



## KAZAKHMYS PLC

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Company Number: 5180783

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### KAZAKHMYS PLC TRADING UPDATE FOR THE YEAR ENDED 31 DECEMBER 2008

This statement provides operational and unaudited financial results for Kazakhmys' managed businesses. The statement excludes the contribution from ENRC PLC, in which Kazakhmys has a 26% shareholding. A further announcement including this contribution will be released on 31 March 2009.

#### OPERATIONAL AND NON-FINANCIAL HIGHLIGHTS

- **Production of copper slightly ahead of 2007 and targets**
  - Cathode equivalent increased to 343 kt from 341 kt
- **Diversification**
  - Stake in ENRC PLC increased to 26.0% from 14.6%
  - Acquisition of the Ekibastuz GRES-1 power plant, making Kazakhmys the largest power producer in Kazakhstan

#### FINANCIAL

- **EBITDA from managed businesses excluding special items down to \$1,627 million from \$2,336 million**
- **Net Debt of \$1,628 million at year end**
  - Cash and deposits of \$572 million and an undrawn revolving credit facility of \$200 million
- **Impairment charges of \$400 million**
  - Reflecting difficult market conditions and pricing environment

#### 2009 STRATEGY AND OUTLOOK

- **Emphasis on margin and cash preservation**
  - Cost reductions of \$200 million and capital expenditure reductions of \$250 million compared to 2008 already identified
  - Output of copper cathode equivalent managed down to 300 kt to reduce costs
  - No final dividend to be paid to conserve cash
  - 80 kt of copper production hedged in 2009
- **Bozymchak copper gold project progressed to development stage**

| \$ million (unless otherwise stated)                   | Year ended<br>31 December 2008 | Year ended<br>31 December 2007 |
|--|--------------------------------|--------------------------------|
| Revenues   | 5,151                          | 5,256                          |
| EBITDA from managed businesses excluding special items | 1,627                          | 2,336                          |
| Copper   | 1,597                          | 2,234                          |
| Power  | 42                             | -                              |
| Other  | (12)                           | 102                            |

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

Oleg Novachuk, Chief Executive of Kazakhmys PLC, said: "2008 was a solid year in production terms and also a year in which we made some significant strategic developments. Market conditions in 2009 are challenging but we are taking decisive action, across the Group, to conserve cash while at the same time preserving the underlying strength and potential of the business. We are positive on the long-term outlook for copper and on the potential for the electricity market in Kazakhstan, where there is a clear need for both capacity and tariffs to rise."

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**FORWARD-LOOKING STATEMENT**

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

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

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

## TRADING UPDATE

This trading update covers the production and selected unaudited financial results of the Kazakhmys Group for the year ended 31 December 2008. A full consolidated preliminary results announcement will be made on 31 March 2009, after ENRC PLC has announced their results for 2008. The Group has a holding of 26% of ENRC PLC and the final results for Kazakhmys will include a proportionate share of ENRC's earnings, on an equity accounting basis. The results in this statement do not include any share of ENRC's earnings.

## CHAIRMAN'S STATEMENT

### **2008 summary**

2008 was a solid operational year for the Group. Production of copper, at 343 kt of copper cathode equivalent from our own mines, was slightly above 2007 and the target we set at the start of the year. Our growth and diversification initiatives included the acquisition of Ekibastuz GRES-1, the largest power plant in Kazakhstan, and an increase in our holding in ENRC PLC to 26.0%. Good progress was made on the pre-feasibility studies at our major growth projects.

External conditions changed significantly during the year as the problems that started in the financial markets spread to the wider economy. These changes were seen in the copper price, which started the year at \$6,666 per tonne, before reaching a high of \$8,985 per tonne at the beginning of July. Copper finished the year at \$2,902 per tonne. Despite solid production and sales, the reduction in price had a direct impact on revenues. Volatile input prices also served to squeeze profit margins.

### **Strategy**

Our long-term strategy remains the same as that set at our Listing in 2005 – to optimise the performance of our assets, deliver our growth projects and to take advantage of natural resource opportunities in Central Asia. The strategy is being applied flexibly, to take account of current conditions. During 2009, the primary focus will be on the first part of our strategy, asset optimisation. The aim is to conserve cash and ensure the long-term growth and success of the Group.

We will reduce our capital expenditure in 2009 and will cut back or suspend production at operations where margins do not justify extraction of resources in the current price environment. This will reduce copper output in 2009 but help maintain profit margins and preserve our resources. We have begun a change management programme within our Copper Division. This programme will aim to further improve production techniques and reduce costs in addition to those reductions already identified.

### **Funding**

Balance sheet strength and credit availability have become areas of focus across stock markets. At the end of the year, we reported cash and deposits of \$572 million plus a committed undrawn credit facility of \$200 million. Net debt was \$1,628 million at the year end.

7.5 kt of copper production has been hedged for each of the remaining months in 2009. This is an action that the Group has not previously taken. These transactions will offset the negative impact if copper prices go below \$3,000 per tonne, at the cost of sacrificing upside should the price rise above \$4,000 per tonne.

### **Growth projects and diversification**

The major copper growth projects, at Aktogay and Boschekul, have made good progress over the year, supported by Fluor as consulting engineers. Both projects will complete their pre-feasibility studies in the first half of 2009, at which point they will be evaluated by the Board. Neither project will incur significant cash expenditure in the current year.

We increased our holding in ENRC PLC and are now their largest shareholder with a 26.0% stake compared to 14.6% at the start of the year. Most of the increase was following a share swap with the Government of Kazakhstan, resulting in the Government becoming a shareholder of Kazakhmys, with an interest of 15%.

ENRC is a major mining company, listed in London, but operating in Kazakhstan. They have a different suite of metals from us, producing iron ore, aluminium and ferrochrome. Longer term, we believe that this holding diversifies our earnings and presents us with strategic options.

In May 2008 we completed the purchase of the Ekibastuz GRES-1 power station. Combined with our three existing power plants, we are now the largest power provider in Kazakhstan, with over 20% of the country's generating capacity. Lower economic activity may impact demand in the Kazakh power market in 2009, but the power market is typically more stable than commodity markets and our low-cost position is attractive. Longer term, we believe that the power sector has significant potential, with the need for higher tariffs to allow capital investment in power plants and infrastructure. Ekibastuz, with its significant dormant capacity, is central to the future growth of the Kazakh power market.

In October 2008 we announced that we had signed a memorandum of understanding with Samruk-Energy JSC, the Government investment company which invests in energy related projects. The intention is to consider a strategic partnership and joint ownership of Ekibastuz. Such a partnership could bring benefits of access to additional coal resources and greater integration with Kazakhstan's energy development and transmission programmes. Should any agreement be reached, it will be subject to appropriate regulatory and shareholder approval.

### **2009 sales**

In 2009 our contracted sales of copper cathode, our principal product, should again be evenly split between Chinese and European markets. The successful completion in January 2009 of the annual sales contracts with our customers, for material to be delivered in 2009, indicates that there is still demand for our products even in the current slow economic environment. These contracts account for around 80% of anticipated production and are backed by some key long-term relationships. I should like to thank our customers for their continued support.

### **Corporate and social responsibility**

The success of our Group is principally due to the efforts of our employees and on behalf of the Board I would again like to thank them for their support over the year. In this challenging environment we have agreed with the Government of Kazakhstan to try and limit redundancies that might arise from production cut backs. We believe this is in the best interests and long-term success of the Group and will help social stability.

It is disappointing to report that there has been an increase to 32 fatalities in 2008, compared to 23 in 2007. 2009 has had a poor start to the year, with 8 fatalities to date. Several initiatives are being developed, including the completion of the training school in Satpayev and the appointment of several new specialists. Health and safety remains a key area of concern for the Board.

We continue to play a major role in the communities around us and in 2008 spent \$121 million on community related projects. We have also carried out some major environmental initiatives, including the commissioning of an acid plant in Balkhash, which will reduce emissions. At Ekibastuz we will be investing around \$120 million in precipitators at each of the eight turbines, which again will improve air quality.

### **The Board**

In November we announced the appointment of Daulet Yergozhin to the Board, as a representative of the Government, following the share swap mentioned above. In December we sadly announced the death of Jim Rutland, our Senior Independent Director and chairman of the Audit Committee. Jim played a vital part in helping to prepare Kazakhmys for its IPO and, since Listing, in ensuring the Group's compliance with International Financial Reporting Standards and with the Combined Code on Corporate Governance.

Earlier today we announced the appointment of Peter Hickson as a non-executive Director and we will appoint a further non-executive Director in due course to maintain the balance of the Board.

### **Share price and dividends**

As noted above, metals prices were higher in the first part of the year and this was reflected in a dividend paid at the half year of 14.0 US cents per share. Given the subsequent reduction in prices, the continued market uncertainty and the emphasis on conserving cash, the Board does not recommend the payment of a final dividend. This is in keeping with the dividend policy set at the time of Listing, to take account of the profitability of the business and cash requirements. Since Listing we have returned \$1,349 million to shareholders, including a special dividend of \$235 million and a share buy-back programme of \$391 million commenced in 2007, when metal prices were higher.

The share price followed the trends in the copper price over the year, which is to be expected, as 98% of EBITDA from managed businesses excluding special items came from the Copper Division. The share price was 231 pence at the end of 2008, compared to a high of 1,943 pence on 19 May 2008. At 4 March 2009, our holding in ENRC PLC was worth \$1.49 billion representing 84% of our total market capitalisation.

