



KAZAKHMYS PLC

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Company Number: 5180783

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## KAZAKHMYS PLC HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2008

### FINANCIAL & PRODUCTION OVERVIEW

- **Copper cathode production from own material of 157 kt in H1 2008**
  - A decline of 4% on the same period last year
  - Production has recovered after the severe weather in Q1 2008
- **Revenue of \$2,837.8 million in H1 2008**
  - An increase of 2% on the same period last year
  - Reflecting the increase in copper prices but offset by lower production
  - Strong increase in gold and silver by-product revenues but offset by lower zinc revenues
- **EBITDA excluding special items of \$1,049.7 million**
  - A decline of 21% on H1 2007
  - Timing of sales reduced revenue and EBITDA compared to H1 2007
  - Labour and raw material input prices continue to create pressure
  - H2 2008 will see contributions from ENRC and Kazakhmys Power

### HIGHLIGHTS

- **Kazakhmys Power included for first time**
  - Acquisition completed in May 2008, just one month's contribution included
  - Kazakh power industry undergoing significant and positive transformation
- **Major growth projects on track**
  - Good progress being made at Boschekul and Aktogay
  - Pre-feasibility study at Boschekul expected to complete by end of 2008
  - First production from oxide project at Aktogay expected 2010
- **Holding in ENRC increased to 25%**
  - No contribution in this period
  - Represents 628 pence per Kazakhmys share in issue

\$ million (unless otherwise stated)	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
Revenues	<b>2,837.8</b>	2,789.3
Earnings:		
Profit before finance items and taxation	<b>891.4</b>	1,203.3
Profit before taxation	<b>885.9</b>	1,185.8
EBITDA excluding special items <sup>1</sup>	<b>1,049.7</b>	1,323.7
Underlying Profit <sup>2</sup>	<b>609.7</b>	799.6
EPS:		
Basic and diluted (\$)	<b>1.34</b>	1.70
Based on Underlying Profit <sup>3</sup> (\$)	<b>1.34</b>	1.71
Free Cash Flow	<b>391.4</b>	614.4
ROCE (%)	<b>8.2</b>	24.4

<sup>1</sup> Reconciliation of EBITDA excluding special items to profit before finance items and taxation is found in note 5(a).

<sup>2</sup> Reconciliation of net profit attributable to equity shareholders of the Company to Underlying Profit is found in note 9(b).

<sup>3</sup> Reconciliation of EPS based on Underlying Profit is found in note 9(b).

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

Oleg Novachuk, Chief Executive of Kazakhmys PLC, said: "Copper production has shown a steady improvement over the first half of the year and we continue to anticipate that production of copper from own material for 2008 will be at least in line with last year. Demand for copper from our customers has remained consistently robust. I look forward to reporting at our 2008 annual results early next March, when we will have a full contribution from Kazakhmys Power and our holding in ENRC, and our growth projects will have moved on to their next stage."

## **CHAIRMAN'S STATEMENT**

Copper production has shown a steady improvement over the first half of the year and our production outlook for 2008, given at our 2007 annual results, remains in place. Demand for our commodities has remained firm over the past six months and pricing has generally been positive.

Cost pressures are an issue throughout the mining industry, mainly due to rising labour costs and raw material input prices. We are extending our actions to reduce costs and seek additional volume across all our products. We believe that there are significant opportunities, though our cost management and productivity programmes will take some time to fully deliver.

Our strategy remains unchanged: to optimise our assets, to deliver our major growth projects and to diversify within the region. Good progress has been made in all areas and we continue to see future opportunities to diversify our earnings and create additional value for our shareholders.

We completed the acquisition of the power business, Ekibastuz GRES-1, on 29 May 2008, making us the largest power provider in Kazakhstan. We believe that this business has considerable strategic value as growing demand for power in Kazakhstan is set to outstrip the current limited supply. We are uniquely placed to take advantage of this structural change.

Our holding in ENRC, the London listed diversified natural resources group, has increased from 14.6% at the year end, to just over 25%, making us the largest single shareholder. The holding is valued at £3,360 million and represents 628 pence per Kazakhmys share in issue as at 27 August 2008. Part of the increase in our holding took place through a share exchange, with the issuance of new Kazakhmys shares to the Government of Kazakhstan, which now holds 15% of Kazakhmys. We welcome them as shareholders to our Company. The remaining shares were purchased on the market as announced on 11 August 2008.

The Board has declared an interim dividend of 14.0 US cents per share for the first half of the year, an increase of 3% compared to 13.6 US cents per share in the corresponding period last year. The total dividend payout has increased by 17% to \$74.9 million, reflecting the increase in shares in issue. The increase in dividend takes into account the capital investment required to deliver the Group's significant growth potential.

## CHIEF EXECUTIVE'S REVIEW

Ore production has now risen for three successive quarters, from 7.7 MT in Q4 2007 to 9.2 MT in Q2 2008. This improvement has principally been driven by the start of new projects and the delivery of additional equipment. Equipment availability has improved significantly but remains an area of management focus, with the delivery of several key items during the first six months.

Production of copper cathode from own material in the first six months of 2008 was 157.1 kt, compared to 163.5 kt in the same period last year. The decline occurred in the first quarter of the year, due to the severe winter conditions experienced in Kazakhstan. Q2 2008 showed a sound recovery from Q1 2008 and output was modestly higher than in Q2 2007.

Production benefited from the start of operations at the new Taskura and Akbastau mines and the recommencement of operations at the Abyz mine. With maintenance work taking place on the smelters, there has been an increase in ore and concentrate, which should be processed during the second half of the year. Some trial sales of copper in concentrate have been made into the Chinese market which, given the excess smelting capacity in China, may have potential for further development.

Our major growth projects continue to make good progress in line with our expectations. The feasibility study for the oxide deposit at Aktogay should be completed during the fourth quarter of this year and the pre-feasibility studies for the Boschekul and Aktogay sulphide deposits will be completed by the beginning of 2009. As announced on 17 June 2008, we are in the process of purchasing grinding mills for these projects, to keep the projects on schedule given the long lead times for such equipment.

Sales of copper cathode and rods in H1 2008 were 42 kt lower than H1 2007, though 31 kt of this is due to goods which were in transit at the end of 2006 and were recognised in the first half of 2007. This has had a significant impact on the comparisons of revenue and profit between H1 2008 and H1 2007.

In the first six months of 2008, revenues increased by 2% to \$2,837.8 million, as higher copper prices offset the lower level of sales volumes, caused by the severe weather in Q1. The combination of lower sales volumes and cost pressures led to a decline in EBITDA excluding special items of 21% to \$1,049.7 million. EPS based on Underlying Profit was \$1.34 for the first six months compared to \$1.71 in the prior period, a similar decline of 22%.

As mentioned above, cost pressure has been a feature of the global mining industry in this sustained period of historically high commodity prices. The effects of this have been seen in our copper business where costs before by-products have risen by over 20% during the past year. The main drivers have been labour costs, consumables used in production and fuel prices.

It is likely that there will continue to be inflationary pressures, though in addition to the actions we are taking, the Government of Kazakhstan has set itself a key target of reducing inflation from the current level of approximately 20% per annum. This should assist our local costs, in particular labour, which comprises 33% of our cash costs of sales, excluding depreciation and purchased concentrate.

Costs after by-products have been significantly affected by the decline in zinc prices compared to the prior period. Silver, where rising prices have offset lower output, is now the largest source of by-product revenue. Gold has benefited from rising volume, with the production of ore at the Abyz and Akbastau mines, and also higher prices. Gold in ore has not been fully recognised as the quantity of gold held in stockpiled ore has increased. This should be released in the second half of the year.

Kazakhmys Power's results are included for the first time. The 40% increase in net power generated in H1 2008, compared to H1 2007, is an indication of the potential in this business, achieved with just 5 of the plant's 8 turbines in operation. We anticipate fully restoring the plant to all 8 turbines, over the next 6 years. In order to ensure that Kazakh power output meets future demand, the Government has acknowledged that tariffs need to rise in order to encourage capital investment, such as at Ekibastuz. The speed with which demand is outpacing supply and the consequent pressure on tariffs is, if anything, moving faster than we anticipated, creating an increasingly positive outlook for these assets.

In our Gold division, the Bozymchak gold project in Kyrgyzstan moved into the feasibility stage, which should be completed by the end of this year, with extraction of first ore at the end of 2009. The Mizek sulphides project is currently in an extended pre-feasibility stage, which should lead to a shortened feasibility period next year. The scoping work is continuing at the promising Akjilga silver mine in Tajikistan.

In the Petroleum division the 3D seismic survey has been completed and the data is now being analysed, in preparation for the commencement of the full scale drilling programme in 2009. In H2 2008 a duplicate of an earlier exploration well will be drilled and preparation work will take place later in the year for two further wells to be drilled during 2009.

I regret to inform that there were 18 fatalities in the first half of the year, similar to the level in the first half of 2007. We continue to put significant effort into reducing our fatality rate, both through additional equipment and education. The major cause of fatalities relates to incidents involving mobile and electrical equipment. Focused programmes to address these issues are underway. The new training school in Satpayev is now operational, providing both operational and safety training.

An adjacent technical college is now also planned, which should be completed in Q4 2008. The college will assist us in securing skilled labour for our future projects. Community spending rose in the first half of 2008, due to several non-recurring items, which amounted to approximately \$30 million. This has impacted administrative costs and should reduce in the second half, though we remain committed to a positive community programme.

Two significant environmental developments have taken place. We commissioned a major sulphuric acid plant at Balkhash, thereby reducing SO<sub>2</sub> emissions by around 30% per annum. At the newly acquired Ekibastuz power plant, we are installing new equipment which will significantly reduce emissions in the area to a fraction of current levels.

The Government is currently proposing structural changes to the tax code for 2009, with an aim to reduce corporation tax to encourage broader economic development and develop medium and smaller companies. Management is working with the Government and is in the process of interpreting the proposed impact of these changes on the Group. The details are still under discussion, but it is likely that there will be a reduction in corporate income tax which will be more than offset by a mining extraction tax or commodity related tax.

We continue to anticipate that production of copper from own material for 2008, will be at least in line with last year. As mentioned above, the uncertainty in global financial markets does not reflect demand from customers, which has remained consistently robust. I look forward to reporting at our 2008 annual results, when we will have a full contribution from our Power division and our holding in ENRC, and our growth projects will also have moved on to their next stage.

## REVIEW OF OPERATIONS

### SUMMARY OF EBITDA EXCLUDING SPECIAL ITEMS

\$ million (unless otherwise stated)	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
Kazakhmys Copper	<b>990.0</b>	1,302.0
Kazakhmys Gold	<b>6.0</b>	-
Kazakhmys Power	<b>8.1</b>	-
Kazakhmys Petroleum	<b>(0.4)</b>	(0.1)
MKM	<b>55.5</b>	37.1
Corporate unallocated	<b>(9.5)</b>	(15.3)
<b>Group</b>	<b>1,049.7</b>	1,323.7

Kazakhmys Copper accounted for 94.3% of the Group's EBITDA excluding special items in H1 2008. However the Group's diversification strategy has seen the introduction of Kazakhmys Gold, which is focused on progressing three development projects, and one month's earnings from the newly acquired Kazakhmys Power business.

