metres with the target depth of 5,200 metres. The site of the third deep well, which will commence drilling later in 2009, has been selected and initial site work has begun.

The capital expenditure incurred during the first half of 2008 was for 3D seismic work and drilling on the first deep well. In the first six months of 2009, the capital expenditure was largely drilling related, completing the first deep well and starting the second deep well. Further 3D seismic work will be undertaken over an area of the field which previously had not been surveyed following the resolution of certain contractual issues.

REVIEW OF MKM

MKM FINANCIAL SUMMARY

\$ million (unless otherwise stated)	Six months ended 30 June 2009	Six months ended 30 June 2008
GVA ¹ (€ million)	64	85
Wire section (€ million)	14	21
Flat section (€ million)	32	42
Tubes and bars (€ million)	18	22
EBITDA excluding special items	45	55
Capital expenditure	3	5

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

The difficult economic conditions experienced by European industries in the first half of 2009 had a negative impact on demand for MKM's semi-finished copper products. Sales volumes declined by 21%, falling from 149 kt to 118 kt, the main drivers being the wire and flat sections. As a result, GVA decreased by €21 million or 25% from €85 million in the prior period to €64 million in the first half of 2009.

Wire products, containing wire rod and drawn wires saw sales volumes fall by 25% as weakness in the automotive industry led to lower order volumes. Flat products, consisting of plates, strips and sheets experienced a 15% decrease in demand and tubes and bars saw volumes reduce by 17% due to the downturn in MKM's core European markets. Whilst customers continue to operate at low inventory levels, MKM has seen a pick-up in orders in the third quarter of 2009 across certain business units.

EBITDA excluding special items was \$45 million, \$10 million below EBITDA in the prior period of \$55 million. The EBITDA figure includes a \$36 million IFRS inventory adjustment (\$28 million in the first half of 2008) due to the rising copper price over the period. As sales revenues have been impacted by weak demand, MKM management have taken effective steps to control costs including reducing working hours and releasing temporary staff. The weakening of the Euro also impacted EBITDA by \$7 million when presented in US dollars.

Capital expenditure was restricted to replacement spend and was primarily focused on flat products and tubes and bars.

FINANCIAL REVIEW

BASIS OF PREPARATION

The financial information presented on pages 32 to 53 has been prepared in accordance with IFRS using consistent accounting policies as those adopted in the financial statements for the year ended 31 December 2008.

INCOME STATEMENT

A summary of the consolidated income statement is shown below:

\$ million (unless otherwise stated)	Six months ended 30 June 2009	Six months ended 30 June 2008
Revenues	1,648	2,838
Operating costs excluding depreciation, depletion, amortisation, mineral extraction tax and special items	(1,115)	(1,788)
Segmental EBITDA excluding special items	533	1,050
Special items:		
Less: impairment of property, plant and equipment	(23)	(2)
Less: provisions against inventories	(10)	-
Less: loss on disposal of property, plant and equipment	(1)	-
Less: mineral extraction tax	(71)	-
Less: depreciation, depletion and amortisation	(142)	(157)
Operating profit	286	891
Share of profits from associate	119	-
Profit before finance items and taxation	405	891
Net finance income/(expenses)	240	(5)
Profit before taxation	645	886
Income tax expense	(130)	(276)
Profit for the period	515	610
Minority interests	1	(2)
Profit attributable to owners of the Company	516	608
EPS – basic and diluted (\$)	0.96	1.34
EPS based on Underlying Profit (\$)	0.50	1.34

The significant reduction in copper prices seen during the fourth quarter of 2008 eased at the beginning of 2009 with prices stabilising but at levels well below the highs experienced in the last few years. However, the depressed copper prices seen in the first quarter of 2009, when the average realised copper price was \$3,319 per tonne, proved to be short lived and copper prices started to increase in the second quarter when the average realised copper price was \$4,831 per tonne, an increase of 46%. The average realised price for the six month period was 51% lower than the prior period at \$4,024 per tonne compared to \$8,192 per tonne in 2008. Offsetting the lower prices were strong sales volumes across all commodities with copper cathode equivalent sales of 200 kt compared to 177 kt in the prior period, largely due to the processing of stockpiled ore and a reduction in inventory levels of finished goods. Revenues and sales volumes of by-products, particularly silver, started at low levels at the beginning of the period but increased significantly during the second quarter.

Despite these factors, and a full six month's contribution from Kazakhmys Power following its acquisition in May 2008, revenues fell by 42% to \$1,648 million compared to the prior period.

In January 2009, the Group commenced a hedging programme which was intended to cover production from the higher cost mines in the Zhezkazgan Region such that the viability of these mines is protected in the event of a decrease in the copper price below \$3,000 per tonne. The hedges cover 90 kt, or approximately 30% of the estimated copper production for 2009, and establish a price protecting floor and a cap to the price receivable on the hedged copper sales. During the first quarter of the year, the average copper price was between the floor and the cap and no settlement on the hedges was required. However, during the second quarter, \$16 million was paid out to settle the hedges. While the copper price remains above the cap, as is currently the case, settlement of the hedges will be required resulting in an additional expense and cash outflow for the Group.

In February 2009, the National Bank of Kazakhstan announced that it would support the tenge, within a range of 3%, at a lower level of 150 KZT/\$, resulting in a devaluation of approximately 25%. Whilst the devaluation has a beneficial impact on the profitability of the Kazakhmys Copper mining business as its revenues are mostly based on US dollar metals prices and approximately 40% to 50% of its costs are denominated in tenge, there is an adverse impact on the profitability of the Kazakhmys Power business since its revenues and costs are largely denominated in tenge.

In response to the market conditions that existed at the end of 2008 and beginning of 2009, a series of cost cutting measures were implemented in the operating businesses. In addition, the impact of the rising consumer price index in Kazakhstan and global mining industry inflation has largely subsided with cost pressures for fuel costs, mining consumables, transportation costs and employee costs diminishing. However, the impact of the devaluation of the tenge may prove to be inflationary and could potentially push up input prices denominated in tenge in the short to medium term.

Profit before finance items and taxation decreased by 55% to \$405 million and our key performance measure for earnings, Group EBITDA excluding special items, was \$717 million, a 32% decrease compared to 2008. A reconciliation of Group EBITDA excluding special items by operating segment is shown below.

RECONCILIATION OF EBITDA EXCLUDING SPECIAL ITEMS

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

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Segmental EBITDA excluding special items and revenue based taxes		
Kazakhmys Copper	453	990
MKM	45	55
Kazakhmys Power	41	8
Kazakhmys Gold	9	6
Kazakhmys Petroleum	-	-
Corporate unallocated	(15)	(9)
Total segmental EBITDA excluding special items	533	1,050
Share of EBITDA of associate¹	184	-
Group EBITDA excluding special items	717	1,050

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

Special items for the period of \$34 million relate to the impairment of property, plant and equipment of \$23 million, provisions against inventories of \$10 million and the loss on disposal of property, plant and equipment of \$1 million. These special items have arisen during the period largely due to the curtailment in the Group's capital expenditure programme with a focus on selected projects, and the continuing low demand for certain of the Group's by-products within Central Asia.

EQUITY ACCOUNTING

Following the share exchange with the Government and incremental market purchases of shares during the second half of 2008, the Group's shareholding in ENRC stands at 26%. Accordingly, the Group has equity accounted for its interest in ENRC.

The share of profits from the associate recognised in the consolidated income statement, net of tax, is \$119 million based on the results of ENRC for the six months ended 30 June 2009, which were published on 19 August 2009.

Under equity accounting, the \$64 million dividend received from ENRC in June 2009 has not been recognised in the consolidated income statement, but is instead netted off against the carrying value of the investment in associate in the consolidated balance sheet.

Based on the 2009 interim dividend announced by ENRC on 19 August 2009 of 6 US cents per share, the Group should receive \$20 million in October 2009.