## **Outlook**

We believe that the long-term outlook for copper is positive. A significant number of new projects around the world are now unlikely to be delivered, which will reduce future supply and put upward pressure on prices. On the demand side, the wide range of uses for copper gives it a strong base for long-term growth. The Power Division also has excellent potential, with a clear need for capacity and tariffs to rise in Kazakhstan. Our strategy remains unchanged and Kazakhstan and Central Asia continue to offer exceptional opportunities in the development of resources. 2009 will undoubtedly be a challenging year and in the current environment we are committed to pursuing our strategy and business management in a prudent manner, to conserve cash and to ensure that we are positioned to deliver value to all of our stakeholders in the future.

## **CHIEF EXECUTIVE'S REVIEW**

### **Copper and power production summary for 2008**

As mentioned in the Chairman's Statement, 2008 was a solid operational year for the Group. The first quarter of 2008 saw severe winter conditions and metal production throughout the first half was lower than 2007, but a combination of focused management and improved equipment availability meant that the targets were recovered during the second half of the year. Ore extraction in 2008 increased by 5% to 35,675 kt. The rise in ore output is reflected in the higher copper in concentrate production, which increased 7% to 371 kt.

Copper cathode equivalent production, from own material, was 343 kt, ahead of 2007 and previous guidance. Cathode production of 340 kt was in line with 2007 but an additional 3.5 kt of copper in concentrate (cathode equivalent of 3.3 kt) was sold without being converted to metal. These trial sales of copper concentrate were started in 2008. The concentrate market offers considerable potential, particularly in China, where there is spare smelting capacity. We need to develop our understanding of this market, especially as our new growth projects move forward.

The 17% increase in generated electricity at Ekibastuz GRES-1, during 2008, was driven by growing demand from the market within Kazakhstan during the first half of the year. However, major industrial customers reduced electricity consumption at the end of 2008, as they lowered production in response to lower metal prices. This reduction resulted in a decrease in demand and output during the latter part of 2008 and demand in 2009 is likely to be below the level of 2008.

The average net dependable capacity increased from 1,913 MW to 2,013 MW following a major overhaul of Unit 6, which was put back into operation in early November 2008. The major overhaul of Unit 6 took its capacity from 430 MW to 500 MW. Following the overhaul of Unit 5 during 2009, each of the five operational units will have capacity of 500 MW.

### **Financial summary for 2008**

As mentioned in the Chairman's Statement, copper pricing was firm for the first 10 months of the year, with an average LME price of \$7,638 per tonne and a range of \$3,686 to \$8,985 per tonne. Pricing declined sharply in the last two months of 2008 to \$2,902 per tonne at the year end. The average realised price for the year was \$6,714 per tonne, compared to \$7,175 per tonne in 2007 and this resulted in copper turnover of \$2.6 billion compared to \$2.8 billion for the year before. Overall revenue for the Group declined 2% to \$5,151 million.

Costs rose sharply through the year, reflecting the general trend in commodity prices and inflationary impacts in Kazakhstan coupled with a reduction in by-products. These factors led to an average unit cash cost during the year of 116 US cents per lb, compared to 33 US cents per lb in 2007. Although some of the input costs have now started to decline, this had not occurred at the end of 2008, which squeezed profitability in the last quarter of the year. This is seen in EBITDA from managed businesses, excluding special items, which fell to \$1,627 million (2007: \$2,336 million).

Reflecting the current economic environment and lower asset values in the sector, there have been impairment charges of \$400 million, principally relating to the Copper and Gold Divisions. These are non-cash items and do not materially impact the core business. There has also been a release of \$146 million of deferred tax liabilities following the introduction of a new tax regime in Kazakhstan.

Our principal five-year debt facility, of \$2.1 billion, was arranged in February 2008. The principal will be repaid at \$44 million per month, starting from March 2009. Interest on the facility was set at 125 basis points (or 1.25%) over US\$ LIBOR, however, most of this has been switched to a fixed rate of just under 2.3% for 2009. If debt markets return to more normal conditions, we will seek to place some of this debt on a longer-term maturity.

Credit risk from customers has been a major issue in many markets over the past six months. The Group has not experienced any rise in credit issues and the payment terms that we use for selling our commodities, where material is paid for in advance or with letters of credit from reputable banks, suggest that we should be able to manage this risk even in the event of continued economic weakness.

In 2008 the Government of Kazakhstan developed a new tax code. A main aim of the code was to reduce corporation tax and encourage broader commercial development in Kazakhstan. For mining companies, a new Mineral Extraction Tax (MET) largely offsets the reduction in corporation tax and replaces existing royalty payments. Being revenue based, the new tax is relatively insensitive to profitability and becomes particularly aggressive at current metal prices. The Government has adopted a pragmatic approach in this environment, so that unprofitable mines will probably pay a lower MET, at a level similar to previous royalty payments, and is consulting with industry representatives on an appropriate basis for determining the MET. The headline rate of corporation tax in 2009 will be 20%, falling to 15% in 2011, compared to 30% in 2008.

#### **Copper Division production and cost outlook for 2009**

Cathode output from own material in 2009 is likely to reduce by around 10% to 15%, due to several actions that we are taking, following a general review of operations. Output has been suspended at four mines, Belousovsky, North Nurkazgan, Kounrad, and Akbastau, which in 2008 accounted for 15% of copper in ore. Other higher cost mines are being kept under review.

Total capital expenditure in the Copper Division was \$592 million in 2008. Expenditure has been significantly revised for 2009 and is likely to be \$250 million lower. Capital expenditure has been at relatively high levels in the past two years, with a particular focus on capital equipment, so that a reduction in spending in 2009 should not impact on short-term output.

As mentioned above, input costs have started to decline, specifically fuel and steel, after some sharp price inflation during 2008. Labour costs were also rising during the first half of 2008, with Kazakh inflation running at an annual rate of around 19% at mid year. By the year end, Kazakh inflation had declined to an annual rate of 9.5%. Wage increases will be kept to a minimum in 2009, given the less competitive labour market.

Current conditions predict that unit costs in 2009 should be comparable with 2008. Lower input costs, operational efficiencies and lower volumes should reduce costs by at least \$200 million. This excludes the impact of the Kazakh tenge (KZT) devaluation set out below. In addition to mine suspensions, the operational review also considered processing and smelting. In several regions, the flow of material is being adjusted to minimise transportation costs. Both concentrating and smelting capacities will be reduced to match the lower ore output and to enhance productivity. The zinc refinery at Balkhash has been suspended as zinc concentrate can be sold more profitably than in-house produced metal. Some of the copper smelting facilities were due for maintenance shutdowns in 2009 and these have been brought forward to match ore throughput.

Costs in 2009 will also benefit from the devaluation of the KZT, compared to the US\$, which took place in February 2009. In 2008, the currencies traded at approximately KZT120:\$1. A new band has been set by the National Bank of Kazakhstan at KZT150:\$1. As around 40% of costs in the Copper Division are set in KZT, this should create cost savings in the region of \$100 million. This will be slightly offset by lower profitability of around \$15 million from the Power Division, where tariffs and revenues are set in KZT.

Two factors are likely to work against unit costs in 2009. The revenue received from by-products may be affected by lower metal prices. Zinc had an average LME price of \$1,870 per tonne in 2008, compared to a current price of \$1,105 and silver was \$15 per ounce compared to a current price of \$13. Gold prices are slightly higher than last year's price of \$872 per ounce. Cash costs will be negatively impacted if by-product prices remain below the average level of last year. The reduction in output to 300 kt, will spread fixed costs over a smaller volume, again working against the cost reductions seen elsewhere.

The implementation phase of our operational improvement programme within our Copper Division was launched in February 2009. There are currently eight work streams, which are focused on the East Region. This programme will require modest capital investment, but it will improve production techniques and reduce costs with a relatively short pay-back period. The programme has been in development since early 2008, but in the current environment has become particularly important.

Alongside this programme we are working with Worley Parsons to develop our project management capability. This includes access to specialists to help improve in-house skills, particularly in the delivery of our capital projects.

#### **Production of other metals within Copper Division in 2008 and outlook for 2009**

Copper rod is produced to demand and output reflected strong demand from the Chinese market during 2008. Rod production currently has a relatively low profit margin when set against cathode sales and may be reduced in the current economic climate. The annual production of zinc in concentrate and zinc metal benefited from an increase in extraction of zinc bearing ores in the East Region.

As mentioned above, the zinc refinery has been suspended. This closure will not impact the availability of material for sale, as there continues to be good demand for zinc concentrate in Central Asia and China. The total output of zinc in concentrate in 2009 is unlikely to differ significantly from 2008.

The apparent decrease in annual silver production is due to a high level of work in progress at the year end, compared to last year. This will be processed in 2009. Silver output in 2009 is expected to decline due to lower ore volumes.

Gold production in 2008 was assisted by production from the Akbastau mine, which opened in early 2008, and higher output of gold rich ores at the Orlovsky mine. Total gold output in 2009 is likely to be similar to 2008.

#### **Copper growth projects**

The Group has two major copper growth projects, Aktogay and Boschekul. These are both in pre-feasibility stage, which are being managed by our project team alongside Fluor. Work has been continuing over the year defining the ore bodies and improving the estimates of development cost and economic return.