The Group's EBITDA excluding special items was 20.7% lower than the same period in the prior year, with Kazakhmys Copper's EBITDA down by 24.0% due to reduced sales volumes and a rising cost base. MKM's improved EBITDA contribution reflects sales growth from higher margin products.

## REVIEW OF KAZAKHMYNS COPPER

### KAZAKHMYNS COPPER PRODUCTION AND SALES SUMMARY

kt (unless otherwise stated)	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
<b>Production</b>		
Ore output	<b>17,472</b>	17,994
Copper grade (%)	<b>1.22</b>	1.21
Copper in concentrate from own production	<b>170.7</b>	182.8
Copper cathodes from own concentrate <sup>1</sup>	<b>157.1</b>	163.5
Copper cathodes from purchased concentrate <sup>1</sup>	<b>17.1</b>	26.9
Copper rod	<b>23.6</b>	18.0
Zinc in concentrate	<b>66.4</b>	71.2
Zinc metal	<b>24.6</b>	27.4
Silver (koz)	<b>8,330</b>	10,111
Gold (koz)	<b>63.5</b>	70.6
<b>Sales</b>		
Copper cathodes	<b>154.5</b>	202.8
Copper rod	<b>22.8</b>	16.9

<sup>1</sup>Includes cathode converted into rod

## COPPER PRODUCTION

Copper cathode output from own concentrate in H1 2008 was 6.4 kt lower than in H1 2007 mainly due to a 2.9% reduction in ore output in the period. This led to a reduction in the copper in concentrate from own production.

Q1 2008 was impacted by severe winter weather which restricted operations at the open pit mines, and also as the Kosmurun and West Nurkazgan mines reduced output ahead of a move to underground output. In Q2 2008, output from the new Akbastau mine, the re-opened Abyz mine, ramping-up of operations at the mine extensions at the North mines, Taskura and Sary-Oba, as well as the improved availability of equipment, resulted in ore production being 11.6% higher than in Q1 2008 and 1.7% above Q2 2007. The Q2 2008 improvement on the prior year comparative period in ore output occurred despite the South mine only reporting production of 0.6 MT in Q2 2008 compared to 1.6 MT of ore in Q2 2007, as repairs are performed on the main shaft. The repairs are expected to continue until late 2008.

Copper in own concentrate production decreased in H1 2008 compared to H1 2007 largely reflecting the lower ore volumes. Copper concentrate and by-product output were also impacted by ore stockpiles remaining high as some polymetallic ore from the Akbastau and Abyz mines was not processed in the period, whilst improvements were being carried out at the Karagaily concentrator to raise by-product recovery rates.

Both the Zhezkazgan and Balkhash smelters were shutdown for furnace maintenance during H1 2008. Work at the Balkhash smelter continued into Q3 2008 but full operations recommenced in late July.

Copper rod production, which is produced to customer order, was higher in H1 2008 compared to the same period in 2007, reflecting strong demand from Chinese customers.

#### ZINC PRODUCTION

Zinc in concentrate production declined in H1 2008 compared to H1 2007 largely due to lower ore output from key East and Karaganda mines and zinc grades falling from 3.69% to 3.32%. Zinc concentrate production was also impacted by the timing of the processing of ore under tolling arrangements, where shipments are received every second month.

#### SILVER PRODUCTION

Silver production in H1 2008 was below the level achieved in H1 2007 largely due to the lower output of ore at the South and Kosmurun mines, only partially offset by the new Akbastau and Abyz mines.

#### GOLD PRODUCTION

The average gold content in ore was higher by 0.17 g/t in H1 2008 at 0.94 g/t, helped by gold-rich ore from the Abyz mine. Work is being undertaken at the Karagaily concentrator to maximise the recovery of gold from Abyz ore which has led to ore from the mine being stockpiled, increasing work in progress and reducing gold production despite the increased gold grade in ore. The work in progress is expected to be processed in the second half of 2008.

## KAZAKHMYS COPPER FINANCIAL SUMMARY

\$ million (unless otherwise stated)	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
Sales revenue	<b>1,786.1</b>	1,978.0
Copper cathodes	<b>1,265.5</b>	1,406.9
Copper rods	<b>194.5</b>	117.7
Zinc (metal and concentrate)	<b>83.7</b>	243.4
Silver	<b>129.0</b>	98.5
Gold	<b>59.1</b>	29.2
Other	<b>54.3</b>	82.3
Average realised price of copper (\$/tonne)	<b>8,192.3</b>	6,930.0
EBITDA excluding special items	<b>990.0</b>	1,302.0
Net cash costs excluding purchased concentrate (USc/lb)	<b>94.0</b>	27.0
Capital expenditure	<b>342.1</b>	201.5

### REVENUES

Kazakhmys Copper's sales revenues decreased from \$1,978.0 million in H1 2007 to \$1,786.1 million in H1 2008. This fall is primarily due to copper cathode and rod sales volumes being 42.4 kt lower than the comparative period. H1 2007 sales benefited from a large volume of goods brought forward from 2006 so that there was a net decrease in copper finished goods and goods in transit from 30.5 kt in H1 2007, compared to only 3.9 kt in H1 2008. The lower production in H1 2008 compared to H1 2007 also contributed to the lower sales revenues.

The sales volume decline was partially offset by copper prices which remained well above historical levels with the average realised price being 18.2% above H1 2007 levels. The average LME cash price was \$8,108 per tonne in H1 2008 compared to \$6,769 per tonne in H1 2007.

Copper rod revenue increased by 65.3% from H1 2007 with sales volumes increasing by 5.9 kt on the back of strong demand from China for this product.

Overall zinc revenue declined by \$159.7 million compared to H1 2007 as a result of reduced sales volumes and LME prices being 36.3% lower than the comparative period. Zinc metal sales volumes decreased by 8.1 kt in H1 2008 compared to H1 2007 mainly due to zinc stocks increasing by 8.3 kt which are expected to be sold in H2. The volume of zinc in concentrate sold in H1 2008 compared to H1 2007 reduced by 35.0%, partly as production was lower, but also because the prior period benefited from a reduction in stock.

Gold revenue increased over the prior year period by \$29.9 million due to sales volumes increasing by 19.7 koz as gold stock reduced by 10.5 koz, and the realised prices increasing by 41.4% from \$649 per ounce in H1 2007 to \$918 per ounce in H1 2008.

The revenue from silver sales grew in H1 2008 as realised prices were significantly higher at \$17.52 per ounce, a 31.6% increase on H1 2007. Sales volumes for silver in H1 2008 were in line with H1 2007.

## EBITDA EXCLUDING SPECIAL ITEMS

The lower sales volumes in H1 2008 together with inflationary pressures on costs reduced EBITDA from \$1,302.0 million to \$990.0 million and the EBITDA margin from 65.8% to 55.4%. The EBITDA margin excluding purchased concentrate decreased from 69.7% to 59.9%.

Kazakhmys Copper's cost of sales, excluding purchased concentrate, increased by 23.9% compared to the prior period. Inflationary pressures in Kazakhstan and global mining sector inflation continued across 2007 and into H1 2008. The rising price of oil led to higher fuel costs. Commodity and mining inflation could be seen in the higher cost of consumables used in production, such as steel balls for milling, explosives and the chemicals used at the concentrators. Kazakhmys has also continued to experience wage inflation with H1 2008 salary costs significantly greater than in H1 2007, the result of wage increases in H2 2007 and in H1 2008. Overheads, in particular the cost of transporting ore by road and rail, were higher in H1 2008. This arose partly due to a combination of price rises and partly because of an increase in the volume of ore requiring transportation on the longer routes. Offsetting these increases was a positive movement in work in progress and finished goods as delays in processing materials led to a build-up of inventory.

Selling, general and administrative expenses were impacted by salary increases accompanied by a number of non-recurring social responsibility costs that were incurred at a time of historically high copper prices. The social responsibility costs included Kazakhmys' assistance with the celebrations of the 10<sup>th</sup> anniversary of Astana being the capital city of Kazakhstan, and the sponsorship of a new technical training college in Astana which should assist in providing skilled labour in the future.

## CASH COSTS

Kazakhmys' net cash cost per tonne of copper cathode and rod sold, excluding the effects of purchased concentrate, a profitability measure, has risen to 94.0 US cents per pound. In H1 2007, the cash cost included strong by-product credits which led to a low net cash cost, which on a per unit basis was 27.0 US cents per pound. In H1 2008, rising input costs, lower by-products as the zinc price has fallen and fewer cathodes sold resulted in the large increase in net cash cost per tonne of cathode.

## CAPITAL EXPENDITURE

Capital expenditure increased significantly in H1 2008 compared to H1 2007 with the development of a number of mines including the Taskura open pit mine which commenced production in April 2008, the underground mine extension at West Nurkazgan and infrastructure to increase production from the Zhomart mine to its intended design capacity.

A focused equipment replacement programme has been implemented to improve equipment availability at the mines which increased capital expenditure in the period. Maintenance work was undertaken on the Balkhash and Zhezkazgan smelters in H1 2008, and replacement of equipment at the smelters will continue throughout 2008.

Final costs relating to the completion of the construction of the \$130 million sulphuric acid plant at the Balkhash complex were also incurred in H1 2008. The plant will lead to a six fold reduction in sulphur dioxide emissions at the complex and produce a valuable by-product which is required for a wide range of uses in Kazakhstan, as well as bringing environmental benefits to the region.

The capital expenditure programme also included the planned ramp-up of production from the Nurkazgan concentrator which was completed in 2007. This involved the purchase of crusher equipment which will enable the concentrator to increase its processing capacity of ore later in the year.

Kazakhmys Copper's longer-term major expansion projects, the Boschekul and Aktogay copper porphyry pits are progressing to schedule with \$50 million approved for the purchase of long lead time equipment, including some of the required major grinding mills. Fluor is acting as the study contractor for both of these major projects which are being managed by dedicated project teams.

The projects are currently at the pre-feasibility stage with Boschekul expected to move to the feasibility stage in the first half of 2009. Aktogay includes both an oxide and sulphide resource, with the oxide resource planned to be developed first, effectively stripping away the top layer to allow access to the sulphide deposit below. The feasibility study on the Aktogay's oxide resource will be completed by the end of 2008, with the feasibility study on the sulphide resource due late in 2009.

The programme of work to develop new concentrators to increase production capacity, raise metal recovery rates and reduce transportation costs is progressing. Work is on-going on the Kosmurun-Akbastau concentrator project. A concentrator at Shatyrkul with an ore processing capacity of around 0.5 MT per year is currently being evaluated.