NET FINANCE ITEMS

Net finance income for the period was \$240 million compared to a net finance expense of \$5 million in the prior period. This difference is primarily due to the impact of the devaluation of the tenge as explained above. A net exchange gain of \$283 million has arisen in the period as a result of the retranslation of US dollar denominated monetary assets and liabilities within the Group's Kazakhstan subsidiaries as a direct result of the devaluation, since the businesses in Kazakhstan are obliged to prepare their accounts in tenge.

Furthermore, the Group has incurred interest charges of \$29 million during the period on the pre-export finance debt facility (PXF) which carries a margin of US\$ LIBOR + 1.25%. In December 2008, the Group took out a series of six month and 12 month interest rate swaps to hedge against the impact of short-term volatility in US\$ LIBOR rates thereby fixing the estimated

cost of servicing a substantial proportion of the outstanding PXF balance at 2.29%, including margin, for 2009. At 30 June 2009, \$1.0 billion of the \$1.9 billion drawn down under the PXF was covered by these interest rate swaps.

TAXATION

The Government of Kazakhstan introduced a new Tax Code which came into force on 1 January 2009. Included within the new tax legislation was a phased reduction in corporate income tax (CIT) rates from 30% in 2008 to 15% in 2011, with a rate of 20% being applicable for 2009.

However, off-setting the reduction in CIT rates was the introduction of the MET. The MET is a revenue based tax based on the volume and metal content of extracted ore and global commodity prices and does not take into account the profitability of operations. Given the significant increases in commodity prices since the start of the year, particularly for copper, the Group has booked an expense of \$71 million in relation to the MET.

The table below shows the Group's effective tax rate as well as the all-in effective tax rate which takes into account the impact of the MET and removes the impact of special items and non-recurring items on the Group's tax charge.

\$ million (unless otherwise stated)	Six months ended 30 June 2009	Six months ended 30 June 2008
Profit before taxation	645	886
Add: mineral extraction tax	71	-
Add: special items	34	2
Less: foreign exchange gain arising on devaluation of the tenge	(283)	-
Less: share of profits from associate	(119)	-
Adjusted profit before taxation	348	888
Income tax expense	130	276
Add: mineral extraction tax	71	-
Less: tax effect of special items foreign exchange gain arising on devaluation of the tenge	(51)	-
Adjusted tax expense	150	276
Effective tax rate (%)	20.2	31.2
All-in effective tax rate¹ (%)	43.1	31.1

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

The overall income tax expense for the period was \$130 million, a decrease of \$146 million compared to the prior period. Whilst the effective rate of tax for the period was 20.2% compared to a rate of 31.2% in the prior period due to the reduction in the CIT rate and a lower excess profits tax (EPT) charge, the all-in effective tax rate, which is a more representative tax rate on the recurring profits of the Group's managed businesses, was significantly higher at 43.1% compared to 31.1% in the prior period as a result of the introduction of the MET.

In a period of rising copper prices, as has been the case during 2009, the retrospective application of the MET to earlier periods of low prices magnifies the negative impact of the tax on profitability. Accordingly, subsoil contracts which were loss making, and therefore largely exempt from the full effects of the MET during the first quarter of 2009 when the copper price remained comparatively low, are now subject to the full impact of the MET for the whole six month period given the significant increases in copper prices seen during the period.

Therefore, during periods of low copper prices, the all-in effective tax rate is significantly higher than the effective tax rate as the MET does not take into account the profitability of operations. However, as both the copper price and profitability of operations increase, as was seen during the second quarter of 2009, the all-in effective tax rate decreases as the impact of the MET lessens, given its revenue based nature.

Management continue to hold discussions with the Government over seeking a reduction in the MET payable and exempting subsoil contracts from the full impact of the tax when commodity prices are low.

Furthermore, the new tax legislation removed the tax stabilisation of subsoil use contracts and changed the EPT methodology. Based on 2009 production and material flows within the Kazakhmys Copper division, EPT is unlikely to be levied and therefore there is no EPT charge for the period, compared to a charge of \$24 million in the prior period. The EPT charge for the period of \$1 million relates to the Kazakhmys Gold division only.

UNDERLYING PROFIT AND EARNINGS PER SHARE

Profit for the year attributable to owners of the Company decreased to \$516 million from \$608 million, a decrease of 15% compared to the prior period. Underlying Profit is seen as a more informed measure of the performance of the Group as it removes non-recurring or variable non-trading items from profit for the period, and their resulting tax and minority interest impacts. Therefore, it provides a more consistent basis for comparing the underlying trading performance of the Group between 2009 and 2008.

The reconciliation of Underlying Profit from profit attributable to owners of the Company is set out below.

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Profit attributable to owners of the Company	516	608
Special items:		
Impairment of property, plant and equipment	23	2
Provisions against inventories	10	-
Loss on disposal of property, plant and equipment	1	-
Net foreign exchange gain arising on devaluation of the tenge:		
Managed businesses	(283)	-
Associate	(62)	-
Tax effect of non-recurring items:		
Managed businesses	51	-
Associate	12	-
Minority interest effect of non-recurring items	1	-
Underlying Profit	269	610

Basic earnings per share decreased to \$0.96 from \$1.34, a decrease of 28%. Earnings per share based on Underlying Profit was \$0.50 compared to \$1.34 for the prior period, a decrease of 63%. The reduction in both measures of EPS is as a result of the lower underlying profitability of the Group during the period, as well as an increase in the weighted average number of shares in issue which increased from 455.4 million in the prior period to 535.2 million in 2009 following the share exchange with the Government in July 2008.

DIVIDENDS

In response to the current economic environment with lower commodity prices for the Group's products, continued market uncertainty over the sustainability of any recovery and the need to meet funding requirements in the near term, the Directors have not declared an interim dividend for 2009. This decision is in keeping with the Group's dividend policy determined at the time of Listing.

KEY FINANCIAL INDICATORS

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

	Six months ended 30 June 2009	Six months ended 30 June 2008
Group EBITDA excluding special items (\$ million)	717	1,050
EPS based on Underlying Profit (\$)	0.50	1.34
Free Cash Flow (\$ million)	299	391
Return on Capital Employed (%)	5	11
Net cash cost of copper after by-product credits excluding purchased concentrate (USc/lb)	76	94

CASH FLOWS

A summary of cash flows is shown below.

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Segmental EBITDA	499	1,048
Impairment losses	60	9
Loss on disposal of property, plant and equipment	1	-
Dividends received from associate	64	-
Foreign exchange gain/(loss) adjustment	43	(12)
Working capital movements ¹	(137)	(86)
Interest paid	(32)	(18)
Income taxes paid	(68)	(379)
MET paid	(24)	-
Net cash flows from operating activities	406	562
Sustaining capital expenditure	(107)	(171)
Free Cash Flow	299	391
Expansionary and new project capital expenditure	(89)	(202)
Interest received	5	19
Acquisition of subsidiaries, net of liquid funds and borrowings acquired	-	(1,154)
Payment of deferred consideration arising from business acquisition	(83)	-
Capital transactions with shareholders	-	(121)
Dividends paid	-	(125)
Proceeds from disposal of property, plant and equipment	1	-
Other movements	(4)	10
Cash flow movement in net (debt)/liquid funds	129	(1,182)

¹ Working capital movements are exclusive of any accruals relating to the MET.

Cash flows from operating activities during the period were \$406 million, a decrease of \$156 million compared to the prior period primarily due to the lower level of earnings and adverse working capital movements as explained below:

- the processing of stockpiled ore within Kazakhmys Copper during the period together with a sharp reduction in inventory levels of finished goods, and the related increase in sales, coupled with an increase in commodity prices, has contributed to a positive working capital movement of approximately \$80 million in respect of inventories, and an adverse working capital impact of approximately \$60 million on trade receivables from customers within the Kazakhmys Copper division;
- negative final pricing adjustments on provisionally priced contracts at 31 December 2008 within Kazakhmys Copper of approximately \$50 million were paid to Chinese customers in January and February 2009 due to the sharp fall in copper prices at the end of 2008. This contributed to the adverse working capital movement in respect of trade and other payables within Kazakhmys Copper; and
- within MKM the adverse working capital impact on inventory levels of \$37 million and trade receivables of \$23 million was largely commodity price driven.