The pre-feasibility study for Aktogay should be completed in the first half of 2009 and Boschekul by the start of the second quarter.

On completion of the pre-feasibility studies the Board will review whether to take the projects forward to feasibility stage, which would last around 12 months, before a final decision after the completion of feasibility studies on whether to develop the mines. These projects are suitable for partnership and project financing. In the current environment, the move to feasibility stage may be delayed unless partners and external sources of committed funding are identified. It is unlikely that the Group would incur capital expenditure of more than \$25 million for the growth projects in the current year.

#### **Kazakhmys Power outlook for 2009**

As mentioned above, demand may reduce in 2009 reflecting lower economic activity in Kazakhstan. In 2009, capital investment of less than \$100 million will focus on the overhaul of Unit 5 bringing it to 500 MW capacity and the installation of electrostatic precipitators, which reduce ash emissions allowing increased power generation and improved air quality. Negotiations are continuing to secure suitable project finance partners for the remainder of the programme, which includes the rehabilitation and refurbishment of the non-operational Units (1, 2 and 8), and the installation of precipitators in all units.

## **MKM**

MKM managed its business well in 2008, in a difficult trading environment. The strategy of focusing on higher value products and improved management of working capital has been successful. 2009 will probably continue to be challenging, with little sign of any improvement in the construction and auto sectors. The infrastructure markets may be supported by the considerable stimulus packages being put together by numerous governments.

## **Kazakhmys Gold**

Annual ore extraction was in line with the previous year due to increased output from the Mizek Oxide mine earlier in 2008 offset by the closure of the Zhaima mine in September 2008. Zhaima finished mining operations in late 2008, as the ore body was exhausted, though processing of the extracted Zhaima ore will continue into 2009.

Output in 2009 may be slightly lower than in 2008, with the absence of production from Zhaima. The feasibility study at Bozymchak, in Kyrgyzstan, is nearing completion and the project shows robust economics. Funding alternatives are being evaluated and until these are decided there will be limited further financial commitment. It would take at least 18 months to complete the project, so that the earliest production could be in the second half of 2010.

At the Akjilga silver project in Tajikistan, further work is being carried out defining the ore body, before moving towards a formal scoping study. The total resources of gold equivalent at Kazakhmys Gold have increased from 2.3 Moz to 2.5 Moz. The main impact being drilling work carried out at Bozymchak.

## **Kazakhmys Petroleum**

The main focus of the exploration activity is the Eastern Akzhar section, where the 3D seismic survey remains on track. The processing of the field data was completed at the end of August 2008 and is now being followed by the interpretation of data which is scheduled to be finalised in early 2009. The results of the survey will be used to plan the location of future new deep wells in 2009 and 2010.

Whilst the 3D seismic data is being analysed, drilling of a duplicate well started at the end of July 2008. At the year end, 4,511 metres out of a projected 5,200 metres had been drilled. The duplicate well is scheduled to be completed and tested in early 2009.

## **Summary operational outlook**

The long-term outlook for copper remains positive, but 2009 will be a challenging year. In order to protect margins and preserve the long-term strength of the business, we are taking decisive action across the Group. Mining output has been reduced and power output will be lowered in response to market demand. Capital expenditure and cost savings have been found across all our businesses. New capital commitments will be kept to a minimum and we are actively seeking financing opportunities for our projects, which may extend some project timetables. We believe that this will assist the business now and position us well for an upturn as and when it comes.

## **DIVISIONAL REVIEW**

### **REVIEW OF KAZAKHMYS COPPER**

#### **KAZAKHMYS COPPER PRODUCTION SUMMARY**

#### **Copper**

| kt (unless otherwise stated)                                 | <b>Year ended<br/>31 December 2008</b> | Year ended<br>31 December 2007 |
|--|--|--------------------------------|
| Ore output   | <b>35,675</b>                          | 33,967                         |
| Copper grade (%)   | <b>1.26</b>                            | 1.22                           |
| Copper cathodes from own concentrate                         | <b>340</b>                             | 341                            |
| Copper cathodes from own concentrate equivalent <sup>1</sup> | <b>343</b>                             | 341                            |
| Copper cathodes from purchased concentrate                   | <b>38</b>                              | 39                             |
| Copper rod production  | <b>48</b>                              | 36                             |

<sup>1</sup> Includes copper sold as concentrate.

Ore extraction grew by 5% in 2008 driven by an improved performance from the majority of Kazakhmys Copper's 20 mines. The measures taken to address equipment availability in late 2007 and during 2008, including the creation of strategic stocks of spare parts, were effective in reducing downtime and raising output.

The growth in ore volumes in 2008 was achieved against a backdrop of reduced output from the South mine following flood damage in September 2007 (2008: 3.3 MT, 2007: 5.2 MT), West Nurkazgan largely exhausting open pit extraction (2008: 0.6 MT, 2007: 1.8 MT) and Kosmurun also exhausting open pit extraction (2008: 0.3 MT, 2007: 1.5 MT). In response to these factors, Kazakhmys Copper brought into production a number of new assets including Akbastau, an open pit mine in the Karaganda Region (2008: 2.4 MT, 2007: nil), Abyz mine, closed for the past two years and re-opened in 2008 (2008: 0.4 MT, 2007: nil) and the addition of the new open pit operations at the North mine in Zhezkazgan (2008: 3.8 MT, 2007: 2.4 MT).

The copper grade was higher than in 2007 as output from the Karaganda Region grew 10% at a copper grade of 2.13% and East Region production was 15% higher at a grade of 2.82%, including 24% more ore from Orlovsky mine at a grade of 4.99%. The decision to focus on the extraction of copper rich ores in 2008 was partially at the expense of by-product content.

Copper in own concentrate production was 7% greater than in the prior year reflecting the higher volumes of ore extracted and the change in copper grade. The production of cathodes from own material was in line with the prior year as stocks of own concentrate finished the year higher. For the first time in recent years, copper concentrate was sold rather than processed into cathode with 3.5 kt of copper in concentrate shipped into China on a trial basis. This is equivalent to 3.3 kt of copper cathodes, which, if produced internally, would have resulted in own cathodes marginally exceeding output in 2007.

Purchased concentrate is acquired locally in Kazakhstan dependent on commercial terms and the availability of processing capacity. In the reduced pricing environment, negotiations are continuing with suppliers on the pricing formula, the outcome of which will determine if copper concentrate is acquired in 2009.

The Zhezkazgan smelter is undergoing a technical review which has resulted in one of its two furnaces being closed in 2009. The copper concentrate that is not processed at Zhezkazgan due to capacity constraints will be shipped by rail to the Balkhash smelter for processing or sold as copper concentrate into the Chinese market.

Copper rod, which is produced to customer order, increased markedly in 2008 reflecting demand from China. Output in 2009 is expected to be significantly below that of 2008 as downward pressure on rod premiums will result in cathodes being sold rather than processed further into rods.

The decline in commodity prices during 2008 has led Kazakhmys Copper to review mining operations at a number of sites. North Nurkazgan open pit (part of the Nurkazgan mine), Kounrad and Belousovsky mines have been suspended due to their relative high cost of production. Akbastau, whilst still profitable at current prices, has been suspended ahead of construction of a new concentrator on the site which will process ore from both the Akbastau and Kosmurun underground mines when they are complete. In addition, a number of changes to ore transportation routes have been made to reduce costs. In 2009, the cutback in operations may lead to a reduction in own copper cathodes output to approximately 300 kt.

## Zinc

| kt (unless otherwise stated) | Year ended<br>31 December 2008 | Year ended<br>31 December 2007 |
|------------------------------|--------------------------------|--------------------------------|
| Zinc grade (%)               | 3.10                           | 3.87                           |
| Zinc in concentrate          | 137                            | 133                            |
| Zinc metal                   | 48                             | 45                             |

In 2008, the East Region, from where over 80% of zinc metal is extracted, saw ore output rise significantly leading to the higher production of zinc in concentrate compared to the prior year. The Karaganda Region, Kazakhmys Copper's other zinc producing region, reported zinc metal in ore output at a similar level to the prior year but at a much lower zinc grade. The ore from the newly opened Akbastau mine, with an average grade of 0.63%, halved the region's grade from 2007 to 2008.

Processing bottlenecks in 2008 particularly impacted ore from the Abyz mine which has been stockpiled at the Karagaily concentrator. Kazakhmys Copper is working to fine tune the concentrating process at Karagaily to maximise the recovery of all the metals contained in Abyz ore, which is especially rich in gold and zinc by-products.

Of the 137.3 kt of zinc in concentrate produced in 2008, 41.4 kt was produced on a toll manufacturing basis by a third party from Artemyevsky mine ore. This arrangement will continue whilst it remains attractive compared to internal processing alternatives at the Nikolayevsky concentrator. A significant quantity of zinc in concentrate was sold in 2008 as the zinc refinery's output level was at its operating capacity. In 2009, taking into consideration the pricing available for zinc concentrate, the zinc refinery's operations have been suspended with all zinc production to be sold as concentrate.