Kazakhmys Copper has several medium term mine expansion and production upgrade projects which are continuing to be developed. In the Zhezkazgan region, this includes the East Sary-Oba underground mine which is expected to commence output in late 2010 or early 2011. In the other regions the medium term projects include the Kosmurun underground mine, Shatyrkul, Itauz and Nurkazgan complex mine extensions.

## REVIEW OF KAZAKHMY'S GOLD

### KAZAKHMY'S GOLD PRODUCTION SUMMARY

	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
Ore output (kt)	<b>857</b>	854
Average gold grade (g/t)	<b>1.50</b>	1.42
Gold doré production (koz)	<b>22.1</b>	18.9

Kazakhmys Gold, which Kazakhmys acquired in July 2007, reported ore extraction in line with H1 2007 with output from the three operating mines in Kazakhstan (Zhaima, Mukur and Mizek Oxides) remaining fairly consistent.

The operations benefited from a higher average gold grade than in H1 2007 at 1.50 g/t, an increase from 1.42 g/t. Further exploration was conducted at Mukur which enabled more targeted stripping work, thereby improving the stripping ratio and gold grades. The gold grade also improved at Mizek due to the extraction of high grade sulphide ores.

Gold doré production which is undertaken using the heap leaching process was 16.9% above H1 2007 due to the higher gold grades and a reduction in work in progress.

## KAZAKHMYS GOLD FINANCIAL SUMMARY

\$ million (unless otherwise stated)	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
Sales revenue	<b>17.5</b>	-
Gold	<b>17.3</b>	-
Other revenues	<b>0.2</b>	-
Average realised price (\$/ounce)	<b>918</b>	-
EBITDA excluding special items	<b>6.0</b>	-
Cash cost (\$/ounce)	<b>459</b>	-
Capital expenditure	<b>4.1</b>	-

Comparatives are not shown for the period prior to Kazakhmys' ownership

Kazakhmys Gold revenues benefited from stable production from the existing three mines with sales volumes of 18.9 koz of gold doré. Approximately 3 koz of gold was produced but not shipped in the period, and subsequently sold in July. The strength of the gold price in 2008 saw an average LBMA price of \$911 per ounce, with Kazakhmys Gold's realised price marginally higher at \$918 per ounce.

EBITDA excluding special items for H1 2008 was \$6.0 million, with Kazakhmys Gold experiencing inflationary pressures similar to those being encountered by other companies operating in the extractive industries in Kazakhstan.

### CAPITAL EXPENDITURE

In H1 2008 Kazakhmys Gold's capital expenditure was relatively low as the main focus of development activities was the pre-feasibility studies on its major development projects Bozymchak and Mizek Sulphides, and continued exploration work at Akjilga.

At the Bozymchak project in Kyrgyzstan, capital expenditure included the purchase of long lead time equipment for the development of the gold and copper deposit. The pre-feasibility study for the Bozymchak project was completed in the period and as its results were positive, the project has now progressed to the feasibility stage. The results of the feasibility study are expected in H2 2008.

The exploration of the Mizek site continued throughout H1 2008 together with the pre-feasibility study. The pre-feasibility study, which is expected to be completed towards the end of H2 2008, has been expanded in scope which should reduce the time spent at the feasibility study stage.

Equipment was also purchased to progress the exploration of the Akjilga silver and copper deposit in Tajikistan. This project is expected to progress to the pre-feasibility stage in H2 2008.

## REVIEW OF KAZAKHMYS POWER

### BACKGROUND ON THE BUSINESS

Kazakhmys completed the acquisition of the Ekibastuz coal-fired power plant and the Maikuben West coal mine, which are located in north east Kazakhstan's Pavlodar Oblast, on 29 May 2008.

Ekibastuz GRES-1 is the largest power station in Kazakhstan with a nameplate capacity of 4,000 MW. Output is provided by eight units generating 500 MW each, of which only five are operational at the current time. As at 29 May 2008, the plant's current available capacity was 2,250 MW which in 2007 represented a 12.4% market share of Kazakhstan's electricity demand. Conditional on future electricity tariff increases in Kazakhstan, Kazakhmys intends to restore the plant to its nameplate capacity over the next 6 years.

The power station is located 25 km from the Bogatyr mine, the principal source of coal supply, which is jointly owned by United Company RUSAL and Samruk-Energo, the energy division of Kazakhstan's investment holding company. Approximately 20% of Ekibastuz GRES-1 coal needs are 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. The power station and coal mine are currently managed by AES Corporation under a management service contract.

### KAZAKHMYS POWER PRODUCTION SUMMARY

	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
Net power generated (GWh)	<b>5,506</b>	3,931
Net power generated attributable to Kazakhmys <sup>1</sup> (GWh)	<b>948</b>	n/a
Net dependable capacity (MW)	<b>2,036</b>	1,926
Coal extraction (kt)	<b>1,771</b>	1,549
Coal extraction attributable to Kazakhmys <sup>1</sup> (kt)	<b>377</b>	n/a

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

Ekibastuz GRES-1's net power generation was 948 GWh since Kazakhmys acquired ownership. The power station is experiencing strong demand from within Kazakhstan which has resulted in an increased number of electricity contracts being concluded in 2008. With the strong growth in Kazakhstan's economy since 2000, the demand for electricity in Kazakhstan has increased significantly with robust growth seen in the industrial and domestic sector. Due to the higher demand and limited growth in supply, Kazakhstan could face a deficit in the supply of electricity during the 2008/09 winter period.

Maintenance work is being undertaken over the summer ahead of the winter period which will reduce the net dependable capacity in the coming months.

## KAZAKHMYS POWER FINANCIAL SUMMARY

<b>\$ million (unless otherwise stated)</b>	<b>1 month 2008<sup>1</sup></b>
Revenue	<b>19.1</b>
Average tariff price (KZT/kWh)	<b>2.40</b>
EBITDA excluding special items	<b>8.1</b>
Capital expenditure	<b>2.8</b>

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

Comparatives are not shown for the period prior to Kazakhmys ownership

### REVENUE

The electricity generated by Ekibastuz GRES-1 is sold externally to a combination of business and residential customers. Approximately 20% of the output is exported to Russia. Of the total revenue, \$18.0 million was attributable to electricity sales and \$1.1 million to external sales of coal from the Maikuben West coal mine. During 2008, the average realised power tariffs were flat at 2.20 KZT/kWh for the first 3 months but from April there have been steady increases in tariffs which have risen to 2.59 KZT/kWh in July as industrial users are prepared to pay more to secure their electricity supply.

### EBITDA EXCLUDING SPECIAL ITEMS

EBITDA is primarily generated by Ekibastuz GRES-1, which made up over 90% of the Power division's EBITDA. The main cost at the power station is coal, which is mainly sourced from the nearby Bogatyr coal mine and 12% from the Maikuben West coal mine. In H1 2008, there has been a rapid rise in the cost of coal and diesel, however Kazakhmys Power expects to grow margins through power tariff increases.

### CAPITAL EXPENDITURE

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

The first phase of the modernisation of three of the five operating units at Ekibastuz GRES-1 has been completed. The major overhaul of another unit including the reconstruction and modernisation of existing facilities is progressing, after which four of the operating units will be at their full capacity of 500 MW each. A further unit will be overhauled in 2009. Of the three remaining units requiring complete refurbishment, preliminary work has commenced on one with the remaining units to follow. Once this has been completed in 2014, the plant is expected to reach its nameplate capacity of 4,000 MW.

The modernisation 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.

## REVIEW OF KAZAKHMYS PETROLEUM

### KAZAKHMYS PETROLEUM FINANCIAL SUMMARY

\$ million (unless otherwise stated)	Six months ended 30 June 2008	Six months ended 30 June 2007
EBITDA excluding special items	(0.4)	(0.1)
Capital expenditure	16.9	0.2

The work on the subsalt section of the 602 km<sup>2</sup> East Akzhar oil exploration field in western Kazakhstan has progressed during H1 2008 with the completion of the 3D seismic survey field data collection. The 3D seismic survey has now moved to the data analysis stage which is expected to continue during H2 2008. The results will be used to plan the location of future deep wells in 2009 and 2010.

In preparation for the drilling of a duplicate of an earlier exploration well in the second half of 2008, site infrastructure and surface equipment has been installed. In July, following a tender process, a drilling contractor was appointed and the construction of the duplicate well was commenced. The deep well drilling will continue with four wells planned in 2009.

The obligations under the exploration contract have been fulfilled on the Northern Elimessai (suprasalt) section of East Akzhar with the completion of the shallow well drilling programme, which did not identify petroleum which could be commercially extracted. Costs of \$1.9 million capitalised in respect of the shallow drilling well programme have been written-off in H1 2008.

## REVIEW OF MKM

### MKM FINANCIAL SUMMARY

\$ million (unless otherwise stated)	Six months ended 30 June 2008	Six months ended 30 June 2007
GVA <sup>1</sup> (€ million)	85.0	78.6
Wire section (€ million)	20.9	19.1
Flat section (€ million)	42.0	36.1
Tubes and bars (€ million)	22.1	23.4
EBITDA excluding special items	55.5	37.1
Capital expenditure	5.3	2.6

<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, Kazakhmys' German based downstream business, experienced strong demand in H1 2008 with sales volumes increasing from 136.3 kt to 148.9 kt, the main drivers being the wire and flat sections.

Wire products, containing wire rod and drawn wires, continue to make up over half of MKM's production. In 2008, demand from Eastern Europe led to 9.4% higher sales volumes whilst the GVA per tonne has remained largely unchanged, resulting in a €1.8 million increase in GVA.

The flat section which covers plates, strips and sheets experienced a 14.2% increase in demand, raising sales to 39.5 kt whilst the GVA per tonne rose by 1.8%. This is despite a significant slow-down in the European and North American housing markets which impacts strips used in roofing. On a number of product lines in this section, MKM has been capacity constrained as the order book for industrial products has been stronger than in 2007.

The performance of the tubes and bars section has been mixed with the high price of copper driving substitution in sanitary tubes. Whilst industry tube volumes have held up, this has been at the expense of lower margins. Partially offsetting this, sales of bars has increased by 6.6% on prior period as demand for bars across all of MKM's markets led to capacity constraints.

EBITDA excluding special items was \$18.4 million ahead of H1 2007 at \$55.5 million, supported by a \$28.1 million positive IFRS inventory adjustment (\$22.3 million in H1 2007). MKM has benefited from the growth in higher margin products, such as plates and sheets, leading to improved underlying profitability. At the same time, MKM has faced some upward cost pressures, particularly from electricity and gas price rises.

Capital expenditure is slightly higher than in the prior period as MKM invests in increasing production capacities within the flats section to meet expected higher customer demand.