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

The level of income taxes paid for the period was \$68 million which is significantly lower than the \$379 million paid in the prior period. This sharp reduction is primarily as a result of the lower earnings of the Group for the period and the corresponding level of payments on account being made to the Kazakhstan tax authorities. At 31 December 2008, Kazakhmys Copper had an income tax receivable balance of approximately \$100 million as a result of the payments on account being made during 2008 not taking into account the sharp reduction in profitability seen in the last quarter of the year. Payments on account for the first quarter of 2009 continued to be based on the significantly higher level of earnings for 2008, with agreement being reached with the tax authorities in the second quarter that no further payments on account would be required until the tax receivable balance had been utilised. Given the increase in commodity prices and higher profitability of Kazakhmys Copper in the second quarter, it is expected that the tax receivable balance will be fully utilised in the second half of the year, when tax payments on account will recommence.

As a result of the cost cutting measures introduced at the end of 2008, capital expenditure during the period was significantly reduced: sustaining capital expenditure was \$64 million lower at \$107 million compared to the prior period, and expansionary and new project capital expenditure was \$113 million lower at \$89 million. Despite this reduction in capital expenditure, significant items of expenditure during the period included expenditure on the pre-feasibility studies on Aktogay and Boschekul, expenditure on the Zhezkazgan and Balkhash smelters to improve recovery rates, ramping up of the Nurkazgan West underground mine which commenced mining operations in February 2009, the refurbishment of Unit 5 and installation of an electrostatic precipitator at Ekibastuz GRES-1 and continued exploration work within Kazakhmys Petroleum.

The Group received a dividend of \$64 million from ENRC in June 2009, whereas there was no corresponding amount in the prior period.

Interest paid during the period was \$32 million, \$14 million higher than the prior period primarily due to the payment of six months of interest under the PXF in 2009 compared to only one month in the first half of 2008 as the PXF was drawn down to fund the acquisition of Kazakhmys Power in May 2008. Lower cash balances, coupled with significantly lower US\$ LIBOR interest

rates in 2009 compared to the prior period, also meant that interest income received on cash and deposits has fallen from \$19 million to \$5 million in 2009.

The Group paid \$3 million in January 2009 as deferred consideration relating to the Kazakhmys Power acquisition. Furthermore, as stated below, on termination of the management contract of the Ekibastuz GRES-1 power plant and Maikuben West coal mine, the Group paid an additional \$80 million in April 2009 under the earnout agreement relating to the 2008 financial year.

BALANCE SHEET

Equity attributable to owners of the Company was \$6,382 million as at 30 June 2009, a decrease of \$1,095 million compared to the balance as at 31 December 2008. Whilst the Group has been profitable for the period, the impact of the devaluation of the tenge has given rise to a non-cash foreign exchange loss within equity of \$1,216 million due to the retranslation on consolidation of the Group's Kazakhstan-based subsidiaries whose functional currency is the tenge.

The Group's 26% investment in ENRC is shown within investment in associate in the consolidated balance sheet and has a book value of \$3,745 million at 30 June 2009 compared to \$4,045 million at 31 December 2008, as the Group's share of equity accounted earnings of \$119 million for the period has been offset by the \$64 million dividend received from ENRC in June 2009 and the net share of losses of the associate recognised within equity of \$355 million. At 30 June 2009, the ENRC shareholding had a market value of \$3,620 million based on the public price quotation on the London Stock Exchange, and this had risen further to \$4,671 million on 26 August 2009.

The Group's cash and deposits balance at 30 June 2009 stood at \$491 million compared to \$572 million at 31 December 2008. The management of cash continues to be tightly controlled by the Group's Treasury department who work closely with the operating divisions. Robust counterparty limits are set and adhered to, and the investment of cash and deposits are only made with approved counterparties of high credit worthiness within assigned credit limits that are regularly reviewed. Furthermore, cash flows in and out of Kazakhstan are also monitored and controlled on a regular basis to minimise foreign exchange and credit risk, and to ensure that sufficient cash is held within Kazakhstan for working capital purposes.

The Group's net debt position stood at \$1,568 million at 30 June 2009 compared with \$1,628 million at 31 December 2008. Whilst the net debt level increased in the first quarter of 2009 as commodity prices remained depressed, the beneficial impact of stronger commodity prices seen in the second quarter, improved working capital management and the dividend receipt from ENRC in June had the net effect of reducing the overall net debt position. Monthly repayments under the PXF of \$44 million commenced in March 2009 with \$175 million of capital being repaid during the period, thereby reducing the outstanding balance drawn under the PXF to \$1,925 million at 30 June 2009. Repayments will continue until March 2013.

In June 2009, the MKM trade finance facility was refinanced with a syndicate of banks. The size of this facility has been reduced from €230 million to €170 million, due to lower copper prices and more efficient management of inventory. The new trade finance facility is for a three year period with interest being payable on drawn balances at a rate of EURIBOR + 3.00%. At 30 June 2009, borrowings under this facility were \$148 million, up from \$121 million at 31 December 2008 as a result of higher working capital requirements due to higher copper prices towards the end of the period.

On 26 August 2008 the Group signed a \$200 million revolving credit facility with a group of banks for general corporate purposes and to provide standby liquidity. On 30 March 2009 the

facility was reduced to \$150 million and extended for a further six months to 31 March 2010. The facility has remained undrawn since its inception.

In March 2009, the Group agreed the early completion of the management contract with AES Corporation ('AES'), such that management of the Ekibastuz GRES-1 power plant and Maikuben West coal mine transferred to the Group during the second quarter of the year. The early completion agreement included an earnout of \$80 million for the 2008 financial year which was paid in April 2009, and a payment of \$102 million which will be paid in January 2010. The \$102 million payment, which is included within provisions in the balance sheet, is covered by a standby letter of credit to AES. This is made up of \$15 million cash collateral, with the remainder of \$87 million being secured by a pledge over ENRC shares. Further ENRC shares are also liable to be pledged under the terms of the letter of credit in the event that the ENRC share price falls below a certain level. Under this facility these shares are pledged until no later than 15 December 2009, the latest date at which the letter of credit must be cash collateralised.

RISK FACTORS

The significant risks and uncertainties identified by Kazakhmys that could materially affect the Group's financial condition, performance, strategies and prospects, together with their potential impact and the mitigating actions being taken by management, are set out on pages 48 to 50 of the 2008 Annual Report and Accounts, which is available at www.kazakhmys.com.

Whilst commodity prices have risen and access to liquidity has improved during the first half of 2009, due to continued volatility seen in global capital markets and uncertainty regarding the recoverability of the world's economies, risks relating to commodity prices and liquidity are considered to remain significant for the Group. The termination of the management agreement with AES for Ekibastuz GRES-1 has reduced exposure to third parties managing certain of the Group's assets, however significant assets remain under third party management. There have been no other significant changes in the material risks faced by the Group.

In the view of the Board, the risk factors set out in the 2008 Annual Report and Accounts continue to be the significant risks and uncertainties for the remaining six months of the year. A summary of the disclosure given in the 2008 Annual Report and Accounts is set out below.

OPERATIONAL RISKS

Health, safety and the environment

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

Business interruption

The business of mining, smelting and refining metals and the production of power involves a number of risks and hazards, including, but not limited to, geological and technological challenges, weather and other natural phenomena such as flood and earthquake, equipment failure and loss of key inputs such as coal, which can cause material mine or plant shutdowns or periods of reduced production.

Assets controlled by third parties

Some Kazakhmys Group assets are managed by third parties under management service agreements. Management of these assets may not comply with the Group's operating standards, controls and procedures.

Kazakhmys also holds a 26% investment in ENRC PLC. The business and financial performance of this investment is not controlled by the Group.

New projects

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

There are numerous uncertainties in estimating mineral reserves. Reserves are estimated using available geological, technical and economic information. The process involves a number of informed judgements and assumptions that are valid at the time but may change when new information becomes available.