### Precious metals

| koz (unless otherwise stated) | Year ended<br>31 December 2008 | Year ended<br>31 December 2007 |
|-------------------------------|--------------------------------|--------------------------------|
| Average silver grade (g/t)    | <b>21.05</b>                   | 20.52                          |
| Silver own production         | <b>16,710</b>                  | 18,985                         |
| Average gold grade (g/t)      | <b>0.85</b>                    | 0.90                           |
| Gold own production           | <b>124</b>                     | 113                            |

Silver output from the precious metals refinery at Balkhash was 12% below the level achieved in 2007, largely due to the timing of processing of work in progress material. Silver metal in ore output from Zhezkazgan was also slightly lower than in 2007, however this was made up by the East Region where Artemyevsky and Orlovsky mines in particular recorded higher silver production than in the prior year.

Gold production in 2008 benefited from a large increase in output from the Orlovsky mine, where the gold grade rose from 0.59 g/t to 0.98 g/t and ore volumes were 24% higher at 1,528 kt. In the Karaganda Region, the exhaustion of open pit mining at the Kosmurun mine was compensated by gold output from the Akbastau and Abyz mines, although delays in processing ore at the Karagaily concentrator resulted in a build-up of ore to be cleared in 2009. Due to higher production in 2008 from Akbastau, a mine with a low gold grade, the overall average gold grade declined.

### Support services

Kazakhmys Copper's vertical integration includes three coal-fired power and heating plants at Karaganda, Balkhash and Zhezkazgan with a total capacity of 900 MW. The Karaganda plant supplies energy to Kazakhstan's national grid enabling other Kazakhmys Copper operations to receive electricity at only the cost of transmission. The total output in 2008 decreased compared to 2007 from 6,409 GWh to 5,910 GWh. The power and heating plants are supplied fuel by Kazakhmys Copper's two coal mines.

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

## KAZAKHMYS COPPER FINANCIAL SUMMARY

| \$ million (unless otherwise stated)                      | Year ended<br>31 December 2008 | Year ended<br>31 December 2007 |
|---|--------------------------------|--------------------------------|
| Sales revenues:   | <b>3,227</b>                   | 3,588                          |
| Copper cathodes   | <b>2,272</b>                   | 2,516                          |
| Copper rods   | <b>314</b>                     | 251                            |
| Zinc (metal and concentrate)                              | <b>149</b>                     | 325                            |
| Silver  | <b>251</b>                     | 256                            |
| Gold  | <b>109</b>                     | 80                             |
| Other   | <b>132</b>                     | 160                            |
| Average realised price of copper (\$/tonne)               | <b>6,714</b>                   | 7,175                          |
| EBITDA excluding special items                            | <b>1,597</b>                   | 2,234                          |
| Net cash costs excluding purchased concentrate (USc/lb)   | <b>116</b>                     | 33                             |
| Gross cash costs excluding purchased concentrate (USc/lb) | <b>191</b>                     | 130                            |
| Capital expenditure                                       | <b>592</b>                     | 470                            |
| Sustaining  | <b>362</b>                     | 230                            |
| Expansionary  | <b>230</b>                     | 240                            |

### REVENUES

Kazakhmys Copper's sales revenues decreased by 10% from \$3,588 million in 2007 to \$3,227 million in 2008. The volumes of copper cathodes and rods sold were in line with the prior year, reflecting similar production volumes, however the realised copper price was 6% lower at \$6,714 per tonne. This average realised copper price was lower than the LME average of \$6,952 per tonne as 54% of cathode and rod sales occurred in the second half of the year, when the LME average copper price was only \$5,831 per tonne.

The sale of greater volumes of zinc metal and zinc concentrate compared to the prior year did not offset the 45% lower zinc realised price as revenues from zinc fell by \$176 million. Revenues from silver benefited from a higher average LBMA price in 2008 of \$15.0 per ounce, although reduced sales volumes led to 2% lower silver revenues. Gold revenues rose by 36% to \$109 million, driven by a combination of improved sales volumes and the LBMA gold average for 2008 being 25% higher than in the prior year.

Other revenue is made up of a number of products including power, coal, lead dust, heating, sulphuric acid and copper concentrate, of which a small quantity of the latter was sold into China on a trial basis in 2008.

### EBITDA

Included within EBITDA is \$143 million of income arising from closing out LME forward copper contracts in December 2008. This hedging programme was undertaken in August 2008 to manage a Quotational Period difference on intra-group company purchases and third party sales. The gain arose as copper prices fell sharply over this period. All the positions were closed by the year end.

The growth in commodity prices over the past few years has led to continued inflationary pressures within the natural resources sector. In addition, Kazakhstan's rapid economic growth in recent years has created competition for skilled workers. Rising costs and 5% greater ore output volumes, particularly from higher cost mines, have led to Kazakhmys Copper's cost of sales, excluding purchased concentrate, to increase in 2008. A lesser factor in cost inflation was the appreciation of the tenge by 1.8% against the US dollar when comparing the average exchange rate in 2008 to 2007.

Within cost of sales, fuel costs rose sharply, partly driven by the oil price which in 2008 peaked at \$145 per barrel and also by greater consumption. This was compounded by the East Region, which has less rail infrastructure requiring greater transportation by truck, raising output, as did the Akbastau mine which has a long road haulage route. During early 2008, winter outages at Kazakhmys power stations also required considerable fuel to restart the boilers.

The cost of consumables used in the production process rose significantly as input prices were historically high during most of 2008. For example, steel balls, used in the milling process, track the price of steel which spiked during 2008. Chemical reagents used in concentrating, lubricants and other oil based products, also saw historically high pricing.

Overheads within cost of sales, which include the cost of services bought in, were subject to suppliers reacting to the continued strength in commodity prices and demand for their services by raising prices. As noted earlier, the growth in output at mines with long road haulage routes contributed to higher costs as volumes increased, but also associated costs, such as tyres and spare parts, rose in 2008. Repair expenses were impacted by mining equipment inflation.

Wage inflation in Kazakhstan was high in 2008 and cost of sales include the full-year impact of a general salary increase awarded in late 2007. This was followed by a further salary increase in early 2008 targeted at production staff as the rebound in commodity prices and continued competition for workers led to considerable pressure to raise wages.

Selling, general and administrative expenses rose on the prior year largely due to an increase in social spending. Kazakhmys Copper supported the creation of a new technical school in Astana, which should provide skilled labour in the future, as well as sponsoring the 10th anniversary of Astana city. This spending reflects the Group's social commitment in Kazakhstan.

In the fourth quarter of 2008, input prices started to reduce as suppliers passed on the cost reductions seen in commodity prices. At the same time the competition amongst mining companies for services, supplies and capital equipment has slowed significantly allowing Kazakhmys Copper to seek to renegotiate terms with many of its suppliers.

In common with other miners, the focus over the past few years has been on maximising production during a period of historically high commodity prices. During the second half of 2008, Kazakhmys Copper management developed a number of cost savings initiatives including suspending output at selected high cost mines, changing ore routes to reduce transportation costs and carrying out a detailed review of the usage of consumables. The level of social spending is under review and cutbacks are expected in this area in 2009.

The fall in input prices, the cost saving measures taken by Kazakhmys Copper and the recent devaluation of the tenge are expected to result in an improved cost position in 2009.

#### CASH COSTS

The net cash cost of copper excluding purchased concentrate rose from 33 US cents per lb in 2007 to 116 US cents per lb in 2008. The sales volumes in both periods were comparable, but the higher cash operating costs, together with a fall in by-product credits, resulted in the cash cost rising significantly.

#### CAPITAL EXPENDITURE

##### **Sustaining**

In 2008, the sustaining capital expenditure increase was largely focused on mining equipment, the spend on which had been stepped up in the prior year and contributed to the improved performance in ore output. Sustaining capital expenditure was incurred across the operations including the concentrators and smelters, as well as the support services such as the power stations and transportation.

Following a substantial spend on new equipment in 2007 and 2008, a planned reduction in sustaining capital expenditure in 2009 should not have a material impact on achieving the production plan. Reductions in the cost of capital equipment are expected, which should also assist in lowering capital expenditure in 2009.

## Expansionary

### Near and mid-term projects

The Taskura and East Sary-Oba open pits at the North mine were opened in early 2008 and, also in the Zhezkazgan Complex, further work was carried out at the Zhomart mine to raise its output capacity. In the Balkhash Complex, the \$130 million sulphuric acid plant was completed which should lead to a six fold reduction in sulphur dioxide emissions at the smelter when it is fully ramped up. The sulphuric acid produced is a valuable by-product required for a wide range of uses in Kazakhstan.

In the Karaganda Region, the Nurkazgan concentrator was completed and its ramp up is underway. The West Nurkazgan underground mine was being developed during 2008 and is expected to commence output later in 2009. The Karaganda power station is currently undergoing the installation of a replacement turbine, acquired in 2008. This will increase its output and is intended to reduce future capital requirements at the Balkhash and Zhezkazgan power stations.

The East Region incurred expansionary capital expenditure on a number of mines to increase their production capacity and efficiency, including the introduction of conveyors at the Orlovsky mine. Investments were made at concentrators to improve their recovery rates, particularly of by-products. During 2008, Kazakhmys Copper developed a limestone open pit, including the installation of infrastructure and crushing equipment. This project will provide limestone for the treatment of any unsold sulphuric acid.