## FINANCIAL REVIEW

### BASIS OF PREPARATION

With the exception of the change in revenue recognition accounting policy as explained below, the financial information presented in the condensed consolidated financial statements has been prepared in accordance with IFRS using consistent accounting policies as those adopted in the financial statements for the year ended 31 December 2007. Following best practice within the metals and mining industry, the Group has updated its revenue recognition accounting policy such that final pricing adjustments on sales contracts are considered to be embedded derivatives which need to be separately fair valued. The impact on the six months ended 30 June 2008 has been to reduce profit after tax by \$2.2 million. The impact on basic and diluted earnings per share is insignificant. The change in accounting policy does not have a significant impact on the comparative numbers for the six months ended 30 June 2007.

### INCOME STATEMENT

A summary of the consolidated income statement is shown below:

\$ million (unless otherwise stated)	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
<b>Revenues</b>	<b>2,837.8</b>	2,789.3
Operating costs excluding depreciation, depletion, amortisation and special items	<b>(1,788.1)</b>	(1,465.6)
<b>EBITDA excluding special items</b>	<b>1,049.7</b>	1,323.7
Special items:		
Less: write-off of property, plant and equipment	<b>(1.7)</b>	(3.8)
Add/(less): gain/(loss) on disposal of property, plant and equipment	<b>0.1</b>	(1.8)
Less: depreciation, depletion and amortisation	<b>(156.7)</b>	(114.8)
<b>Profit before finance items and taxation</b>	<b>891.4</b>	1,203.3
Net finance expenses	<b>(5.5)</b>	(17.5)
<b>Profit before tax</b>	<b>885.9</b>	1,185.8
Income tax	<b>(275.4)</b>	(384.3)
<b>Profit for the period</b>	<b>610.5</b>	801.5
Minority interests	<b>(2.1)</b>	(7.3)
<b>Profit attributable to equity shareholders of the Company</b>	<b>608.4</b>	794.2
<b>EPS – basic and diluted (\$)</b>	<b>1.34</b>	1.70
<b>EPS based on Underlying Profit (\$)</b>	<b>1.34</b>	1.71

The beneficial impact of record commodity prices across the Group's main products, with the exception of zinc, led to an increase in revenues to \$2,837.8 million, a 1.7% increase over the prior period in 2007. Average realised prices for copper were significantly higher than the first half of 2007 at \$8,192 per tonne, an increase of 18.2%, with larger percentage increases seen for gold and silver. Revenues for the half year were also enhanced by the first time contribution from Kazakhmys Gold, which was acquired in July 2007, and the recently acquired Kazakhmys Power business. The strength of the Euro against the US dollar additionally increased MKM's revenues in US dollar terms.

However, offsetting these factors was a lower volume of copper cathodes sold during the first half of 2008 of 154.5 kt compared to the equivalent period in 2007 when 202.8 kt were sold, a 23.8% reduction. The lower level of sales of copper cathodes was primarily due to reduced production levels and the relative lower quantity of cathodes in transit at the start of each respective period.

The impact of the rising consumer price index (CPI) in Kazakhstan and global mining industry inflation continued to be significant during the first six months of 2008 across all of our businesses. Within Kazakhstan, the CPI inflation rate is running at close to 20% per annum and mining industry inflation continues at levels which are high compared to historical levels. Consequently, cost pressures were seen for fuel costs, mining consumables, transportation costs and in particular employee remuneration. In addition, at a time of historically high commodity prices, the level of social spending increased compared to the prior period showing the Group's commitment to social responsibility within Kazakhstan.

Profit before finance items and taxation decreased by 25.9% to \$891.4 million and our key performance measure for earnings, EBITDA excluding special items, was \$1,049.7 million, a 20.7% decrease compared to 2007. The EBITDA excluding special items margin was 37.0% compared to 47.5% in the prior period. A reconciliation of EBITDA excluding special items by business segment is shown below.

#### RECONCILIATION OF EBITDA EXCLUDING SPECIAL ITEMS

\$ million (unless otherwise stated)	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
<b>EBITDA excluding special items</b>		
Kazakhmys Copper	<b>990.0</b>	1,302.0
MKM	<b>55.5</b>	37.1
Kazakhmys Power	<b>8.1</b>	-
Kazakhmys Gold	<b>6.0</b>	-
Kazakhmys Petroleum	<b>(0.4)</b>	(0.1)
Corporate unallocated	<b>(9.5)</b>	(15.3)
<b>Total EBITDA excluding special items</b>	<b>1,049.7</b>	1,323.7
<b>Total revenues</b>	<b>2,837.8</b>	2,789.3
<b>EBITDA excluding special items margin (%)</b>	<b>37.0</b>	47.5

#### NET FINANCE ITEMS

Net finance costs were \$5.5 million during the period, a reduction of \$12.0 million compared to the prior period despite the inclusion of interest charges of \$7.7 million on the pre-export finance debt facility signed in February 2008. The main driver behind the lower net finance costs during the period has been the relative stability of the Kazakhstan tenge against the US dollar during 2008 compared to a strengthening of the tenge in the comparative period at a time when the Group's US dollar cash balances within Kazakhstan were significantly higher than the first half of 2008 which resulted in a higher foreign exchange loss in the comparative period.

#### TAXATION

The effective rate of tax for the period was 31.1% compared to a rate of 32.4% in the prior period. The overall tax charge was \$275.4 million, a decrease of \$108.9 million as a result of the lower earnings within the Group and the absence of one-off withholding tax charges compared to the prior period. The Group has also benefited from a reduction in tax rates within the UK and

Germany, with the UK tax rate falling from 30% to 28%, and the German tax rate falling from 37.34% to 28.48% during the period.

Excess profits tax is levied in addition to corporate tax on the profits attributable to certain subsoil contracts where the internal rate of return exceeds 20%. For the period, excess profits tax of \$24.1 million was charged to earnings which represented an incremental 2.7% to the effective tax rate, slightly down from 2.8% in the prior period.

The Government of Kazakhstan is currently proposing changes to the tax legislation for 2009. Management is working with the Government and other natural resource companies within Kazakhstan on the drafting of the new legislation to ensure that the Group's commercial interests are represented. The process of interpreting the proposed impact of these changes on the Group is still underway as different proposals are currently being considered by the Government. It is likely that there will be a reduction in corporate income tax which will be more than offset by a mining extraction tax, the basis of which is still under discussion.

## UNDERLYING PROFIT AND EARNINGS PER SHARE

Profit for the year attributable to equity shareholders decreased to \$608.4 million from \$794.2 million, a decrease of 23.4% compared to the prior period. Underlying Profit is seen as a more informed measure of the performance of the Group as it removes non-recurring or variable non-trading items from profit attributable for the period, and their resulting tax and minority interest impacts. It therefore provides a more consistent basis for comparing the underlying trading performance of the Group between 2008 and 2007.

The reconciliation of Underlying Profit from profit attributable to equity shareholders is set out below.

\$ million	Six months ended 30 June 2008	Six months ended 30 June 2007
Profit attributable to equity shareholders of the Company	608.4	794.2
Special items:		
Write off of property, plant and equipment	1.7	3.8
(Gain)/loss on disposal of property, plant and equipment	(0.1)	1.8
Tax effect of non-recurring items	(0.3)	(0.3)
Minority interest effect of non-recurring items	-	0.1
<b>Underlying Profit</b>	<b>609.7</b>	<b>799.6</b>

Basic earnings per share decreased to \$1.34 from \$1.70, a decrease of 21.2%. Earnings per share based on Underlying Profit was \$1.34 compared to \$1.71 for the prior period, a decrease of 21.6%. Excluding the impact of the share buy-back programme, basic earnings per share and earnings per share based on Underlying Profit would have been \$1.30.

## DIVIDENDS

The Directors recommend an interim ordinary dividend of 14.0 US cents per share (2007: 13.6 US cents per share). The dividend has been set taking into consideration the future capital expenditure requirements of the Group, with the increase on the prior period a reflection of the Directors' confidence in the financial performance for the year as a whole.

The Company intends to maintain a dividend policy which will take into account the profitability of the business and underlying growth in earnings of the Group, as well as its cash flows and

growth requirements. The Directors will also ensure that dividend cover is prudently maintained. Interim and final ordinary dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

## KEY FINANCIAL INDICATORS

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

	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
EBITDA excluding special items (\$ million)	<b>1,049.7</b>	1,323.7
EPS based on Underlying Profit (\$)	<b>1.34</b>	1.71
Free Cash Flow (\$ million)	<b>391.4</b>	614.4
Return on Capital Employed (%)	<b>8.2</b>	24.4
Net cash cost of copper after by-product credits excluding purchased concentrate (USc/lb)	<b>94</b>	27

The Group has changed the financial indicator of the cash cost of copper after by-product credits by amending it to net cash cost after by-product credits excluding the effects of purchased concentrate. The Directors believe that this provides a more informed measure of the profitability of the core Kazakhmys Copper mining and processing business.

ROCE has decreased from 24.4% to 8.2% primarily due to the significant increase in the valuation of the Group's investment in ENRC as explained below.

## CASH FLOWS

A summary of cash flows is shown below.

\$ million	<b>Six months ended 30 June 2008</b>	Six months ended 30 June 2007
<b>EBITDA</b>	<b>1,048.1</b>	1,318.1
Write off of assets and impairment losses	<b>9.5</b>	4.9
Gain on disposal of assets held for trading	<b>-</b>	(0.5)
(Gain)/loss on disposal of property, plant and equipment	<b>(0.1)</b>	1.8
Foreign exchange loss adjustment	<b>(12.0)</b>	(20.1)
Working capital movements	<b>(86.3)</b>	(172.7)
Interest paid	<b>(17.7)</b>	(6.2)
Income tax paid	<b>(379.3)</b>	(427.1)
<b>Net cash flows from operating activities</b>	<b>562.2</b>	698.2
Sustaining capital expenditure	<b>(170.8)</b>	(83.8)
<b>Free Cash Flow</b>	<b>391.4</b>	614.4
Expansionary and new project capital expenditure	<b>(201.8)</b>	(566.4)
Interest received	<b>18.8</b>	57.9
Acquisition of subsidiaries, net of liquid funds and borrowings acquired	<b>(1,153.5)</b>	-
Capital transactions with shareholders	<b>(121.3)</b>	-
Dividends paid	<b>(125.2)</b>	(123.2)
Other movements	<b>10.4</b>	0.8
<b>Cash flow movement in net (debt)/liquid funds</b>	<b>(1,181.2)</b>	(16.5)

Cash flows from operating activities during the period were \$562.2 million, a decrease of \$136.0 million compared to the prior period due to the lower level of earnings and adverse working capital movements arising primarily from higher inventory levels within the Kazakhmys Copper and MKM businesses. Whilst the level of income taxes paid of \$379.3 million during the period was lower than the prior period of \$427.1 million, this was primarily as a result of significant catch up tax payments in the first quarter of 2007 of approximately \$100 million in relation to income tax and excess profits tax payable for the 2006 year end which did not recur in the first half of 2008. Despite the lower profitability of the Group during the period compared to the comparative period, the cash tax payments are considerably higher than the tax charge shown in the income statement. This is a result of the schedule of tax payments on account for 2008, which is agreed with the tax authorities, being based on the 2007 full year results.