Political risk

Most of the Group's mining and power operations are in Kazakhstan. Accordingly, the Group is substantially dependent on the economic and political conditions prevailing in Kazakhstan. As Kazakhstan has a relatively short history as an independent nation, there remains the potential for social, political, economic, legal and fiscal instability.

Subsoil use rights

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

FINANCIAL RISKS**Commodity prices**

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

Liquidity risk

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

Taxation

As the tax legislation in Kazakhstan has been in force for a relatively short period of time, tax risks in Kazakhstan are substantially greater than typically found in countries with more developed tax systems. Tax law is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement.

Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- an indication of important events that have occurred during the first six months of the financial year and their impact on this condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- material related party transactions in the first six months of the year and any material changes in the related party transactions described in the Kazakhmys Annual Report and Accounts 2008.

The Directors of Kazakhmys PLC are listed in the Kazakhmys Annual Report and Accounts 2008.

OLEG NOVACHUK
CHIEF EXECUTIVE
26 August 2009

INDEPENDENT REVIEW REPORT TO KAZAKHMYS PLC

INTRODUCTION

We have been engaged by Kazakhmys PLC (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the primary financial statements and the related explanatory notes that have been reviewed. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

DIRECTORS' RESPONSIBILITIES

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

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

OUR RESPONSIBILITY

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

ERNST & YOUNG LLP

LONDON, UNITED KINGDOM

26 August 2009

The maintenance and integrity of the Kazakhmys PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters

and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2009

\$ million (unless otherwise stated)	Notes	Six months ended 30 June 2009	Six months ended 30 June 2008
Revenues	5	1,648	2,838
Cost of sales		(1,028)	(1,685)
Gross profit		620	1,153
Selling and distribution expenses		(52)	(58)
Administrative expenses		(209)	(207)
Other operating income		19	31
Other operating expenses		(32)	(19)
Impairment losses	6	(60)	(9)
Operating profit		286	891
Share of profits from associate	13	119	-
Profit before finance items and taxation		405	891
Finance income	7	468	64
Finance costs	7	(228)	(69)
Profit before taxation		645	886
Income tax expense	8	(130)	(276)
Profit for the period		515	610
Attributable to:			
Owners of the Company		516	608
Minority interests		(1)	2
		515	610
Earnings per share attributable to owners of the Company			
Basic and diluted (\$)	9	0.96	1.34
EPS based on Underlying Profit – basic and diluted (\$)	9	0.50	1.34
Dividends			
Dividends per share (US cents)	10	-	27.4
Total amount of dividends	10	-	125

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(UNAUDITED)**

SIX MONTHS ENDED 30 JUNE 2009

\$ million	Notes	Six months ended 30 June 2009	Six months ended 30 June 2008
Profit for the period		515	610
Other comprehensive (loss)/income for the period after tax:			
Unrealised gain on available for sale investment	16(b)	-	2,595
Losses on cash flow hedges taken to equity	16(b)	(65)	-
Losses on cash flow hedges included in income statement	16(b)	16	-
Exchange differences on retranslation of foreign operations		(1,216)	3
Share of other comprehensive income of associate	13	(355)	-
Other comprehensive (loss)/income for the period		(1,620)	2,598
Total comprehensive (loss)/income for the period		(1,105)	3,208
Attributable to:			
Owners of the Company		(1,096)	3,206
Minority interests		(9)	2
		(1,105)	3,208

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

AT 30 JUNE 2009

\$ million	Notes	At 30 June 2009	At 30 June 2008	At 31 December 2008
Assets				
Non-current assets				
Intangible assets	11	965	1,322	1,126
Tangible assets		2,947	3,752	3,601
Property, plant and equipment	12	2,698	3,331	3,326
Mining assets		249	421	275
Investment in associate	13	3,745	-	4,045
Available for sale investments	14	-	4,996	-
Other non-current investments		6	7	5
		7,663	10,077	8,777
Current assets				
Inventories		573	967	734
Prepayments and other current assets		211	224	238
Income taxes reclaimable		28	81	126
Trade and other receivables		280	381	233
Investments		59	55	32
Cash and cash equivalents	15	432	505	540
		1,583	2,213	1,903
TOTAL ASSETS		9,246	12,290	10,680
Equity and liabilities				
Equity				
Share capital	16(a)	200	168	200
Share premium		2,648	570	2,648
Capital reserves	16(b)	(1,163)	4,688	449
Retained earnings		4,697	3,954	4,180
Equity attributable to owners of the Company		6,382	9,380	7,477
Minority interests		11	16	20
TOTAL EQUITY		6,393	9,396	7,497
Non-current liabilities				
Deferred tax liability		213	519	266
Employee benefits		34	40	40
Provisions		101	103	198
Borrowings	17	1,541	1,248	1,702
		1,889	1,910	2,206
Current liabilities				
Provisions		128	286	133
Borrowings	17	518	212	498
Trade and other payables		224	402	306
Income taxes payable		36	82	36
Derivative financial instruments		57	-	2
Dividend payable		1	2	2
		964	984	977
TOTAL LIABILITIES		2,853	2,894	3,183
TOTAL EQUITY AND LIABILITIES		9,246	12,290	10,680

The condensed consolidated half-yearly financial statements were approved by the Board of Directors on 26 August 2009.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2009

\$ million	Notes	Six months ended 30 June 2009	Six months ended 30 June 2008
Cash flows from operating activities			
Cash inflow before interest, income taxes and dividends from associate	18	442	959
Interest paid		(32)	(18)
Income taxes paid		(68)	(379)
Dividends from associate		64	-
Net cash inflow from operating activities		406	562
Cash flows from investing activities			
Interest received		5	19
Purchase of intangible assets	11	(5)	(8)
Proceeds from disposal of property, plant and equipment	12	1	7
Purchase of property, plant and equipment	12	(186)	(346)
Investments in mining assets		(5)	(19)
Licence payments for subsoil contracts		(3)	(2)
Proceeds from disposal of non-current investments		-	7
Acquisition of non-current investments		(1)	(2)
Investment in short-term bank deposits (net)		(33)	3
Payment of deferred consideration arising from business acquisition		(83)	-
Acquisition of subsidiaries (net of cash acquired)		-	(995)
Net cash flows used in investing activities		(310)	(1,336)
Cash flows from financing activities			
Purchase of Company's issued share capital		-	121
Proceeds from borrowings - net of arrangement fees paid of \$3 million (2008: \$26 million)		244	1,155
Repayment of borrowings		(386)	(64)
Dividends paid by the Company		-	(125)
Net cash flows (used in)/from financing activities		(142)	845
Net (decrease)/increase in cash and cash equivalents	19	(46)	71
Cash and cash equivalents at the beginning of the period	19	540	439
Effect of exchange rate changes on cash and cash equivalents	19	(62)	(5)
Cash and cash equivalents at the end of the period	15	432	505

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2009

\$ million	Notes	Attributable to owners of the Company				Total	Minority interests	Total equity
		Share capital	Share premium	Capital reserves ¹	Retained earnings			
At 1 January 2009		200	2,648	449	4,180	7,477	20	7,497
Total comprehensive (loss)/income for the period		-	-	(1,612)	516	(1,096)	(9)	(1,105)
Share-based payment		-	-	-	1	1	-	1
At 30 June 2009		200	2,648	(1,163)	4,697	6,382	11	6,393
At 1 January 2008		170	570	2,088	3,591	6,419	14	6,433
Total comprehensive income for the period		-	-	2,598	608	3,206	2	3,208
Purchase of Company's issued share capital		(2)	-	2	(121)	(121)	-	(121)
Share-based payment		-	-	-	1	1	-	1
Equity dividends paid by the Company	10	-	-	-	(125)	(125)	-	(125)
At 30 June 2008		168	570	4,688	3,954	9,380	16	9,396

¹ Refer to note 16(b) for an analysis of 'capital reserves'.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SIX MONTHS ENDED 30 JUNE 2009

1. General information

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

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

In line with the Group's strategy of diversifying away from the core copper business, the Group now operates in a number of divisions within the natural resources sector, the principal activities of which are as follows as at 30 June 2009:

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

These condensed consolidated half-yearly financial statements for the six months ended 30 June 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 26 August 2009. The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union up to 31 December 2008, has been delivered to the Registrar of Companies. The auditors' report under section 235 of the Companies Act 1985 in relation to those accounts was unqualified and does not include a statement under section 237(2) and section 237(3) of the Companies Act 1985.