In 2009, the capital programme for discretionary expenditure has been significantly curtailed following the deterioration in the commodity markets. There are a number of mid-term growth projects under consideration including the development of the Kosmurun underground mine and associated concentrator, East Sary-Oba, Itauz and Shatyrcul mines, however these projects will only proceed in 2009 should commodity markets recover and financing becomes available. The development of the West Nurkazgan underground mine is expected to continue in 2009.

### Growth projects

Kazakhmys Copper has two major long-term expansion projects comprising the large copper porphyry pits at Boschekul and Aktogay. A specialist internal team, Kazakhmys Projects, has been established to assess and develop these deposits, working alongside the engineering group Fluor, who is acting as the study contractor. Financing options for both these projects are currently being explored and large capital commitments are being avoided until funding is put in place.

#### *Boschekul*

The Boschekul sulphide ore deposit, located in the north of Kazakhstan, has measured and indicated resources of 176 MT of ore with 1.3 MT of copper although additional drilling work on the eastern section of the deposit could increase the recognised resources significantly. During 2008, the pre-feasibility study has progressed and is expected to complete in the second quarter of 2009, after which the project is expected to move to feasibility study.

#### *Aktogay*

The Aktogay oxide and sulphide ore bodies, in the east of Kazakhstan, have measured and indicated resources of 1,528 MT of ore with 6.0 MT of copper. The feasibility study to exploit the oxide ore which makes up 5% of the total copper content was completed in 2008. The capital cost of the oxide ore project is currently under review and is likely to proceed only if the main sulphide project goes ahead. The sulphide project is undergoing a pre-feasibility study which is expected to complete in the first half of 2009.

## REVIEW OF KAZAKHMYS GOLD

### KAZAKHMYS GOLD PRODUCTION SUMMARY

| kt (unless otherwise stated) | Year ended<br>31 December 2008 | 6 months ended<br>31 December 2007 |
|------------------------------|--------------------------------|------------------------------------|
| Ore output                   | 2,014                          | 1,206                              |
| Average gold grade (g/t)     | 1.50                           | 1.52                               |
| Gold doré production (koz)   | 56                             | 33                                 |

Kazakhmys Gold completed its first full year in 2008 as part of the Kazakhmys Group following its acquisition in July 2007. One of the three mines in operation during the year, Zhaima ceased ore output in late 2008 as the ore body is now exhausted, although residual ore will be processed in 2009. The Mizek Oxide reserve is expected to be fully exploited by the end of 2009, although residual ore is expected to be processed until 2011, after which future production will be limited to Mukur and the development projects.

Further exploration was conducted at the Mukur mine which enabled more targeted stripping work, thereby improving the stripping ratio and maintaining gold grades. The gold grade improved at the Mizek mine due to the extraction of high grade ores.

Gold doré production, which is undertaken using the heap leaching process, was 9% above the prior year due to the higher gold grades and the processing of material brought forward from 2007 at the Mukur mine.

#### KAZAKHMYS GOLD FINANCIAL SUMMARY

| \$ million (unless otherwise stated) | Year ended<br>31 December 2008 | 6 months ended<br>31 December 2007 |
|--------------------------------------|--------------------------------|------------------------------------|
| Sales revenue                        | 49                             | 25                                 |
| Average realised price (\$/ounce)    | 878                            | 695                                |
| EBITDA excluding special items       | 19                             | 6                                  |
| Cash cost (\$/ounce)                 | 440                            | 354                                |
| Capital expenditure                  | 13                             | 8                                  |
| Sustaining                           | 3                              | -                                  |
| Expansionary                         | 10                             | 8                                  |

#### REVENUES

The revenue for the year of \$49 million was almost entirely generated from gold sales. 55.2 koz of gold was sold in the year at an average realised price of \$878 per ounce, compared to an average LBMA price of \$872 per ounce.

#### EBITDA

EBITDA for 2008 was \$19 million, with the cash cost per ounce increasing by 24% from the six months ended 31 December 2007. Kazakhmys Gold experienced inflationary pressures similar to those noted for Kazakhmys Copper, however these were partially offset by reductions in fuel consumption. The volume of stripping works was increased in 2008 as the mines became more mature.

The development projects in Kyrgyzstan and Tajikistan incurred almost \$2 million of expenses, which were not capitalised in 2008.

In 2009, there will be lower sales volumes as the Zhaima mine will cease ore output having a negative impact on revenues. Input costs should be lower and the devaluation of the tenge against the US dollar will reduce the cost base when presented in US dollars.

#### CAPITAL EXPENDITURE

In 2008, the Gold Division's capital expenditure was relatively low as the main focus of development activities were the pre-feasibility and feasibility studies on its major development project, Bozymchak, a technical study for Mizek Sulphide and continued exploration work at Akjilga.

#### Sustaining

The three operating mines required \$3 million of sustaining capital expenditure in 2008, principally for the purchase of replacement mining equipment.

## Expansionary

Costs were incurred for all three growth projects, with the main focus on Bozymchak.

### Bozymchak

The pre-feasibility study for the Bozymchak gold and copper deposit located in south western Kyrgyzstan was successfully completed in 2008 and the feasibility study is nearing completion. Orders were placed for certain long-lead items, however additional major procurement has now been temporarily suspended whilst Kazakhmys explores financing options. Drilling work carried out in 2008 resulted in the addition of 8.0 MT of probable reserves at a grade of 1.42 g/t.

### Mizek Sulphide

The Mizek site is located in north east Kazakhstan, approximately 340 km from Semey. Technical studies are continuing, however the procurement of long-lead items, including the construction of the power lines, have been placed on hold subject to results of technical studies and financing being secured.

### Akjilga

The Akjilga silver and copper deposit is located in Tajikistan. Drilling equipment was acquired and further exploration work is being undertaken which will continue in 2009.

## REVIEW OF KAZAKHMYS POWER

Kazakhmys completed the acquisition of the Ekibastuz coal-fired power plant and the Maikuben West coal mine on 29 May 2008. Both businesses are located in north eastern Kazakhstan.

Ekibastuz GRES-1 is the largest power station in Kazakhstan with a nameplate capacity of 4,000 MW. Output is provided by up to eight units, of which only five are operational at the current time. As at 31 December 2008, the plant's available capacity (net of house load) was 2,250 MW. Conditional on future electricity tariff increases in Kazakhstan, Kazakhmys intends to restore the plant to its original nameplate capacity.

The power station is located 25 km from the Bogatyr mine, the principal source of coal supply in north eastern Kazakhstan. The Bogatyr mine is jointly owned by United Company RUSAL and Samruk-Energo JSC, the energy division of the Kazakh Government's investment holding company, and supplies approximately 80% of Ekibastuz's coal needs. The balance of Ekibastuz GRES-1 coal needs is met by the Maikuben West coal mine which is 65 km from the power station. The Maikuben West coal mine is an open cast coal mine with reserves of over 20 years producing approximately 4 MT per annum.

Under the terms of the sale and purchase agreement, Kazakhmys expect to retain AES Corporation, the previous owner, on a management service contract for the power station and coal mine up to 31 December 2010.

## KAZAKHMYS POWER PRODUCTION SUMMARY

|  | Year ended<br>31 December 2008 | Year ended<br>31 December 2007 |
|--|--------------------------------|--------------------------------|
| Net power generated (GWh)  | 10,402                         | 8,864                          |
| Net power generated attributable to Kazakhmys <sup>1</sup> (GWh) | 5,774                          | -                              |
| Net dependable capacity (MW)                                     | 2,013                          | 1,913                          |
| Coal extraction (kt)   | 3,600                          | 3,420                          |
| Coal extraction attributable to Kazakhmys <sup>1</sup> (kt)      | 2,170                          | -                              |

<sup>1</sup> Period from acquisition on 29 May 2008.

Ekibastuz GRES-1's net power generation was 5,774 GWh in the period since Kazakhmys acquired ownership and the total output for 2008 was 17% higher than in the prior year. The growth in output is demand driven, with power consumption from industrial and domestic users rising in Kazakhstan until the fourth quarter.

At the start of 2008, Ekibastuz GRES-1 had spare capacity to materially increase production in response to greater demand. Output dropped back after the winter period ended, before rising again in May and June as other stations carried out maintenance work. In the fourth quarter, output was expected to grow due to a combination of greater demand and cold weather, but, due to industrial users scaling back production, the power station operated at a reduced capacity level.

The completion of refurbishment work on Unit 6 during 2008 led to the average available capacity rising from 1,913 MW to 2,013 MW (net of house load), ending the year with an available capacity of 2,250 MW (net of house load). The extensive maintenance work performed during 2008 led to operational efficiencies at the plant, lowering the fuel consumption to net generation ratio and raising the duration of unit running times without forced outages.

During 2009, further operational improvements are expected as the overhaul of Unit 5 is undertaken. Output will be demand dependent with the outlook for the first part of 2009 lower than the same period in 2008.

#### KAZAKHMYS POWER FINANCIAL SUMMARY

| \$ million (unless otherwise stated)        | Year ended<br>31 December 2008 |
|---|--------------------------------|
| Sales revenues <sup>1</sup>                 | 156                            |
| Average tariff price (KZT/kWh)              | 2.42                           |
| Average cost of kWh (KZT)                   | 1.72                           |
| EBITDA excluding special items <sup>1</sup> | 42                             |
| Capital expenditure <sup>1</sup>            | 39                             |
| Sustaining                                  | 4                              |
| Expansionary                                | 35                             |

<sup>1</sup> Period from acquisition on 29 May 2008. Comparatives are not shown for the period prior to Kazakhmys ownership.