The Group continues to invest at high levels to improve productivity levels and to grow the business with sustaining capital expenditure \$87.0 million higher than the prior period at \$170.8 million. The purchase price of items of capital expenditure has also risen compared to the prior period reflecting the demand for such equipment and the impact of global mining industry inflation. Excluding the effect in the prior period of acquiring the oil and gas exploration licence within Kazakhmys Petroleum for \$450.0 million, expansionary and new project capital expenditure for the first half of 2008 was higher than the prior period at \$201.8 million. Significant items of capital expenditure during the period include construction of the Nurkazgan underground mine, expenditure on the Balkhash acid plant which opened in June 2008, development of the Taskura mine which started production in April 2008 and exploration work within Kazakhmys Petroleum.

As explained below, the Group acquired the Ekibastuz coal-fired power plant and Maikuben West coal mine during the period. Cash paid on completion of the transaction was \$1,097.1 million with further deferred amounts payable under a three year earnout based on EBITDA and production targets for the businesses. The acquisition was funded by the draw down of \$1.1 billion from the pre-export finance debt facility which primarily represents the increase in borrowings in the above table.

Returns to shareholders comprised payment of the 2007 final dividend of \$124.6 million, and completion of the share buy-back programme, as explained below, at a cost of \$121.3 million during the period.

## BALANCE SHEET

Shareholders' funds were \$9,380.1 million as at 30 June 2008, an increase of \$2,960.9 million compared with the balance as at 31 December 2007. The primary factor behind this increase has been the change in market value of the Group's 14.6% shareholding in ENRC, which has more than doubled in value from \$2,401.0 million at 31 December 2007 to \$4,996.3 million at 30 June 2008. Subsequent to the period end, on 24 July 2008 the Company issued 80,286,050 new ordinary shares of 20 pence each to the Government in exchange for 98,607,884 shares in ENRC which it received on 28 July 2008. On 8 August 2008 the Group purchased a further 35,733,717 shares in ENRC. Following these transactions, the Group's interest in ENRC increased from 14.6% to 25.0% and the allotted and called up share capital of the Company increased from 454,954,288 to 535,240,338 ordinary shares of 20 pence each.

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 \$1,355.7 million, including estimated deferred contingent consideration and acquisition costs of \$258.6 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. Goodwill of \$739.6 million has arisen from the acquisition of the businesses. This goodwill can be broken down into two elements:

- goodwill of \$469.0 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 \$270.6 million arising as a consequence of the requirement to recognise a deferred tax liability on the fair value adjustments.

To finance the acquisition of the Ekibastuz power plant and Maikuben West coal mine, the Group drew down \$1.1 billion from the pre-export finance debt facility which was signed on 29 February 2008, thereby taking the Group into a net debt position for the first time. Interest is payable on drawn down balances at a rate of US LIBOR + 1.25% and loan repayments will commence in February 2009. The debt acquired within the businesses was refinanced in June 2008.

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 15,079,577. At an average price of £12.73 per share, this equated to a total cost of \$390.1 million, including expenses. The average closing price and the volume weighted average price over the same period was £13.21 per share and £13.08 per share, respectively.

In order to manage counterparty and liquidity risk, beginning in April 2007 the Group commenced the staged withdrawal of funds from Kazakhstan with surplus funds within the Group being held predominantly in the UK and funds remaining in Kazakhstan being 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.

## PRINCIPAL RISKS

The Group, in the course of its business activities, is exposed to strategic, financial, operational and compliance risks. Overall management of these risks is vested in the Board, with the Audit Committee having delegated authority for reviewing the Group's risk management framework.

The Board has approved a formalised but straightforward Group risk management framework. This framework is designed to provide assurance that risks are being identified, evaluated and managed in a manner appropriate to the Group's circumstances. It comprises risk identification and assessment processes, together with risk response and monitoring activities. Details of the key risks to the Group can be found in the 2007 Annual Report, some or all of which have the potential to impact the Group's financial condition, performance, strategies and prospects during the remaining six months of the financial year.

**For further information please contact:**

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

**REGISTERED OFFICE**

6<sup>th</sup> Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL.

**FORWARD-LOOKING STATEMENT**

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

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

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

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

- an indication of important events that have occurred during the first six months of the financial year and their impact on this condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- material related party transactions in the first six months of the year and any material changes in the related party transactions described in the Kazakhmys Annual Report 2007.

The Directors of Kazakhmys PLC are listed in the Kazakhmys Annual Report 2007.

**OLEG NOVACHUK**  
CHIEF EXECUTIVE  
27 August 2008

# **INDEPENDENT REVIEW REPORT TO KAZAKHMYS PLC**

## **Introduction**

We have been instructed by Kazakhmys PLC to review the financial information in the half-yearly report for the six months ended 30 June 2008 which comprises the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related notes 1 to 18. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

## **Directors' Responsibilities**

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

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

## **Our Responsibility**

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

## **Scope of Review**

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

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

**ERNST & YOUNG LLP**  
LONDON, UNITED KINGDOM  
27 August 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT

SIX MONTHS ENDED 30 JUNE 2008

\$ million (unless otherwise stated)	Notes	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Revenues</b>	5	<b>2,837.8</b>	2,789.3
Cost of sales		<b>(1,684.6)</b>	(1,372.6)
<b>Gross profit</b>		<b>1,153.2</b>	1,416.7
Selling and distribution expenses		<b>(57.8)</b>	(41.9)
Administrative expenses		<b>(207.1)</b>	(166.7)
Other operating income		<b>31.4</b>	15.4
Other operating expenses		<b>(18.8)</b>	(15.3)
Write offs and impairment losses	6	<b>(9.5)</b>	(4.9)
<b>Profit before taxation and finance items</b>		<b>891.4</b>	1,203.3
Finance income	7	<b>64.1</b>	110.1
Finance costs	7	<b>(69.6)</b>	(127.6)
<b>Profit before taxation</b>		<b>885.9</b>	1,185.8
Income tax expense	8	<b>(275.4)</b>	(384.3)
<b>Profit for the period</b>		<b>610.5</b>	801.5
Attributable to:			
Equity shareholders of the Company		<b>608.4</b>	794.2
Minority interests		<b>2.1</b>	7.3
		<b>610.5</b>	801.5
<b>Earnings per share attributable to equity shareholders of the Company</b>			
Basic and diluted (\$)	9	<b>1.34</b>	1.70
EPS based on Underlying Profit (\$)	9	<b>1.34</b>	1.71
<b>Dividends</b>			
Dividends per share (US cents)	10	<b>27.4</b>	25.7
Total amount of dividends	10	<b>124.6</b>	120.1

# CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2008

\$ million	Notes	At 30 June 2008	At 30 June 2007	At 31 December 2007
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		1,321.6	514.3	567.5
Tangible assets		3,752.1	2,105.1	2,517.3
Property, plant and equipment	11	3,331.2	2,050.6	2,129.3
Mining assets		420.9	54.5	388.0
Available for sale investments	12	4,996.3	-	2,401.0
Other non-current investments		7.1	7.2	12.2
		<b>10,077.1</b>	<b>2,626.6</b>	<b>5,498.0</b>
<b>Current assets</b>				
Inventories		966.6	681.8	815.1
Prepayments and other current assets		224.2	137.5	211.8
Trade and other receivables		381.2	336.4	332.9
Income taxes prepaid		80.9	-	-
Investments		54.6	357.2	57.3
Cash and cash equivalents	13	504.8	1,604.2	438.5
		<b>2,212.3</b>	<b>3,117.1</b>	<b>1,855.6</b>
<b>TOTAL ASSETS</b>		<b>12,289.4</b>	<b>5,743.7</b>	<b>7,353.6</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	14(a)	168.2	173.3	170.3
Share premium		569.8	503.4	569.8
Capital reserves	14(b)	4,688.3	394.2	2,088.1
Retained earnings		3,953.8	3,591.1	3,591.0
<b>Equity attributable to shareholders of the Company</b>		<b>9,380.1</b>	<b>4,662.0</b>	<b>6,419.2</b>
Minority interests		15.9	39.9	14.0
<b>TOTAL EQUITY</b>		<b>9,396.0</b>	<b>4,701.9</b>	<b>6,433.2</b>
<b>Non-current liabilities</b>				
Deferred tax liability		519.1	353.7	283.0
Employee benefits		39.6	36.5	37.2
Provisions		102.6	88.5	97.7
Borrowings	15	1,248.4	221.0	195.9
		<b>1,909.7</b>	<b>699.7</b>	<b>613.8</b>
<b>Current liabilities</b>				
Provisions		285.6	10.0	14.2
Borrowings	15	211.7	-	1.6
Trade and other payables		402.2	192.5	223.4
Income taxes payable		82.3	138.2	65.3
Dividend payable		1.9	1.4	2.1
		<b>983.7</b>	<b>342.1</b>	<b>306.6</b>
<b>TOTAL LIABILITIES</b>		<b>2,893.4</b>	<b>1,041.8</b>	<b>920.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,289.4</b>	<b>5,743.7</b>	<b>7,353.6</b>

The condensed consolidated half-yearly financial statements were approved by the Board of Directors on 27 August 2008.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SIX MONTHS ENDED 30 JUNE 2008

\$ million	Notes	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2,811.0	2,674.2
Cash paid to employees and suppliers		(1,851.8)	(1,542.7)
Cash inflow before interests and income taxes paid		959.2	1,131.5
Interest paid		(17.7)	(6.2)
Income taxes paid		(379.3)	(427.1)
<b>Net cash inflow from operating activities</b>	16	<b>562.2</b>	698.2
<b>Cash flows from investing activities</b>			
Interest received		18.8	57.9
Proceeds from disposal of property, plant and equipment		6.9	2.4
Purchase of property, plant and equipment		(345.8)	(186.8)
Investments in mining assets		(18.7)	(11.6)
Purchase of intangible assets		(8.1)	(451.8)
Licence payments for subsoil contracts		(1.7)	(0.8)
Proceeds from disposal of non-current investments		7.1	0.8
Acquisition of non-current investments		(1.9)	(1.6)
Proceeds from disposal of assets held for trading		-	51.7
Investment in short-term bank deposits (net)		2.7	833.9
Acquisition of subsidiaries (net of cash acquired)		(994.8)	-
<b>Net cash flows (used in)/from in investing activities</b>		<b>(1,335.5)</b>	294.1
<b>Cash flows from financing activities</b>			
Purchase of Company's issued share capital		(121.3)	-
Proceeds from borrowings (net of arrangement fees of \$26.4 million)		1,155.3	-
Repayment of borrowings		(64.0)	(58.7)
Dividends paid by the Company		(124.6)	(120.1)
Dividends paid by the subsidiary to minority interests		(0.6)	(3.1)
<b>Net cash flows from/(used in) financing activities</b>		<b>844.8</b>	(181.9)
Net increase in cash and cash equivalents	17	71.5	810.4
Cash and cash equivalents at the beginning of the period	17	438.5	785.4
Effect of exchange rate changes on cash and cash equivalents	17	(5.2)	8.4
<b>Cash and cash equivalents at the end of the period</b>	13	<b>504.8</b>	1,604.2