2. Basis of preparation

(a) Condensed consolidated half-yearly financial statements

These condensed consolidated half-yearly financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. These condensed consolidated half-yearly financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2008 Annual Report and Accounts.

(b) Comparative figures

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

3. Significant accounting policies

(a) Basis of accounting

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except for the adoption of new standards and interpretations noted below. Adoption of these standards and interpretations did not have any significant impact on the financial position and performance of the Group.

- IFRS 8 'Operating segments'. The Group adopted IFRS 8 on 1 January 2009 which requires that the disclosure of segmental information within the financial statements is aligned with how the Board monitors the Group's divisions (see note 5). The adoption of IFRS 8 has not significantly changed the segmental disclosure for the Group as the Group's five operating segments disclosed under IFRS 8 are the same as the business segments disclosed under IAS 14 'Segment reporting' as shown in the 2008 Annual Report and Accounts;
- IAS 1 'Presentation of Financial Statements (Revised)'. The Group adopted IAS 1 (Revised) on 1 January 2009 which introduces the condensed consolidated statement of other comprehensive income as a primary statement and is shown separately from the condensed consolidated income statement. The statement of changes in equity now only includes details of transactions with owners, with non-owner changes in equity being presented as a single line;
- Amendments to IFRS 1 and IAS 27 – 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'. The Group adopted the amendments to IFRS 1 and IAS 27 on 1 January 2009 which covers the accounting for group reorganisations when an entity establishes a new entity as its parent company. Adoption of these amendments did not have any impact on the half-year results; and
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'. The Group adopted IFRIC 16 on 1 January 2009 which provides further guidance on the accounting for hedges of net investments in foreign operations. Adoption of the IFRIC did not have any impact on the half-year results.

In preparing these condensed consolidated half-yearly financial statements the Group has adopted all the extant accounting standards issued by the IASB and all the extant interpretations issued by the IFRIC as at 30 June 2009.

(b) Exchange rates

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

	30 June 2009		30 June 2008		31 December 2008	
	Spot	Average	Spot	Average	Spot	Average
Kazakhstan tenge	150.41	144.72	120.75	120.52	120.77	120.30
Euro	0.71	0.75	0.63	0.65	0.71	0.68
UK pounds sterling	0.61	0.67	0.50	0.51	0.69	0.54

(c) Devaluation of the tenge

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

- net finance income includes a net foreign exchange gain of \$283 million which primarily arises due to the retranslation of US dollar denominated monetary assets and liabilities within the Group's Kazakhstan subsidiaries which have a tenge functional currency;
- the goodwill balance arising on the acquisition of Kazakhmys Power has been retranslated as at 30 June 2009 since the goodwill arises in respect of businesses acquired whose functional currencies are the tenge. This gives rise to a foreign exchange loss of \$112 million being recognised within equity and a corresponding reduction in the goodwill balance to \$456 million as at 30 June 2009; and
- a non-cash foreign exchange loss of \$1,216 million (which includes the \$112 million goodwill foreign exchange loss) has been recognised within equity. This is primarily due to the retranslation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge.

4. Business Acquisition – Ekibastuz Power Plant and Maikuben West Coal Mine

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

As a requirement of IFRS, the goodwill balance has been retranslated as at 30 June 2009 since the goodwill arises in respect of businesses acquired whose functional currencies are the tenge. This gives rise to a foreign exchange loss of \$112 million being recognised within equity and a corresponding reduction in the goodwill balance to \$456 million as at 30 June 2009.

5. Segment information

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

Kazakhmys Copper

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

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

external and internal) and the related assets are less than 10% of total assets of the operating segment.

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

MKM

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

Kazakhmys Power

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

Kazakhmys Gold

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

Kazakhmys Petroleum

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

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

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

The accounting policies adopted by each operating segment are consistent with those published in the 2008 Annual Report and Accounts. There are no inter-segment sales within the Group.

(a) Segmental information

(i) Income statement information

\$ million	Six months ended 30 June 2009						Total
	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	
Sales to external customers	1,104	440	85	19	-	-	1,648
Gross profit	525	58	35	2	-	-	620
Operating costs	(272)	(24)	(19)	(3)	-	(16)	(334)
Segmental operating results	253	34	16	(1)	-	(16)	286
Share of profits from associate ¹							119
Profit before finance items and taxation							405
Net finance income							240
Income tax expense							(130)
Profit for the period							515

¹ Share of profits from associate is net of tax.

\$ million	Six months ended 30 June 2008						Total
	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	
Sales to external customers	1,786	1,015	19	18	-	-	2,838
Gross profit	1,070	75	5	3	-	-	1,153
Operating costs	(211)	(33)	(3)	(3)	(2)	(10)	(262)
Profit before finance items and taxation	859	42	2	-	(2)	(10)	891
Net finance costs							(5)
Income tax expense							(276)
Profit for the period							610

(ii) Balance sheet information

\$ million	At 30 June 2009						Total
	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	
Assets							
Tangible and intangible assets ¹	1,857	141	1,282	107	508	17	3,912
Non-current investments ¹	5	1	-	-	-	-	6
Intragroup investments	-	-	-	-	-	6,433	6,433
Operating assets ²	654	293	46	26	1	56	1,076
Current investments	59	-	-	-	-	-	59
Cash and cash equivalents	182	9	25	7	12	197	432
Segment assets	2,757	444	1,353	140	521	6,703	11,918
Income taxes reclaimable							28
Investment in associate							3,745
Elimination							(6,445)
Total assets							9,246
Liabilities							
Employee benefits and provisions	116	7	112	1	27	-	263
Operating liabilities ³	250	23	6	3	3	9	294
Segment liabilities	366	30	118	4	30	9	557
Deferred tax liability							213
Borrowings							2,059
Income taxes payable							36
Elimination							(12)
Total liabilities							2,853

¹ Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Copper, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany – MKM; and (iii) Kazakhmys Gold is split between \$20 million in Kazakhstan, \$69 million in Kyrgyzstan and \$18 million in Tajikistan. Of the non-current investments, \$5 million is held in Kazakhstan and \$1 million is held in Germany.

² Operating assets include inventories, prepayments and other current assets and trade and other receivables.

³ Operating liabilities include trade and other payables, derivative financial instruments and dividends payable.

At 30 June 2008

\$ million	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
Assets							
Tangible and intangible assets ¹	2,323	176	1,775	292	497	11	5,074
Non-current investments ¹	5	2	-	-	-	4,996	5,003
Intragroup investments	-	-	-	-	-	3,227	3,227
Operating assets ²	1,033	511	38	23	-	25	1,630
Current investments	55	-	-	-	-	-	55
Cash and cash equivalents	296	1	105	8	29	66	505
Segment assets	3,712	690	1,918	323	526	8,325	15,494
Income taxes reclaimable							81
Elimination							(3,285)
Total assets							12,290
Liabilities							
Employee benefits and provisions	118	11	272	2	26	-	429
Operating liabilities ³	219	72	105	3	-	63	462
Segment liabilities	337	83	377	5	26	63	891
Deferred tax liability							519
Borrowings							1,460
Income taxes payable							82
Elimination							(58)
Total liabilities							2,894

¹ Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Copper, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany – MKM; and (iii) Kazakhmys Gold is split between \$125 million in Kazakhstan, \$131 million in Kyrgyzstan and \$36 million in Tajikistan. Of the non-current investments, \$4,996 million is held in The Netherlands, \$5 million is held in Kazakhstan and \$2 million is held in Germany.

² Operating assets include inventories, prepayments and other current assets and trade and other receivables.

³ Operating liabilities include trade and other payables, derivative financial instruments and dividends payable.