#### REVENUES

The electricity generated by Ekibastuz GRES-1 is sold externally to a combination of business and residential customers. Approximately 15% of the output is exported to Russia under long-term contracts with the balance sold within the Kazakhstan domestic market. Of the Kazakhmys Power revenue, \$123 million was attributable to electricity sales, with the remaining \$33 million from external coal sales made by Maikuben West. The average electricity tariff for 2008 was 2.42 KZT/kWh, up from 1.95 KZT/kWh in 2007, driven by further deregulation of the electricity market and strong demand from within Kazakhstan. The rate of tariff increases slowed at the end of 2008 due to a weakening in demand from industrial users. The decline in commodity prices has led to some large industrial users cutting output which may lead to the rate of tariff increase slowing in 2009. Maikuben West enjoyed an average coal price increase to 1,171 KZT/tonne, up from 896 KZT/tonne in 2007.

#### EBITDA

EBITDA is primarily generated by Ekibastuz GRES-1, which made up over 85% of the Power Division's EBITDA. The growth in electricity tariffs over 2008, as noted above, has led to an EBITDA of \$42 million since acquisition for the Power Division. The main cost at the power station is externally sourced coal from the nearby Bogatyr mine, the price of which rose rapidly in 2008. Diesel costs also increased over the prior year, although this was partially reversed in the last few months of 2008 as oil prices fell.

#### CASH COST

The cash cost per kilowatt hour of electricity is calculated over the total of net electricity produced. Coal is the main cost at the power station comprising approximately 40% of all cash costs. The remaining 60% is made up of transmission costs which rose substantially in 2008, emission taxes, fuel, water, labour, repair and administrative costs.

## CAPITAL EXPENDITURE

The capital expenditure programme at Ekibastuz GRES-1 and the Maikuben West coal mine is being managed by AES Corporation under the terms of a management service contract entered into at the time of acquisition. The main focus of the capital expenditure programme is the modernisation and expansion of the capacity of the power plant.

The plant has five operating generating units and three dormant units. A refurbishment programme is underway on the five operating units to restore them to their original design capacity of 500 MW each and improve their efficiency, reliability, safety and environmental performance. As the dormant units have been cannibalised to provide replacement parts to the operating units, bringing them into operation will require the substantial replacement of almost all component parts. The replacement of the dormant units forms part of the medium-term capital expenditure programme for the power station which when complete should restore the station to its nameplate capacity of 4,000 MW.

In addition, the programme will also involve 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. Environmental improvements will also improve the efficiency of the plant thereby increasing output capacity.

### Sustaining

Sustaining capital expenditure in 2008 comprised minor repairs at Ekibastuz GRES-1 and the purchase of replacement equipment at the Maikuben West coal mine. The maintenance work in 2009 is not expected to be significantly different from that carried out in 2008.

### Expansionary

The first phase of the modernisation of three of the five operating generating Units (4, 6 and 7) at Ekibastuz GRES-1 was completed when the major overhaul of Unit 6 was finished in 2008, comprising the major part of the capital expenditure in the year.

The overhaul of Unit 5 is planned for 2009. When complete, this will bring all of the five operating units to their full design capacity of 500 MW. The work is scheduled to take place over seven months during 2009. The capital programme for 2009 also includes the initial spend on the installation of electrostatic precipitators to reduce ash emissions from the power station.

## REVIEW OF KAZAKHMYS PETROLEUM

### KAZAKHMYS PETROLEUM FINANCIAL SUMMARY

| \$ million (unless otherwise stated) | Year ended<br>31 December 2008 | Year ended<br>31 December 2007 |
|--------------------------------------|--------------------------------|--------------------------------|
| EBITDA excluding special items       | (1)                            | (1)                            |
| Capital expenditure (expansionary)   | 42                             | 7                              |

Kazakhmys Petroleum has the exploration rights to a 602 km<sup>2</sup> exploration block located to the south of Aktobe in western Kazakhstan. This region is home to numerous oil and gas operations located on the eastern fringes of the Caspian depression and is in close proximity to existing oil and gas pipelines.

The exploration block is divided into two sections: the subsalt section, Eastern Akzhar, and the suprasalt section, Northern Elimessai. The subsalt section is the most promising and is the main focus of the exploration work, however both sections require testing under the terms of the exploration licence.

### Eastern Akzhar

A 3D seismic survey, started in 2007, was completed during 2008. The field data collected has been analysed to determine the most promising locations for future deep wells to be constructed in 2009 and beyond.

A duplicate well of a deep well drilled in the 1980s was drilled in the second half of 2008 and will be completed in March 2009. The results of the well will subsequently be studied. The location of future deep wells will be determined from analysis of the 3D seismic survey data.

The drilling rig currently operating in the exploration block is expected to be retained throughout 2009 and into 2010 to drill further deep wells.

#### Northern Elimessai

During 2008, the obligations under the exploration contract have been fulfilled on the Northern Elimessai section, with the completion of the shallow well drilling programme. This programme did not reveal petroleum which could be commercially extracted.

No further exploration work is required or planned for this section. All the costs associated with this section have been written off in the period.

#### EBITDA

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

### REVIEW OF MKM

#### MKM FINANCIAL SUMMARY

| \$ million (unless otherwise stated) | Year ended<br>31 December 2008 | Year ended<br>31 December 2007 |
|--------------------------------------|--------------------------------|--------------------------------|
| GVA <sup>1</sup> (€ million)         | 161                            | 152                            |
| Wire section (€ million)             | 38                             | 37                             |
| Flat section (€ million)             | 80                             | 71                             |
| Tubes and bars (€ million)           | 43                             | 44                             |
| EBITDA excluding special items       | (1)                            | 34                             |
| Capital expenditure                  | 11                             | 11                             |

<sup>1</sup> 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.

MKM is the Group's downstream copper business in Germany, producing and selling copper and copper alloy semi-finished products. The business is structured in three business units: wire products, flat products (strips, plates and sheets) and tubes and bars. The production volumes are principally sales driven with additional capacity available for most general product specifications.

#### GVA

Gross Value Added (GVA) is considered a more appropriate performance measure than revenue as it excludes the cost of copper. GVA is effectively the conversion charge that customers pay in excess of the copper cathode cost.

The 2008 financial year started off strongly with first-half sales volumes of 150 kt, 9% higher than the comparative period albeit against a worsening economic backdrop. The weakness in the European housing market led to a reduction in construction projects. The relative strength of the Euro against the US dollar in the first half of the year made MKM's exports outside Europe less competitive. The price of copper held up for longer in 2008 than other commodities, leading to product substitution, for example, zinc and aluminium strips or plastics for tubes. The second half of 2008, whilst bringing a lower copper price, has seen a marked downturn in demand for MKM's products, with customers reluctant to enter into orders for 2009 and being willing to run down inventories.

Wire products, containing wire rod and drawn wires, continue to make up over half of MKM's sales by volume. Growth in eastern Europe contributed to a strong performance over most of 2008 with MKM's

core markets in western Europe largely flat. At the end of 2008, orders from the automobile industry were significantly scaled back and contracted sales volumes for 2009 are well below the 2008 level.

Flat products have performed well with strips and plates growing in sales volumes and GVA per tonne, as demand from infrastructure projects has remained robust. The downturn seen at the end of 2008 has impacted all of the product groups within flat products, though not to the same extent as wire products.

The performance of the tubes and bars section has been mixed, with the high price of copper driving substitution in sanitary tubes, despite the recent falls in prices. Whilst industrial tube volumes have held up, this has been at the expense of lower margins. Partially offsetting the weakness in sales of tubes, sales of bars within electricity infrastructure projects have increased by 9% on prior period as demand for bars across all of MKM's markets led to capacity constraints.

#### EBITDA

Whilst total GVA was higher than the prior year, EBITDA fell by \$35 million. EBITDA was negatively impacted by a large IFRS inventory adjustment of \$48 million, effectively revaluing stock based on the lower copper price at the end of the year. The inventory adjustment was only \$3 million in 2007. Excluding the impact of the IFRS inventory adjustment and inventory write offs, presented in Euros to reflect underlying performance, EBITDA increased by €2 million to €30 million, reflecting the strong start to 2008.

Costs in MKM were carefully controlled in 2008, with staff and material cost increases kept low. Utilities costs were driven slightly higher by a combination of production volume growth and gas price rises. Distribution costs rose as markets outside western Europe drove sales volume increases.

#### CAPITAL EXPENDITURE

The capital expenditure in 2008 was split across all the major product lines as MKM completed a combination of maintenance and de-bottlenecking projects. Where orders were consistently received for certain specification products, MKM committed a low level of capital spend to ensure that these product lines can be manufactured as efficiently as possible.

No major projects are planned in 2009 with the level of capital expenditure expected to be comparable to that in 2008.