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 JUNE 2008

\$ million	Notes	Attributable to equity shareholders of the Company						Total equity
		Share capital	Share premium	Capital reserves	Retained earnings	Total	Minority interests	
<b>At 1 January 2008</b>		<b>170.3</b>	<b>569.8</b>	<b>2,088.1</b>	<b>3,591.0</b>	<b>6,419.2</b>	<b>14.0</b>	<b>6,433.2</b>
Profit for the period		-	-	-	<b>608.4</b>	<b>608.4</b>	<b>2.1</b>	<b>610.5</b>
Unrealised gain on available for sale investments		-	-	<b>2,595.3</b>	-	<b>2,595.3</b>	-	<b>2,595.3</b>
Currency translation differences		-	-	<b>2.8</b>	-	<b>2.8</b>	<b>0.1</b>	<b>2.9</b>
<b>At 30 June 2008</b>		<b>168.2</b>	<b>569.8</b>	<b>4,688.3</b>	<b>3,953.8</b>	<b>9,380.1</b>	<b>15.9</b>	<b>9,396.0</b>
<b>At 1 January 2007</b>		173.3	503.4	266.2	2,917.0	3,859.9	31.9	3,891.8
Profit for the period		-	-	-	794.2	794.2	7.3	801.5
Currency translation differences		-	-	128.0	-	128.0	1.2	129.2
Equity dividends declared by the Company		-	-	128.0	794.2	922.2	8.5	930.7
Equity dividends declared by subsidiary to minority shareholders	10	-	-	-	(120.1)	(120.1)	-	(120.1)
Equity dividends declared by subsidiary to minority shareholders		-	-	-	-	-	(0.5)	(0.5)
<b>At 30 June 2007</b>		173.3	503.4	394.2	3,591.1	4,662.0	39.9	4,701.9

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2008

### 1. General information

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

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

In line with the Group's strategy of diversifying away from the core Copper business, the Group now operates in a number of divisions within the natural resources sector, the principal activities of which are as follows as at 30 June 2008:

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

These condensed consolidated financial statements for the six months ended 30 June 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 27 August 2008. The information for the year ended 31 December 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union up to 31 December 2007, has been delivered to the Register of Companies. The auditors' report under section 235 of the Companies Act 1985 in relation to those accounts was unqualified and does not include a statement under section 237(2) and section 237(3) of the Companies Act 1985.

### 2. Basis of preparation

#### (a) Half-yearly condensed consolidated financial statements

These condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2007 Annual Report.

#### (b) Comparative figures

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

Certain balances previously reported within 'Equity attributable to shareholders of the Company' as at 31 December 2007 have been reclassified in respect of the share buy-back transactions

that took place during 2007. These reclassifications have no impact on either 'Equity attributable to shareholders of the Company' or 'Total Equity'.

### **(c) Change in accounting policy**

Following best practice within the metals and mining industry, the Group has updated its revenue recognition accounting policy from that published in the 2007 Annual Report such that final pricing adjustments on sales contracts are considered to be embedded derivatives which need to be separately fair valued. The impact on the six months ended 30 June 2008 has been to reduce profit after tax by \$2.2 million. The impact on basic and diluted earnings per share is insignificant. The change in accounting policy does not have a significant impact on the comparative numbers for the six months ended 30 June 2007. The updated revenue recognition accounting policy is as follows:

Revenue represents the value of goods and services supplied to third parties during the year. Revenue is measured at the fair value of consideration receivable, and excludes any applicable sales tax. Mining royalties are included within cost of sales.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue associated with the sale of goods is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title and any insurance risk has passed to the customer and the goods have been delivered as per the contractual delivery terms or when any services have been provided.

Almost all sales agreements for copper cathodes, copper rods and zinc metal are 'provisionally priced', (i.e. the selling price is subject to final adjustment at the end of a quotation period, typically the average price either for the month or the month following delivery to the customer), based on the LME market price for the relevant quotation period stipulated in the contract. Such a provisional sale contains an embedded derivative which is required to be separated from the host contract. The host contract is the sale of commodity at the provisional invoice price, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. At each reporting date, the provisionally priced metal sales are marked-to-market using forward prices, with adjustments (both gains and losses) being recorded in revenue in the income statement and in trade receivables in the balance sheet.

### **3. Significant accounting policies**

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the change in revenue recognition accounting policy shown above and the adoption of new Standards and Interpretations, noted below. Adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group.

- IFRS 2 'Share-based Payment – Vesting Conditions and Cancellations (Amended).' The Group adopted the amendment to IFRS 2 on 1 January 2008 which clarifies the definition of a vesting condition and prescribes the treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied;

- IAS 23 'Borrowing Costs (Revised).' The Group adopted IAS 23 (Revised) on 1 January 2008 which requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset;
- IAS 27 'Consolidated and separate financial statements (Revised).' The Group adopted IAS 27 (Revised) on 1 January 2008 which amends the accounting for non-controlling interests and the loss of control of a subsidiary;
- IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation.' The Group adopted IAS 32 and IAS 1 on 1 January 2008 which allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified features;
- IFRIC 11 'IFRS 2: Group and treasury scheme transactions.' The Group adopted IFRIC 11 on 1 January 2008. The Interpretation provides further guidance on the application of IFRS 2 'Share based payments' in specific situations.

In preparing these condensed consolidated financial statements the Group has adopted all the extant accounting standards issued by the IASB and all the extant interpretations issued by the IFRIC as at 30 June 2008.

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

	30 June 2008		30 June 2007		31 December 2007	
	Spot	Average	Spot	Average	Spot	Average
Kazakhstan tenge	<b>120.75</b>	<b>120.52</b>	122.31	123.16	120.30	122.55
Euro	<b>0.63</b>	<b>0.65</b>	0.74	0.75	0.68	0.73
UK pounds sterling	<b>0.50</b>	<b>0.51</b>	0.50	0.51	0.50	0.50

#### 4. Business acquisition

On 29 May 2008 the Group acquired 100% of the Ekibastuz coal-fired power plant and the Maikuben West coal mine in Kazakhstan.

The businesses were acquired for a total consideration of \$1,355.7 million. The consideration comprises an initial cash consideration paid on 29 May 2008 of \$1,097.1 million, payments under a three year earnout based on EBITDA and production targets for the businesses with a present value of \$226.1 million, fixed deferred consideration of \$25.0 million and acquisition costs of \$7.5 million. The net cash outflow, net of cash acquired from the acquisition was \$994.8 million. At the acquisition date, the combined net identifiable assets and liabilities of the businesses, including fair value adjustments, were as follows:

\$ million	Carrying value at acquisition date	Preliminary fair value adjustments	Preliminary fair value at acquisition <sup>1</sup>
<b>Assets</b>			
Intangible assets <sup>2</sup>	6.1	2.1	8.2
Property, plant and equipment <sup>2</sup>	131.0	854.1	985.1
Mining assets <sup>2</sup>	0.8	45.8	46.6
Inventories	17.4	-	17.4
Trade and other receivables	26.3	-	26.3
Cash and cash equivalents	102.3	-	102.3
<b>Liabilities</b>			
Deferred tax liability <sup>3</sup>	(12.0)	(270.6)	(282.6)
Provisions	(15.6)	-	(15.6)
Borrowings	(158.7)	-	(158.7)
Trade and other payables	(112.9)	-	(112.9)
<b>Net identifiable (liabilities)/assets</b>	<b>(15.3)</b>	<b>631.4</b>	<b>616.1</b>
Goodwill arising on acquisition			739.6
<b>Total acquisition cost</b>			<b>1,355.7</b>

<sup>1</sup> Fair values at acquisition will be finalised by 31 December 2008.

<sup>2</sup> Fair value adjustments have been made to reflect initial estimates of the fair values of intangible assets, property, plant and equipment and reserves and resources.

<sup>3</sup> The increase in the deferred tax liability largely reflects the tax effect of the fair value adjustments.

The most significant fair value adjustment is in relation to property, plant and equipment. The fair value of property, plant and equipment was determined by an external professionally qualified valuer using a combination of market values and depreciated replacement cost based on the existing capacity of the power plant whilst taking into account future tariff increases as derived from the Company's acquisition model.

Goodwill of \$739.6 million has arisen from the acquisition of the businesses and will be tested at least annually for impairment. This goodwill can be broken down into two elements:

- goodwill of \$469.0 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 \$270.6 million arising as a consequence of the requirement to recognise a deferred tax liability on the fair value adjustments.

From the date of acquisition, the Ekibastuz power plant and the Maikuben West coal mine have contributed profit after tax of \$2.6 million to the profit after tax of the Group for the six months ended 30 June 2008. If the acquisition had taken place at the beginning of the year, the profit after tax of the Group would have been \$18.4 million higher at \$628.9 million and revenues would have been \$109.2 million higher at \$2,947.0 million.

## 5. Segment information

The basis of segmentation for the six months ended 30 June 2008 is the same as that published in the 2007 Annual Report, with the exception of the inclusion of Kazakhmys Power as a business segment following completion of the acquisition of the Ekibastuz coal-fired power plant and the Maikuben West coal mine on 29 May 2008 (see note 4). The principal activities of the Kazakhmys Power segment, representing the Ekibastuz and Maikuben businesses, is the sale of electricity to external customers. This segment does not include the power stations and coal mines which are part of the Kazakhmys Copper segment as the output from those power

stations and coal mines are primarily used within the Kazakhmys Copper business, and the level of external sales is comparatively insignificant.

### (a) Segmental information

Segmental information by business segment is presented below.