At 31 December 2008

\$ million	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
Assets							
Tangible and intangible assets ¹	2,277	150	1,631	137	520	12	4,727
Non-current investments ¹	4	1	-	-	-	-	5
Intragroup investments	-	-	-	-	-	6,249	6,249
Operating assets ²	888	233	27	22	1	36	1,207
Current investments	32	-	-	-	-	-	32
Cash and cash equivalents	330	-	26	14	5	165	540
Segment assets	3,531	384	1,684	173	526	6,462	12,760
Income taxes reclaimable							126
Investment in associate							4,045
Elimination							(6,251)
Total assets							10,680
Liabilities							
Employee benefits and provisions	122	7	214	2	26	-	371
Operating liabilities ³	240	28	24	2	3	15	312
Segment liabilities	362	35	238	4	29	15	683
Deferred tax liability							266
Borrowings							2,200
Income taxes payable							36
Elimination							(2)
Total liabilities							3,183

¹ Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Copper, Kazakhmys Power and Kazakhmys Petroleum; (ii) Germany – MKM; and (iii) Kazakhmys Gold is split between \$33 million in Kazakhstan, \$81 million in Kyrgyzstan and \$23 million in Tajikistan. Of the non-current investments, \$4 million is held in Kazakhstan and \$1 million is held in Germany.

² Operating assets include inventories, prepayments and other current assets and trade and other receivables.

³ Operating liabilities include trade and other payables, derivative financial instruments and dividends payable.

(iii) Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding special items¹

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

¹ EBITDA excluding special items is defined as profit before interest, taxation, depreciation, depletion 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 The mineral extraction tax has been excluded from the key financial indicator of EBITDA excluding special items to improve the comparability of the operational profitability of the Group between periods.

³ The share of EBITDA of the associate excludes the mineral extraction tax of the associate.

\$ million	Six months ended 30 June 2008						Total
	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	
Operating profit/(loss)	859	42	2	-	(2)	(10)	891
Special items:							
Add: impairment of property, plant and equipment	-	-	-	-	2	-	2
Profit/(loss) before finance items and taxation excluding special items	859	42	2	-	-	(10)	893
Add: depreciation and depletion	129	13	5	6	-	1	154
Add: amortisation	2	-	1	-	-	-	3
Group EBITDA excluding special items	990	55	8	6	-	(9)	1,050

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

(iv) Net liquid funds/(debt)

\$ million	At 30 June 2009						Total
	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	
Cash and cash equivalents	182	9	25	7	12	197	432
Current investments	59	-	-	-	-	-	59
Borrowings ¹	(15)	(151)	(69)	-	-	(3,735)	(3,970)
Inter-segment borrowings ²	15	-	69	-	-	1,827	1,911
Net liquid funds/(debt)	241	(142)	25	7	12	(1,711)	(1,568)

¹ Borrowings of Corporate unallocated are presented net of capitalised arrangement fees of \$19 million.

² Borrowings of Corporate unallocated include amounts borrowed from the Kazakhmys Copper segment and amounts lent to the Kazakhmys Power segment.

At 30 June 2008

\$ million	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
Cash and cash equivalents	296	1	105	8	29	66	505
Current investments	55	-	-	-	-	-	55
Borrowings ¹	-	(228)	(164)	(1)	-	(2,415)	(2,808)
Inter-segment borrowings ²	-	-	64	-	-	1,284	1,348
Net liquid funds/(debt)	351	(227)	5	7	29	(1,065)	(900)

¹ Borrowings of Corporate unallocated are presented net of capitalised arrangement fees of \$26 million.

² Borrowings of Corporate unallocated include amounts borrowed from the Kazakhmys Copper segment and amounts lent to the Kazakhmys Power segment.

At 31 December 2008

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

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

² Borrowings of Corporate unallocated include amounts borrowed from the Kazakhmys Copper segment and amounts lent to the Kazakhmys Power and Kazakhmys Gold segments.

(v) Capital expenditure, depreciation and impairment losses

Six months ended 30 June 2009

\$ million	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
Property, plant and equipment	145	2	20	1	17	2	187
Mining assets	3	-	-	2	-	-	5
Intangible assets	6	1	-	-	-	3	10
Capital expenditure¹	154	3	20	3	17	5	202
Depreciation and depletion	96	11	25	8	-	1	141
Amortisation	1	-	-	-	-	-	1
Depreciation, depletion and amortisation	97	11	25	8	-	1	142
Impairment losses	58	2	-	-	-	-	60

¹ Capital expenditure within the Kazakhmys Copper segment includes capitalised depreciation of \$1 million for property, plant and equipment. Capital expenditure on intangible assets within the Kazakhmys Copper segment includes \$5 million capitalised in respect of contractual reimbursements to the Government for geological information and social commitments.

Six months ended 30 June 2008

\$ million	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
Property, plant and equipment	319	4	3	2	17	1	346
Mining assets	17	-	-	2	-	-	19
Intangible assets	7	1	-	-	-	-	8
Capital expenditure	343	5	3	4	17	1	373
Depreciation and depletion	129	13	5	6	-	1	154
Amortisation	2	-	1	-	-	-	3
Depreciation, depletion and amortisation	131	13	6	6	-	1	157
Impairment losses	6	1	-	-	2	-	9

(b) Revenues by product

Revenues by product are as follows:

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Kazakhmys Copper		
Copper cathodes	721	1,265
Copper concentrate	72	-
Copper rods	17	195
Total copper products	810	1,460
Silver	117	129
Gold bullion	60	59
Zinc concentrate	42	45
Zinc metal	18	39
Other by-products	22	21
Other revenue	35	33
Total by-products	294	326
Total	1,104	1,786
MKM		
Wire	179	484
Sheets and strips	161	329
Tubes and bars	89	188
Metal trade	11	14
	440	1,015
Kazakhmys Power		
Electricity generation	74	18
Coal	11	1
	85	19
Kazakhmys Gold		
Gold doré	19	18
	19	18
Total revenues	1,648	2,838

(c) Revenues by destination

Revenues by destination are attributed to countries on the basis of the customer's location and are shown below:

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Sales to third parties		
Europe	923	1,950
China	458	569
Kazakhstan	180	185
Other	87	134
Total	1,648	2,838

Three customers, collectively under common control, within the Kazakhmys Copper segment represent 15% of total Group revenue for the period. The total revenue from these customers is \$253 million. The revenue from each customer does not individually represent more than 10% of total Group revenue.

6. Impairment losses

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Impairment of property, plant and equipment	23	2
Provisions against prepayments and other current assets	2	1
Provisions against trade and other receivables	16	-
Provisions against inventories	19	6
	60	9

7. Finance income and finance costs

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Finance income		
Interest income	5	13
Foreign exchange gains	463	51
Total finance income	468	64
Finance costs		
Interest expense	(37)	(10)
Interest on employee obligations	(2)	(2)
Unwinding of discount on provisions	(23)	(3)
Finance costs before foreign exchange losses	(62)	(15)
Foreign exchange losses	(166)	(54)
Total finance costs	(228)	(69)

\$283 million of the net foreign exchange gain of \$297 million for the period arises as a result of the devaluation of the tenge in February 2009 (see note 3(c)).

8. Income tax

(a) Income tax expense

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

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Current income tax		
Corporate income tax – current period (UK)	1	25
Corporate income tax – current period (overseas)	151	274
Corporate income tax – prior periods	(11)	(3)
Excess profits tax – current period	1	25
	142	321
Deferred income tax		
Corporate income tax – current period	(20)	(22)
Corporate income tax – prior periods	8	(22)
Excess profits tax – current period	-	(1)
	(12)	(45)
Income tax expense	130	276

(b) Income tax reconciliation

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

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Profit before taxation	645	886
At UK statutory income tax rate of 28.0% (30 June 2008: 28.5%)	181	253
Tax effect of share of profits from associate	(33)	-
Overprovided in previous years – current income tax	(11)	(3)
Under/(over)provided in previous years – deferred income tax	8	(22)
Effect of domestic tax rates applicable to individual Group entities	(44)	11
Release of deferred tax liability due to change in future tax rates	(1)	-
Unrecognised/(use of previously unrecognised) tax losses	3	(9)
Unremitted overseas earnings	4	-
Non-deductible expenses/(non-taxable income):		
Non-taxable income on zinc plant	-	(6)
Non-deductible expenses	22	28
Excess profits tax	1	24
At effective income tax rate of 20.2% (30 June 2008: 31.2%)	130	276

Corporate income tax is calculated at 28.0% (30 June 2008: 28.5%) of the assessable profit for the period for the Company and its UK subsidiaries, and 20.0% (30 June 2008: 30.0%) for the operating subsidiaries in Kazakhstan. The MKM tax rate is calculated at 28.48% (30 June 2008: 28.48%) and relates to German corporate income tax and trade tax.