### FINANCIAL REVIEW

#### INCOME STATEMENT

A summary of the consolidated income statement is shown below:

| \$ million (unless otherwise stated)  | 2008           | 2007    |
|---|----------------|---------|
| <b>Revenues</b>   | <b>5,151</b>   | 5,256   |
| Operating costs excluding depreciation, depletion, amortisation and special items | <b>(3,524)</b> | (2,920) |
| <b>EBITDA from managed businesses excluding special items</b>                     | <b>1,627</b>   | 2,336   |
| Special items:  |                |         |
| Less: impairment of property, plant and equipment                                 | <b>(120)</b>   | (26)    |
| Less: impairment of goodwill  | <b>(46)</b>    | -       |
| Less: impairment of mining assets   | <b>(126)</b>   | -       |
| Less: provisions against inventories  | <b>(88)</b>    | -       |
| (Less)/add: (loss)/gain on disposal of property, plant and equipment              | <b>(2)</b>     | 2       |
| Less: depreciation, depletion and amortisation                                    | <b>(349)</b>   | (264)   |
| <b>Operating profit from managed businesses</b>                                   | <b>896</b>     | 2,048   |

#### Revenues and EBITDA

2008 has been a year of contrast for the Group as strong commodity prices seen across the Group's main products for the first nine months of the year gave way to a sudden collapse in prices in the fourth quarter as the impact of the global economic slowdown spread beyond the financial sector. Average

market prices for copper for the first nine months of the year were \$7,966 per tonne, significantly higher than in 2007, but fell by more than half to \$3,940 per tonne for the last quarter with the LME copper price finishing the year at \$2,902 per tonne.

Sales volumes of copper cathodes and copper rods were in line with the prior year at 385 kt reflecting consistent production volumes across the years. Sales volumes were particularly strong in the fourth quarter offsetting the sharp fall in commodity prices to a limited degree. However, revenues from copper cathodes and copper rods fell by \$181 million compared to 2007 as a higher proportion of sales took place in the second half of 2008 when copper prices were lower than the first half of 2008. Revenues from zinc metal and zinc concentrate fell by more than half to \$149 million compared to 2007 in spite of higher sales levels, reflecting the continued weakness shown in zinc prices which were 43% lower than the prior year.

Despite the first time contribution from Kazakhmys Power following its acquisition in May 2008, and a full year of revenue from Kazakhmys Gold in 2008, revenues for the Group fell by 2% for the year compared to 2007.

Inflationary pressures within Kazakhstan and the impact of global mining industry inflation continued to be significant factors on costs during the year across all of our businesses. Within Kazakhstan, the consumer price index inflation rate was running in excess of 10% per annum for the majority of the year, and mining industry inflation continued at levels significantly above the historic average. An easing of inflation rates was only seen in the fourth quarter of the year as the global economic downturn impacted the domestic Kazakh economy. Consequently, cost pressures were seen in particular for fuel which was driven by the record price of oil, mining consumables, transportation and employee remuneration. In addition, social spending increased compared to 2007 reflecting the Group's commitment to employees and communities in Kazakhstan in a period of elevated commodity prices. Input costs are expected to reduce in 2009 following the devaluation of the tenge in February 2009, a continued reduction in the consumer price index and mining inflation rates amidst the economic downturn, and several cost control initiatives being implemented across our businesses.

### **Special items**

In light of the current economic environment, management have taken a number of operational decisions which have resulted in a series of impairment charges being recognised in the Group accounts. The significant impairment charges recognised in the consolidated income statement are:

- an impairment charge of \$75 million has been recognised following management's decision to cease production at the Kazakhmys Copper zinc refinery in light of adverse changes in assumptions about future zinc prices and operating costs;
- an impairment charge of \$158 million has been recognised in relation to the Kazakhmys Gold Division following a general change in its long-term strategy, with the outlook for existing mines and development projects being less attractive than originally anticipated at the time of acquisition;
- impairment of inventories include an amount of \$73 million and \$15 million in respect of Kazakhmys Copper and MKM, respectively. For Kazakhmys Copper, the impairment primarily relates to the impairment of stockpiled ore which is not going to be processed in the foreseeable future as the processing is uneconomic at current commodity price levels. Within MKM, a provision has been recognised to record inventory at the lower of cost and net realisable value. This primarily related to finished goods held in stock at the end of the year which have been written down reflecting the fall in copper price in December; and
- an impairment charge of \$57 million has also been recognised within Kazakhmys Copper on the property, plant and equipment and mining assets associated with the closure of certain mines which are loss making in a period of sustained commodity price weakness and are unlikely, in management's best estimate, to re-open in the foreseeable future.

Total special items amounted to \$382 million compared to \$24 million in 2007.

## RECONCILIATION OF EBITDA FROM MANAGED BUSINESSES EXCLUDING SPECIAL ITEMS

| \$ million  | 2008         | 2007         |
|---|--------------|--------------|
| <b>EBITDA from managed businesses excluding special items</b>       |              |              |
| Kazakhmys Copper  | 1,597        | 2,234        |
| MKM   | (1)          | 34           |
| Kazakhmys Power   | 42           | -            |
| Kazakhmys Gold  | 19           | 6            |
| Kazakhmys Petroleum   | (1)          | (1)          |
| Corporate unallocated   | (29)         | 63           |
| <b>Total EBITDA from managed businesses excluding special items</b> | <b>1,627</b> | <b>2,336</b> |

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

EBITDA from managed businesses excluding special items fell by 30% to \$1,627 million compared to the prior year despite the first time inclusion of Kazakhmys Power following its acquisition in May 2008, and a full year of earnings from Kazakhmys Gold which was acquired in July 2007. MKM made a loss for the year due to the volatility in earnings under IFRS as a result of the combined impact of copper price fluctuations on the valuation of stock and stock levels.

### Dividends

The Company paid dividends of 41.4 US cents per share (\$200 million) during 2008, which comprises the 2007 final dividend of 27.4 US cents per share (\$125 million) and the 2008 interim dividend of 14.0 US cents per share (\$75 million). In response to the sharp reduction in commodity prices for the Group's products, continued market uncertainty and the need to meet funding requirements in the near term, the Directors have not recommended a final dividend for 2008. This decision is in keeping with the Group's dividend policy determined at the time of Listing.

### CASH FLOWS

A summary of cash flows is shown below.

| \$ million   | 2008           | 2007           |
|--|----------------|----------------|
| <b>EBITDA from managed businesses</b>                                    | <b>1,245</b>   | <b>2,312</b>   |
| Write-off of assets and impairment losses                                | 400            | 30             |
| Loss/(gain) on disposal of property, plant and equipment                 | 2              | (2)            |
| Dividends received from associate  | 38             | -              |
| Foreign exchange loss adjustment   | (27)           | (58)           |
| Working capital movements  | 132            | (282)          |
| Interest paid  | (70)           | (14)           |
| Income taxes paid  | (621)          | (850)          |
| <b>Net cash flows from operating activities</b>                          | <b>1,099</b>   | <b>1,136</b>   |
| Sustaining capital expenditure   | (384)          | (241)          |
| <b>Free Cash Flow</b>  | <b>715</b>     | <b>895</b>     |
| Expansionary and new project capital expenditure                         | (310)          | (702)          |
| Interest received  | 28             | 121            |
| Acquisition of subsidiaries, net of liquid funds and borrowings acquired | (1,157)        | (265)          |
| Capital transactions with shareholders                                   | (121)          | (282)          |
| Dividends paid   | (200)          | (424)          |
| Acquisition of associate   | (918)          | (806)          |
| Proceeds from disposal of property, plant and equipment                  | 17             | 8              |
| Proceeds from disposal of non-current investments                        | 14             | 3              |
| Other movements  | (5)            | (12)           |
| <b>Cash flow movement in net (debt)/liquid funds</b>                     | <b>(1,937)</b> | <b>(1,464)</b> |

### **Summary of the year**

Cash flows from operating activities were \$1,099 million for the year, a decrease of \$37 million compared to the prior year due to lower earnings, a marked reduction in tax payments and an improvement in working capital requirements. Despite higher levels of sustaining capital expenditure in 2008, Free Cash Flow, a key performance indicator of the Group's ability to translate earnings into cash flow, was a healthy \$715 million. Whilst this is based on the full-year result, Free Cash Flow reduced markedly in the last quarter of 2008 as commodity prices fell sharply.

### **Working capital**

Working capital levels for the Group decreased by \$132 million during 2008. This improvement was due to a combination of factors, including the beneficial working capital impact of lower copper prices which more than offset higher inventory levels within MKM and lower sales in the last two months of the year for MKM which reduced the level of trade receivables. For the Kazakhmys Copper business, a reduction in copper cathodes held as stock at the year end following strong sales in December and a reduction in the quantity of purchased concentrate held at year end as previously held purchased concentrate inventory was used in production and not replenished, also contributed to the improvement in working capital levels.

During the current economic downturn, management will continue to focus on working capital management across the Group's businesses to ensure cash generation is maximised.

### **Income taxes**

The level of income taxes paid of \$621 million during the year was lower than the prior year of \$850 million as a result of lower earnings in 2008, a one-off catch-up tax payment in early 2007 of approximately \$100 million in relation to income tax and excess profits tax payable for the 2006 financial year which did not recur in 2008. Based on the schedule of tax payments on account for 2008 that was agreed with the tax authorities during the year, Kazakhmys LLC reported a tax receivable balance of approximately \$100 million at the year end given the reduced profitability in the last quarter of the year, which was not expected when agreeing the schedule of tax payments earlier in the year. This overpayment will be used to reduce tax payments on account in 2009 or will be refunded by the tax authorities if Kazakhmys LLC is in a non-tax paying situation.