#### (i) Income statement information

\$ million	Six months ended 30 June 2008						Total
	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	
<b>Sales to external customers</b>	<b>1,786.1</b>	<b>1,015.1</b>	<b>19.1</b>	<b>17.5</b>	<b>-</b>	<b>-</b>	<b>2,837.8</b>
<b>Gross profit</b>	<b>1,069.9</b>	<b>74.9</b>	<b>4.9</b>	<b>3.5</b>	<b>-</b>	<b>-</b>	<b>1,153.2</b>
Operating costs	(210.7)	(32.6)	(2.8)	(3.2)	(2.3)	(10.2)	(261.8)
<b>Segment results</b>	<b>859.2</b>	<b>42.3</b>	<b>2.1</b>	<b>0.3</b>	<b>(2.3)</b>	<b>(10.2)</b>	<b>891.4</b>
Net finance costs							(5.5)
<b>Profit before taxation</b>							<b>885.9</b>
Income tax expense							(275.4)
<b>Profit for the period</b>							<b>610.5</b>

\$ million	Six months ended 30 June 2007				Total
	Kazakhmys Copper	MKM	Kazakhmys Petroleum	Corporate unallocated	
<b>Sales to external customers</b>	<b>1,978.0</b>	<b>811.3</b>	<b>-</b>	<b>-</b>	<b>2,789.3</b>
<b>Gross profit</b>	<b>1,364.6</b>	<b>52.1</b>	<b>-</b>	<b>-</b>	<b>1,416.7</b>
Operating costs	(171.2)	(26.3)	(0.1)	(15.8)	(213.4)
<b>Segment results</b>	<b>1,193.4</b>	<b>25.8</b>	<b>(0.1)</b>	<b>(15.8)</b>	<b>1,203.3</b>
Net finance costs					(17.5)
<b>Profit before taxation</b>					<b>1,185.8</b>
Income tax expense					(384.3)
<b>Profit for the period</b>					<b>801.5</b>

#### (ii) Balance sheet information

\$ million	At 30 June 2008						Total
	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	
<b>Assets</b>							
Tangible and intangible assets	2,323.1	176.0	1,774.9	292.2	497.0	10.5	5,073.7
Non-current investments	5.3	1.6	-	0.2	-	4,996.3	5,003.4
Intra Group investments	-	-	-	-	-	3,226.7	3,226.7
Operating assets <sup>1</sup>	1,033.4	510.7	37.8	22.9	0.2	25.3	1,630.3
Current investments	54.6	-	-	-	-	-	54.6
Cash and cash equivalents	296.4	0.6	104.8	8.5	28.5	66.0	504.8
<b>Segment assets</b>	<b>3,712.8</b>	<b>688.9</b>	<b>1,917.5</b>	<b>323.8</b>	<b>525.7</b>	<b>8,324.8</b>	<b>15,493.5</b>
Unallocated assets							80.9
Elimination							(3,285.0)
<b>Total assets</b>							<b>12,289.4</b>
<b>Liabilities</b>							
Employee benefits and provisions	117.5	10.5	272.0 <sup>3</sup>	1.6	26.2	-	427.8
Operating liabilities <sup>2</sup>	219.0	72.2	105.1	2.6	0.3	63.2	462.4
<b>Segment liabilities</b>	<b>336.5</b>	<b>82.7</b>	<b>377.1</b>	<b>4.2</b>	<b>26.5</b>	<b>63.2</b>	<b>890.2</b>
Unallocated liabilities							601.4
Borrowings							1,460.1
Elimination							(58.3)
<b>Total liabilities</b>							<b>2,893.4</b>

<sup>1</sup> Operating assets include inventories, trade and other receivables and prepayments and other current assets.

<sup>2</sup> Operating liabilities include trade and other payables and dividends payable.

<sup>3</sup> Includes fixed and deferred contingent consideration arising on the acquisition of Kazakhmys Power.

At 30 June 2007

\$ million	Kazakhmys Copper	MKM	Kazakhmys Petroleum	Corporate unallocated	Total
<b>Assets</b>					
Tangible and intangible assets	1,974.2	160.7	477.8	6.7	2,619.4
Non-current investments	5.2	2.0	-	-	7.2
Intra Group investments	-	-	-	1,151.3	1,151.3
Operating assets <sup>1</sup>	736.1	419.8	0.1	9.9	1,165.9
Current investments	357.2	-	-	-	357.2
Cash and cash equivalents	1,179.9	18.0	4.4	401.9	1,604.2
<b>Segment assets</b>	<b>4,252.6</b>	<b>600.5</b>	<b>482.3</b>	<b>1,569.8</b>	<b>6,905.2</b>
Elimination					(1,161.5)
<b>Total assets</b>					<b>5,743.7</b>
<b>Liabilities</b>					
Employee benefits and provisions	125.9	9.1	-	-	135.0
Operating liabilities <sup>2</sup>	86.5	73.0	-	44.6	204.1
<b>Segment liabilities</b>	<b>212.4</b>	<b>82.1</b>	<b>-</b>	<b>44.6</b>	<b>339.1</b>
Unallocated liabilities					491.9
Borrowings					221.0
Elimination					(10.2)
<b>Total liabilities</b>					<b>1,041.8</b>

<sup>1</sup> Operating assets include inventories, trade and other receivables and prepayments and other current assets.

<sup>2</sup> Operating liabilities include trade and other payables and dividends payable.

At 31 December 2007

\$ million	Kazakhmys Copper	MKM	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	Total
<b>Assets</b>						
Tangible and intangible assets	2,124.9	171.8	295.0	482.5	10.6	3,084.8
Non-current investments	9.9	2.0	0.3	-	2,401.0	2,413.2
Intra Group investments	-	-	-	-	1,980.1	1,980.1
Operating assets <sup>1</sup>	1,038.7	386.1	17.4	0.5	149.6	1,592.3
Current investments	57.3	-	-	-	-	57.3
Cash and cash equivalents	216.9	6.7	13.6	20.9	180.4	438.5
<b>Segment assets</b>	<b>3,447.7</b>	<b>566.6</b>	<b>326.3</b>	<b>503.9</b>	<b>4,721.7</b>	<b>9,566.2</b>
Elimination						(2,212.6)
<b>Total assets</b>						<b>7,353.6</b>
<b>Liabilities</b>						
Employee benefits and provisions	112.3	8.8	1.6	26.4	-	149.1
Operating liabilities <sup>2</sup>	304.2	40.9	2.2	0.9	109.8	458.0
<b>Segment liabilities</b>	<b>416.5</b>	<b>49.7</b>	<b>3.8</b>	<b>27.3</b>	<b>109.8</b>	<b>607.1</b>
Unallocated liabilities						348.3
Borrowings – Group						197.5
Elimination						(232.5)
<b>Total liabilities</b>						<b>920.4</b>

<sup>1</sup> Operating assets include inventories, trade and other receivables and prepayments and other current assets.

<sup>2</sup> Operating liabilities include trade and other payables and dividends payable.

The primary reason for the change in total assets from 31 December 2007 has been the movement in the fair value of the available for sale investment (see note 12).

(iii) Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding special items<sup>1</sup> by business segments

\$ million	Six months ended 30 June 2008						Total
	Kazakhmys Copper	MKM	Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated	
Profit/(loss) before finance items and taxation	859.2	42.3	2.1	0.3	(2.3)	(10.2)	891.4
Special items:							
Less/(add): (write back)/write off of property, plant and equipment	(0.2)	-	-	-	1.9	-	1.7
Less: gain on disposal of property, plant and equipment	(0.1)	-	-	-	-	-	(0.1)
<b>Profit/(loss) before finance items and taxation excluding special items</b>	<b>858.9</b>	<b>42.3</b>	<b>2.1</b>	<b>0.3</b>	<b>(0.4)</b>	<b>(10.2)</b>	<b>893.0</b>
Add: depreciation and depletion	129.6	13.0	4.9	5.7	-	0.7	153.9
Add: amortisation	1.5	0.2	1.1	-	-	-	2.8
<b>EBITDA excluding special items</b>	<b>990.0</b>	<b>55.5</b>	<b>8.1</b>	<b>6.0</b>	<b>(0.4)</b>	<b>(9.5)</b>	<b>1,049.7</b>

\$ million	Six months ended 30 June 2007					Total
	Kazakhmys Copper	MKM	Kazakhmys Petroleum	Corporate unallocated		
Profit/(loss) before finance items and taxation	1,193.4	25.8	(0.1)	(15.8)	1,203.3	
Special items:						
Add: write off of property, plant and equipment	3.8	-	-	-	3.8	
Add: loss on disposal of property, plant and equipment	1.7	0.1	-	-	1.8	
<b>Profit/(loss) before taxation and finance items excluding special items</b>	<b>1,198.9</b>	<b>25.9</b>	<b>(0.1)</b>	<b>(15.8)</b>	<b>1,208.9</b>	
Add: depreciation and depletion	101.8	11.1	-	0.5	113.4	
Add: amortisation	1.3	0.1	-	-	1.4	
<b>EBITDA excluding special items</b>	<b>1,302.0</b>	<b>37.1</b>	<b>(0.1)</b>	<b>(15.3)</b>	<b>1,323.7</b>	

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

(iv) Net liquid funds/(debt) by business segments

\$ million	At 30 June 2008						Total
	Kazakhmys Copper	MKM	Kazakhmys Power <sup>1</sup>	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated <sup>2</sup>	
Cash and cash equivalents	296.4	0.6	104.8	8.5	28.5	66.0	504.8
Current investments	54.6	-	-	-	-	-	54.6
Borrowings	-	(228.5)	(164.1)	(0.7)	-	(2,415.2)	(2,808.5)
Inter-segment borrowings	-	-	64.1	-	-	1,284.3	1,348.4
<b>Net liquid funds/(debt)</b>	<b>351.0</b>	<b>(227.9)</b>	<b>4.8</b>	<b>7.8</b>	<b>28.5</b>	<b>(1,064.9)</b>	<b>(900.7)</b>

<sup>1</sup> Borrowings of Kazakhmys Power include amounts borrowed from the Corporate unallocated.

<sup>2</sup> Borrowings of Corporate unallocated include amounts borrowed from the Kazakhmys Copper segment.

\$ million	At 30 June 2007					Total
	Kazakhmys Copper	MKM <sup>1</sup>	Kazakhmys Petroleum	Corporate unallocated <sup>2</sup>		
Cash and cash equivalents	1,179.9	18.0	4.4	401.9	1,604.2	
Current investments	357.2	-	-	-	357.2	
Borrowings	-	(305.5)	-	(270.0)	(575.5)	
Inter-segment borrowings	-	84.5	-	270.0	354.5	
<b>Net liquid funds/(debt)</b>	<b>1,537.1</b>	<b>(203.0)</b>	<b>4.4</b>	<b>401.9</b>	<b>1,740.4</b>	

<sup>1</sup> Borrowings of MKM include amounts borrowed from the Kazakhmys Copper segment.

<sup>2</sup> Borrowings of Corporate unallocated include amounts borrowed from the Kazakhmys Copper segment.

At 31 December 2007

\$ million	Kazakhmys Copper		Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated <sup>1</sup>		Total
		MKM					
Cash and cash equivalents	216.9	6.7	13.6	20.9	180.4		438.5
Current investments	57.3	-	-	-	-		57.3
Borrowings	-	(195.9)	(1.6)	-	(1,265.0)		(1,462.5)
Inter-segment borrowings	-	-	-	-	1,265.0		1265.0
<b>Net liquid funds/(debt)</b>	<b>274.2</b>	<b>(189.2)</b>	<b>12.0</b>	<b>20.9</b>	<b>180.4</b>		<b>298.3</b>

<sup>1</sup> Borrowings of Corporate unallocated include amounts borrowed from the Kazakhmys Copper segment.