Excess profits tax is levied on profitable subsoil contracts whose cumulative internal rate of return for contractual activities exceeds 20%. The EPT charge for the period of \$1 million relates to the contractual activities of the Kazakhmys Gold division only.

New tax legislation was introduced in Kazakhstan with effect from 1 January 2009 which leads to a phased reduction in the corporate income tax rate from 30% in 2008 to 15% in 2011. The corporate income tax rate for 2009 is 20%. This reduction in corporate income tax rates has the effect of significantly lowering the Group's effective tax rate compared to prior years. Offsetting the reduction in corporate income tax rates is the introduction of the mineral extraction tax, a revenue based tax, which is included within cost of sales in the condensed consolidated income statement. The mineral extraction tax expense for the period of \$71 million has been excluded from the effective income tax rate of 20.2% above, and is also excluded from Group EBITDA excluding special items.

9. Earnings per share

(a) Basic and diluted EPS

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

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

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Net profit attributable to owners of the Company	516	608

Number	Six months ended 30 June 2009	Six months ended 30 June 2008
Number of shares		
Weighted average number of ordinary shares of 20 pence each for EPS calculation	535,240,338	455,432,843
EPS – basic and diluted (\$)	0.96	1.34

(b) EPS based on Underlying Profit

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

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

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Net profit attributable to owners of the Company	516	608
Special items:		
Impairment of property, plant and equipment	23	2
Provisions against inventories	10	-
Loss on disposal of property, plant and equipment	1	-
Net foreign exchange gain arising on devaluation of the tenge:		
Managed businesses	(283)	-
Associate	(62)	-
Tax effect of non-recurring items:		
Managed businesses	51	-
Associate	12	-
Minority interest effect of non-recurring items	1	-
Underlying Profit	269	610

Number	Six months ended 30 June 2009	Six months ended 30 June 2008
Number of shares		
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	535,240,338	455,432,843
EPS based on Underlying Profit – basic and diluted (\$)	0.50	1.34

10. Dividends paid and proposed

The dividends declared and paid during the six months ended 30 June 2009 and 2008 are as follows:

	Per share US cents	Amount \$ million
Six months ended 30 June 2009		
Final dividend in respect of year ended 31 December 2008	-	-
Six months ended 30 June 2008		
Final dividend in respect of year ended 31 December 2007	27.4	125

11. Intangible Assets

During the six months ended 30 June 2009, the Group acquired intangible assets totalling \$10 million (30 June 2008: \$16 million, of which \$8 million was acquired through the acquisition of Kazakhmys Power). Included within this amount is \$5 million (30 June 2008: \$nil) which has been capitalised by the Group in respect of contractual reimbursements to the Government for geological information and social commitments. The latter amount is a non-cash item and is recorded within provisions for payments of licences.

In addition to the above, during the six months ended 30 June 2009, intangible assets:

- increased by \$nil as a result of the business acquisition (30 June 2008: \$8 million);
- decreased by \$26 million based on further information received during the period in relation to the fair value of provisions in respect of the acquisition of Kazakhmys Power in May 2008, which resulted in an increase in the fair value of net identifiable assets acquired, and a corresponding decrease in goodwill;
- decreased by \$142 million as a result of foreign exchange movements on the translation of intangible assets (30 June 2008: \$nil) primarily due to the devaluation of the tenge. Included within this amount is a foreign exchange loss of \$112 million which arises as a result of IFRS requiring the goodwill balance to be retranslated as at 30 June 2009 since the goodwill arises in respect of businesses acquired whose functional currencies are the tenge. Accordingly, the goodwill balance arising from the acquisition of Kazakhmys Power

decreases to \$456 million as at 30 June 2009. \$30 million of the foreign exchange movement on intangible assets relates to licences and other intangibles;

- decreased by \$2 million as a result of the reclassification of intangible assets to mining assets (30 June 2008: \$nil); and
- decreased by \$1 million as a result of the amortisation expense (30 June 2008: \$3 million).

12. Property, plant and equipment

During the six months ended 30 June 2009, the Group acquired property, plant and equipment with a cost of \$186 million (30 June 2008: \$346 million), of which \$89 million related to new and expansionary projects (30 June 2008: \$202 million).

Assets with a book value of \$2 million were disposed of by the Group during the six months ended 30 June 2009 (30 June 2008: \$7 million) resulting in a loss on disposal of \$1 million (30 June 2008: \$nil).

In addition to the above additions and disposals, during the six months ended 30 June 2009 property, plant and equipment:

- increased by \$nil as a result of the business acquisition (30 June 2008: \$985 million);
- increased by \$1 million as a result of capitalised depreciation (30 June 2008: \$nil);
- decreased by \$29 million as a result of transfers to mining assets (30 June 2008: \$nil);
- decreased by \$628 million as a result of foreign exchange movements on translation (30 June 2008: increased by \$2 million) primarily due to the devaluation of the tenge;
- decreased by \$23 million as a result of impairment (30 June 2008: \$2 million); and
- decreased by \$133 million as a result of the depreciation expense (30 June 2008: \$122 million).

13. Investment in associate

\$ million	At 30 June 2009
At 1 January 2009	4,045
Share of profits from associate ¹	119
Net share of losses of associate recognised in other comprehensive income ²	(355)
Dividends received	(64)
At 30 June 2009	3,745

¹ Share of profits from associate is net of tax.

² Including share of associate's minority interest loss of \$10 million.

The investment in associate relates to the Group's 26.0% shareholding in ENRC PLC (334,824,860 ordinary shares). At 30 June 2009, the Group's shareholding in ENRC had a market value of \$3,620 million (31 December 2008: \$1,600 million) which is determined by reference to the published price quotation on the London Stock Exchange.

Despite the continued volatility in share prices, particularly those of natural resource companies, the Directors do not believe that the Group's investment in associate is impaired at 30 June 2009 as the Directors' assessment of ENRC's recoverable amount, using long-term forecasts and assumptions, supports ENRC's carrying value at 30 June 2009.

The accounting period end of ENRC is 31 December.

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

\$ million	At 30 June 2009
Share of associate's balance sheet	
Total assets	2,229
Total liabilities	(346)
Net assets	1,883
Carrying amount of the investment	3,745

\$ million	Six months ended 30 June 2009
Share of associate's revenue and profit	
Revenue	441
Operating profit	156
Profit before finance items and taxation	163
Net finance income and share of profits of joint ventures and associates	5
Income tax expense	(49)
Profit for the period	119

In May 2009 a portion of the ENRC shareholding was pledged against a \$102 million standby letter of credit in respect of the final payment due to AES Corporation in January 2010 relating to the termination of the Kazakhmys Power management services agreement. Further ENRC shares are also liable to be treated as part of the pledge in the event that the ENRC share price falls below a certain level under the terms of the letter of credit. Under this facility, these shares are pledged until no later than 15 December 2009, the latest date at which the letter of credit must be cash collateralised.

14. Available for sale investment

\$ million	Total
At 1 January 2008	2,401
Revaluation to fair value	2,595
At 30 June 2008	4,996

The available for sale investment relates to the Group's shareholding in ENRC (prior to this investment being treated as an associate) and the fair value is determined by reference to the published price quotation on the London Stock Exchange.

Following the share exchange with the Government in July 2008, the investment was reclassified from being an available for sale investment to being an investment in associate. The unrealised gain on the available for sale investment, included within capital reserves, was impaired through other comprehensive income.