### **Capital expenditure**

During 2008 the Group continued to invest at historically high levels to improve productivity levels and to grow the business, with sustaining capital expenditure \$143 million higher than the prior year at \$384 million. Purchase prices of items of capital expenditure also rose compared to the prior year reflecting the demand for such equipment and the impact of global mining industry inflation. Despite this increase, in response to market conditions, the level of discretionary capital expenditure was reduced towards the end of the year amidst the backdrop of the economic downturn and this reduction will continue into 2009.

Excluding the impact in 2007 of acquiring the oil and gas exploration licence within Kazakhmys Petroleum for \$450 million, expansionary and new project capital expenditure for 2008 was \$58 million higher than the prior year at \$310 million. Significant items of capital expenditure during the year included the continued construction of the West Nurkazgan underground mine, expenditure on the Balkhash acid plant which opened in June 2008, expenditure on pre-feasibility studies for Aktogay and Boschekul, overhaul and modernisation of Unit 6 within the Ekibastuz power plant which was put back into operation in November 2008 and continued exploration work within Kazakhmys Petroleum.

### **Acquisitions**

As explained below, the Group acquired the Ekibastuz coal-fired power plant and Maikuben West coal mine during the year. Cash paid on completion of the transaction was \$1,097 million with further deferred amounts of \$5 million paid in 2008, less an amount of \$9 million received from the seller in relation to adjustments to the closing statement under the terms of the sale and purchase agreement. Net debt of \$57 million was acquired with the businesses, which together with acquisition costs of \$7 million, resulted in a net cash outflow for this acquisition during 2008 of \$1,157 million. Additional contingent amounts are payable under a three year earn-out based on EBITDA targets for the acquired businesses and successful delivery of a capital expenditure programme within a defined timeframe.

Additionally, during the year, as explained below, the Group increased its shareholding in ENRC from 14.6% at 31 December 2007 to 26.0% in three separate tranches at a total cash cost of \$918 million. The share exchange with the Government of Kazakhstan in July 2008 was a non-cash transaction. The Group received \$38 million of dividends from ENRC in November 2008, compared with \$94 million in December 2007 when the investment was classified as an available for sale investment and the dividend receipt was included within EBITDA from managed businesses.

The acquisition of Kazakhmys Power and incremental shares in ENRC were funded via the draw down of \$2.1 billion from the pre-export finance debt facility.

### **Returns to shareholders**

Returns to shareholders comprised payment of the 2007 final dividend of \$125 million in May 2008, payment of the 2008 interim dividend of \$75 million in October 2008 and completion of the share buy-back programme in January 2008, as explained below, at a cost of \$121 million during the year.

### **BALANCE SHEET**

#### **Acquisition of ENRC shares**

During the year, the Group increased its shareholding in ENRC from 14.6% at 31 December 2007 to 26.0% in three separate tranches:

- on 24 July 2008, the Company issued 80.3 million shares to the Government of Kazakhstan in exchange for 98.6 million shares in ENRC, which it received on 28 July 2008. The share price of the Company as at the date of the share issue was £13.17 per share, and the market value of the shares issued was \$2,110 million. In addition, stamp duty of \$10 million was incurred, taking the total cost of the transaction to \$2,120 million;
- between 31 July and 8 August 2008, the Group purchased a further 35.7 million shares in ENRC for a total cost of \$800 million; and
- between 2 October and 27 October 2008, the Group purchased a further 12.6 million shares in ENRC for a total cost of \$108 million.

After the completion of these transactions, the total number of shares held by the Group in ENRC at 31 December 2008 was 334.8 million. The total cash cost of these transactions was \$918 million as the share exchange was a non-cash transaction.

#### **Acquisition of Kazakhmys Power**

On 29 May 2008 the Group acquired 100% of the Ekibastuz coal-fired power plant and the Maikuben West coal mine in Kazakhstan for a total consideration of \$1,307 million, including estimated deferred fixed and contingent consideration and acquisition costs of \$219 million on a discounted basis. As a direct result of this acquisition, property, plant and equipment and mining assets have increased by over \$1 billion, and provisions have increased by \$261 million mainly attributable to the expected contingent consideration payable in future years. Goodwill of \$626 million has arisen from the acquisition of the businesses. This goodwill can be broken down into two elements:

- goodwill of \$359 million representing the difference between the cost of the acquisition and the fair value of identifiable assets and liabilities acquired, excluding deferred tax on the fair value adjustments. This goodwill has arisen as the fair values of the identifiable assets do not take into account the future capital expenditure programme of the businesses which should result in an increased capacity of the power plant from 2,250 MW to 4,000 MW. A combination of the future capacity increase, additional tariff increases and the ability for the Group to benefit from these improvements are the main drivers behind the goodwill balance arising on this transaction; and
- goodwill of \$267 million arising as a consequence of the requirement to recognise a deferred tax liability on the fair value adjustments.

Management have performed an impairment test on the acquisition goodwill at 31 December 2008, and the results of this exercise show that the goodwill is not impaired.

### Net debt/liquid funds

Net debt/liquid funds consists of cash and cash equivalents, current investments and borrowings. A summary of the net debt/liquid funds position at 31 December 2008 and 2007 is shown below:

| \$ million                     | 2008           | 2007       |
|--------------------------------|----------------|------------|
| Current investments            | 32             | 57         |
| Cash and cash equivalents      | 540            | 439        |
| Borrowings                     | (2,200)        | (198)      |
| <b>Net (debt)/liquid funds</b> | <b>(1,628)</b> | <b>298</b> |

The Group's net debt, net of capitalised arrangement fees of \$21 million, stood at \$1,628 million at 31 December 2008 compared to net liquid funds of \$298 million at 31 December 2007. The Group moved into a net debt position for the first time in 2008 following the draw down during the year of \$2.1 billion from the pre-export finance debt facility to finance the acquisition of Kazakhmys Power and incremental market share purchases in ENRC. Borrowings within MKM reduced from \$196 million to \$121 million reflecting the lower working capital requirements resulting from the reduction in copper prices and reduced sales volumes in the last two months of the year. The external debt acquired within Kazakhmys Power of \$159 million on acquisition was substantially refinanced in June 2008 to take advantage of the cheaper cost of borrowing outside of Kazakhstan.

On 26 August 2008, a revolving credit facility was arranged for general corporate purposes and to provide standby liquidity. At 31 December 2008, this facility was undrawn.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The funds within the UK are held within western European and US financial institutions and their triple 'A' rated managed liquidity funds. At 31 December 2008, \$282 million of cash and cash equivalents was held in the UK and the Netherlands, with \$258 million being held in Kazakhstan.

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

### Deferred tax

The Group's deferred tax liability decreased to \$266 million due to the impairment of the Kazakhmys Gold business and the enactment of new tax legislation within Kazakhstan in December 2008. This reduction in tax rates results in the Kazakhmys Power and Kazakhmys Gold acquisition related deferred tax liabilities, and the non-acquisition related deferred tax liabilities predominantly within Kazakhmys Copper, decreasing by \$178 million.

### Share buy-back

At the end of January 2008, the Group completed the share buy-back programme which commenced on 24 October 2007. The total number of ordinary shares purchased and cancelled was 15.1 million, of which 5.2 million were cancelled in 2008. At an average price of £12.73 per share, this equated to a total cost of \$391 million including expenses, of which \$121 million was incurred in 2008. The average closing price and the volume weighted average price over the buy-back period were £13.21 per share and £13.08 per share, respectively.

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## NOTES TO EDITORS

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

It is the largest copper producer in Kazakhstan and one of the top ten worldwide with 20 mines, 10 concentrators and 2 copper smelters. Kazakhmys Copper operations are fully integrated from mining ore through to the production of finished copper cathode and rod. Total copper cathode equivalent produced in 2008 from own ore was 343 thousand tonnes. Production is backed by a captive power supply and significant rail infrastructure. Kazakhmys also owns MKM, an upstream copper products fabrication company in Germany, which produces a range of pre- and semi-finished copper and copper alloy products.

Kazakhmys Copper produces significant volumes of other metals, including zinc, silver and gold. In 2008, it produced 48 thousand tonnes of zinc metal and 137 thousand tonnes of zinc concentrate. Kazakhmys is the fourth largest silver producer in the world (17 million ounces produced in 2008).

Kazakhmys Gold, which acquired Eurasia Gold Inc in July 2007, includes substantial new development and exploration opportunities. In total the Group produced 179 thousand ounces of gold in 2008 and has measured and indicated resources of 2.3 million ounces.

Kazakhmys Power owns the coal fired Ekibastuz GRES-1 plant, the largest in Kazakhstan with a nameplate capacity of 4,000 MW. In addition, it owns the Maikuben open cast coal mine, supplying around 20% of the power plant's fuel requirements producing over 3.6 million tonnes of coal in 2008.

Kazakhmys Petroleum owns the East Akzhar exploration block, with an area of 602km<sup>2</sup>, located on the eastern fringe of the Caspian depression.

The Group is part of the FTSE-100 index of companies listed on the London Stock Exchange and is also listed on the Kazakhstan Stock Exchange (KASE). It had revenues of \$5.3 billion in 2007 with EBITDA of \$2.3 billion. The Group employs approximately 65,000 people, principally in Kazakhstan. The Group's strategic aim is to diversify and participate in the development of the significant natural resource opportunities in Central Asia.