15. Cash and cash equivalents

\$ million	At 30 June 2009	At 30 June 2008	At 31 December 2008
Cash deposits with maturities of less than three months	25	69	44
Cash at bank	406	435	496
Petty cash	1	1	-
	432	505	540

16. Share capital and reserves
(a) Authorised and allotted share capital

	Number	£ million	\$ million
At 30 June 2009, 31 December 2008 and 30 June 2008			
Authorised share capital - ordinary shares of 20 pence each	750,000,000	150	-
Allotted and called up share capital			
At 30 June 2009 and 31 December 2008	535,240,338	107	200
At 1 January 2008	460,123,288	92	170
Purchase of Company's issued share capital	(5,169,000)	(1)	(2)
At 30 June 2008	454,954,288	91	168

Commencing from October 2007, the Company began a share buy-back programme, which concluded in January 2008, whereby the Company bought back and cancelled 15,079,577 ordinary shares at a total cost of \$390 million including expenses, of which 5,169,000 were cancelled in January 2008 at total cost of \$121 million including expenses.

(b) Capital reserves

\$ million	Reserve fund	Net unrealised gains reserve	Currency translation reserve	Capital redemption reserve	Hedging reserve	Total
At 1 January 2009	42	(2)	410	6	(7)	449
Losses on cash flow hedges taken to equity	-	-	-	-	(65)	(65)
Losses on cash flow hedges included in income statement	-	-	-	-	16	16
Currency translation differences	-	-	(1,218)	-	-	(1,218)
Share of gains/(losses) of associate recognised in other comprehensive income	-	1	(342)	-	4	(345)
At 30 June 2009	42	(1)	(1,150)	6	(60)	(1,163)
At 1 January 2008	38	1,594	452	4	-	2,088
Unrealised gain on available for sale investments	-	2,595	-	-	-	2,595
Currency translation differences	-	-	3	-	-	3
Purchase of Company's issued share capital	-	-	-	2	-	2
At 30 June 2008	38	4,189	455	6	-	4,688

(i) Reserve fund

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

(ii) Net unrealised gains reserve

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

(iii) Currency translation reserve

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

(iv) Capital redemption reserve

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

(v) Hedging reserve

The hedging reserve is used to record the fair value movements of derivative financial instruments that have been designated as cash flow hedges. Upon settlement or expiry of the hedge, the gain or loss recognised within the hedging reserve is recycled out to the income

statement. In January 2009, the Group commenced a hedging programme covering 90 kt, or approximately 30% of the estimated copper production for 2009, which established a price protecting floor and a cap to the price receivable on the hedged copper sales. During the period, \$16 million was paid out to settle the hedges and this loss has been transferred from the hedging reserve to the income statement.

17. Borrowings

Details of the Group's significant borrowings are:

(i) Pre-export finance debt facility

In February 2008, Kazakhmys Finance PLC signed a five year pre-export finance debt facility for \$2,100 million with a syndicate of banks to be used for general corporate purposes, including the acquisition of the Ekibastuz GRES-1 power plant and Maikuben West coal mine and incremental purchases of shares in ENRC. As at 30 June 2009, the facility was fully drawn. The loan is secured over copper sales contracts with certain designated customers. Monthly loan repayments commenced in March 2009 and will continue for four years until final maturity in February 2013. Arrangement fees with an amortised cost as at 30 June 2009 of \$16 million (gross cost before amortisation of \$26 million) have been netted off against these borrowings in accordance with IAS 39. Interest is payable on the drawn balance at a rate of US\$ LIBOR + 1.25%. Kazakhmys PLC, Kazakhmys LLC and Kazakhmys Sales Limited act as guarantors of the loan.

(ii) Revolving trade finance facility

In May 2006, MKM entered into a revolving trade finance facility with a syndicate of banks for a four year loan to finance the repayment of external borrowings and intercompany balances due to Kazakhmys LLC, and to fund working capital. In June 2009, the facility was refinanced with a new €170 million facility for three years with a final maturity in June 2012. Interest is payable on the drawn balance at a rate of EURIBOR + 3.0%. Arrangement fees with an amortised cost as at 30 June 2009 of \$3 million have been netted off against these borrowings in accordance with IAS 39. The loan is secured over the inventories and receivables of MKM.

(iii) Revolving credit facility

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

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

\$ million	Six months ended 30 June 2009	Six months ended 30 June 2008
Profit before taxation	645	886
Interest income	(5)	(13)
Interest expense	37	10
Depreciation and depletion	141	154
Amortisation	1	3
Share of profits from associate	(119)	-
Impairment losses	60	9
Unrealised foreign exchange gain	(229)	(4)
Loss on disposal of property, plant and equipment	1	-
Operating cash flows before changes in working capital and provisions	532	1,045
Decrease/(increase) in inventories	34	(125)
Increase in prepayments and other current assets	(12)	(10)
Increase in trade and other receivables	(84)	(26)
Increase in employee benefits	2	2
Increase in provisions	24	5
(Decrease)/increase in trade and other payables	(54)	68
Cash inflow from operations before interest, income taxes and dividends from associate	442	959

19. Movement in net liquid funds/(debt)

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

\$ million	At 1 January 2008	Business acquisition	Cash flow	Net exchange translation	At 30 June 2008
Cash and cash equivalents	439	-	71	(5)	505
Current investments	57	-	(3)	1	55
Borrowings	(197)	(159)	(1,091)	(13)	(1,460)
Net liquid funds/(debt)	299	(159)	(1,023)	(17)	(900)

GLOSSARY

Board, Board of Directors or Directors

The Board of Directors of the Company

Capital employed

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

Cash cost of copper after by-product credits

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

Company or Kazakhmys

Kazakhmys PLC

dollar or \$

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

EBITDA

Earnings before interest, taxation, depreciation, depletion and amortisation

ENRC or ENRC PLC

Eurasian Natural Resources Corporation PLC

EPS

Earnings per share

EPS based on Underlying Profit

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

EPT

Excess profits tax

EURIBOR

European Inter Bank Offer Rate

Euro or €

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

Free Cash Flow

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

g/t

Grammes per metric tonne

Government

The Government of the Republic of Kazakhstan

the Group

Kazakhmys PLC and its subsidiary companies

Group EBITDA

Earnings before interest, taxation, depreciation, depletion and amortisation adjusted for special items and including the share of EBITDA of the associate

GVA

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

GW

Gigawatt, a unit of power equal to one billion watts

GWh

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

IAS

International Accounting Standards

IASB

International Accounting Standards Board

IFRIC

International Financial Reporting Interpretations Committee

IFRS

International Financial Reporting Standards

Kazakhmys LLC or Kazakhmys Corporation LLC

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

Kazakhmys Copper

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

Kazakhmys Gold

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

Kazakhmys Petroleum

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

Kazakhmys Power

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

Kazakhstan

The Republic of Kazakhstan

KEGOC

Kazakhstan Electricity Grid Operating Company

koz

Thousand ounces

kt

Thousand metric tonnes

kW

kilowatt, a unit of power equal to one thousand watts

kWh

kilowatt hour

lb

pound, unit of weight

LIBOR

London Inter Bank Offer Rate

Listing

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

LME

London Metal Exchange

Managed businesses

Represents the Kazakhmys Copper, Kazakhmys Power, Kazakhmys Gold, Kazakhmys Petroleum, MKM and corporate divisions

MKM

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

MT

Million metric tonnes

MW

Megawatt, a unit of power equivalent to one million watts

Ounce or oz

A troy ounce, which equates to 31.1035 grammes

PXF

Pre-export finance debt facility

ROCE

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

\$/t or \$/tonne

US dollars per metric tonne

Segmental EBITDA

Earnings before interest, taxation, depreciation, depletion and amortisation from the Group's managed businesses

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 5 to the consolidated condensed half-yearly financial statements

t

Metric tonnes

tenge or KZT

The official currency of the Republic of Kazakhstan

Underlying Profit

Profit for the half-year to 30 June 2009 after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and minority interest effects

USc/lb

US cents per pound