(v) Capital expenditure, depreciation, write offs and impairment losses by business segments

Six months ended 30 June 2008

\$ million	Kazakhmys Copper		Kazakhmys Power	Kazakhmys Gold	Kazakhmys Petroleum	Corporate unallocated		Total
		MKM						
Property, plant and equipment	<b>318.8</b>	<b>4.2</b>	<b>2.8</b>	<b>2.1</b>	<b>16.8</b>	<b>1.1</b>		<b>345.8</b>
Mining assets	<b>16.7</b>	-	-	<b>2.0</b>	-	-		<b>18.7</b>
Intangible assets	<b>6.6</b>	<b>1.1</b>	-	-	<b>0.1</b>	<b>0.3</b>		<b>8.1</b>
<b>Capital expenditure</b>	<b>342.1</b>	<b>5.3</b>	<b>2.8</b>	<b>4.1</b>	<b>16.9</b>	<b>1.4</b>		<b>372.6</b>
Depreciation and depletion	<b>129.6</b>	<b>13.0</b>	<b>4.9</b>	<b>5.7</b>	-	<b>0.7</b>		<b>153.9</b>
Amortisation	<b>1.5</b>	<b>0.2</b>	<b>1.1</b>	-	-	-		<b>2.8</b>
<b>Depreciation, depletion and amortisation</b>	<b>131.1</b>	<b>13.2</b>	<b>6.0</b>	<b>5.7</b>	-	<b>0.7</b>		<b>156.7</b>
<b>Write offs and impairment losses</b>	<b>6.7</b>	<b>0.9</b>	-	-	<b>1.9</b>	-		<b>9.5</b>

Six months ended 30 June 2007

\$ million	Kazakhmys Copper		Kazakhmys Petroleum	Corporate unallocated		Total
		MKM				
Property, plant and equipment	182.6	2.6	0.2	1.4		186.8
Mining assets	11.6	-	-	-		11.6
Intangible assets	7.3	-	-	478.4		485.7
<b>Capital expenditure</b>	<b>201.5</b>	<b>2.6</b>	<b>0.2</b>	<b>479.8</b>		<b>684.1</b>
Depreciation and depletion	101.8	11.1	-	0.5		113.4
Amortisation	1.3	0.1	-	-		1.4
<b>Depreciation, depletion and amortisation</b>	<b>103.1</b>	<b>11.2</b>	-	<b>0.5</b>		<b>114.8</b>
<b>Write offs and impairment losses</b>	<b>3.9</b>	<b>1.0</b>	-	-		<b>4.9</b>

## (b) Revenues by product

\$ million	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Kazakhmys Copper</b>		
Copper cathodes	1,265.5	1,406.9
Copper rods	194.5	117.7
Silver in granules	129.0	98.5
Gold bullion	59.1	29.2
Zinc concentrate	45.1	154.1
Zinc metal	38.6	89.3
Other by-products	21.0	50.4
Other revenue	33.3	31.9
	<b>1,786.1</b>	<b>1,978.0</b>
<b>MKM</b>		
Wire	483.7	385.1
Sheet steel and steel strips	328.7	247.3
Tubes and bars	188.3	161.3
Metal trade	14.4	17.6
	<b>1,015.1</b>	<b>811.3</b>
<b>Kazakhmys Power</b>		
Electricity generation	18.0	-
Coal	1.1	-
	<b>19.1</b>	<b>-</b>
<b>Kazakhmys Gold</b>		
Gold doré	17.3	-
Silver	0.2	-
	<b>17.5</b>	<b>-</b>
<b>Total revenues</b>	<b>2,837.8</b>	<b>2,789.3</b>

## (c) Revenues by destination

\$ million	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Sales to third parties</b>		
Europe	1,949.7	1,565.4
China	568.9	867.3
Other	319.2	356.6
<b>Total revenues</b>	<b>2,837.8</b>	<b>2,789.3</b>

## 6. Write offs and impairment losses

\$ million	Six months ended 30 June 2008	Six months ended 30 June 2007
Write off of property, plant and equipment	1.7	3.8
Provisions against prepayments and other current assets	1.5	0.6
Provisions against trade and other receivables	0.4	0.5
Provisions against obsolete inventories	5.9	-
	<b>9.5</b>	<b>4.9</b>

## 7. Finance income and finance costs

\$ million	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Finance income</b>		
Interest income	12.7	45.9
Foreign exchange gains	51.4	64.2
<b>Total finance income</b>	<b>64.1</b>	<b>110.1</b>
<b>Finance costs</b>		
Interest expense	(10.3)	(6.1)
Interest on employee obligations	(1.8)	(1.7)
Unwinding of discount on provisions	(3.3)	(2.9)
Finance costs before foreign exchange losses	(15.4)	(10.7)
Foreign exchange losses	(54.2)	(116.9)
<b>Total finance costs</b>	<b>(69.6)</b>	<b>(127.6)</b>

## 8. Income tax

### (a) Income tax expense

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

\$ million	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Current income tax</b>		
Corporate income tax – current period (UK)	24.9	12.8
Corporate income tax – current period (overseas)	273.4	336.4
Corporate income tax – prior periods	(3.2)	(3.2)
Excess profits tax – current period	25.1	29.9
Excess profits tax – prior periods	-	(6.7)
	<b>320.2</b>	<b>369.2</b>
<b>Deferred income tax</b>		
Corporate income tax – current period	(21.5)	15.7
Corporate income tax – prior periods	(22.3)	(10.5)
Excess profits tax – current period	(1.0)	9.9
	<b>(44.8)</b>	<b>15.1</b>
<b>Income tax expense</b>	<b>275.4</b>	<b>384.3</b>

### (b) Income tax reconciliation

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

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

\$ million	Six months ended 30 June 2008	Six months ended 30 June 2007
Profit before taxation	885.9	1,185.8
At statutory income tax rate of 28.5% (30 June 2007: 30.0%)	252.5	355.7
Over provided in previous years – current income tax	(3.2)	(3.2)
Over provided in previous years – deferred income tax	(22.3)	(10.5)
Effect of domestic tax rates applicable to individual Group entities	11.3	1.4
Recognition of previously unrecognised tax losses	(8.4)	-
Unremitted overseas earnings	-	20.0
Non deductible expenses/(non taxable income):		
Non taxable income on zinc plant	(6.5)	(19.7)
Non deductible expenses	27.9	7.5
Excess profits tax	24.1	33.1
At effective income tax rate of 31.1% (30 June 2007: 32.4%)	<b>275.4</b>	<b>384.3</b>

Corporate income tax is calculated at 28.5% (30 June 2007: 30.0%) of the assessable profit for the period for the Company and 30% for the operating subsidiaries in Kazakhstan. The MKM tax rate is calculated at 28.48% (30 June 2007: 37.34%) and relates to German corporate income tax and trade tax.

Excess profits tax is levied on profitable subsoil contracts where the internal rate of return for the current period exceeds 20%. The effective rate for excess profits tax for those subsoil contracts liable to this tax is 15% (30 June 2007: 15%).

## 9. Earnings per share

### (a) Basic and diluted EPS

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

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

\$ million	Six months ended 30 June 2008	Six months ended 30 June 2007
Net profit attributable to equity shareholders of the Company	<b>608.4</b>	794.2
	<b>Six months ended 30 June 2008</b>	<b>Six months ended 30 June 2007</b>
Number		
Weighted average number of ordinary shares of 20 pence each for EPS calculation	<b>455,432,843</b>	467,474,200
<b>EPS – basic and diluted (\$)</b>	<b>1.34</b>	1.70

### (b) EPS based on Underlying Profit

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

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

\$ million	Six months ended 30 June 2008	Six months ended 30 June 2007
Net profit attributable to equity shareholders of the Company	<b>608.4</b>	794.2
Special items:		
Write-off of property, plant and equipment	<b>1.7</b>	3.8
(Gain)/loss on disposal of property, plant and equipment	<b>(0.1)</b>	1.8
Tax effect of non-recurring items	<b>(0.3)</b>	(0.3)
Minority interest effect of non-recurring items	<b>-</b>	0.1
<b>Underlying Profit</b>	<b>609.7</b>	799.6

Number	Six months ended 30 June 2008	Six months ended 30 June 2007
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	455,432,843	467,474,200
<b>EPS based on Underlying Profit – basic and diluted (\$)</b>	<b>1.34</b>	<b>1.71</b>

## 10. Dividends paid and proposed

The dividends declared and paid during the six months ended 30 June 2008 and 2007 are as follows:

### (a) Dividends declared by the Company during reporting periods

	Per share US cents	Amount \$ million
<b>Six months ended 30 June 2008</b>		
Final dividend in respect of year ended 31 December 2007	27.4	124.6
<b>Six months ended 30 June 2007</b>		
Final dividend in respect of year ended 31 December 2006	25.7	120.1

### (b) Dividends declared by the Company after period end

	Per share US cents	Amount \$ million
Declared by Directors on 27 August 2008 (not recognised as a liability as at 30 June 2008):		
Interim dividend in respect of year ended 31 December 2008	14.0	74.9

## 11. Property, plant and equipment

During the six months ended 30 June 2008, the Group acquired property, plant and equipment with a cost of \$345.8 million (30 June 2007: \$186.8 million), of which \$201.8 million related to new and expansionary projects (30 June 2007: \$115.8 million).

Assets with a book value of \$6.8 million were disposed of by the Group during the six months ended 30 June 2008 (30 June 2007: \$4.2 million) resulting in a gain on disposal of \$0.1 million (30 June 2007: loss of \$1.8 million).

In addition to the above additions and disposals, during the six months ended 30 June 2008 property, plant and equipment:

- increased by \$985.1 million as a result of the business acquisition (30 June 2007: \$nil) – see note 4;
- increased by \$2.1 million as a result of foreign exchange movements on translation (30 June 2007: \$69.0 million);
- decreased by \$1.7 million as a result of write offs (30 June 2007: \$3.8 million); and
- decreased by \$122.6 million as a result of the depreciation expense (30 June 2007: \$109.8 million).

## 12. Available for sale investments

\$ million	Total
At 1 January 2008	2,401.0
Revaluation to fair value	2,595.3
At 30 June 2008	4,996.3

The available for sale investment relates to the Group's 14.6% shareholding in ENRC PLC. The fair value of the ENRC shares is determined by reference to the published price quotation on the London Stock Exchange.

### 13. Cash and cash equivalents

\$ million	As at 30 June 2008	As at 30 June 2007	As at 31 December 2007
Cash deposits with maturities of less than three months	69.0	1,477.0	189.5
Cash at bank	435.3	126.8	248.5
Petty cash	0.5	0.4	0.5
	<b>504.8</b>	<b>1,604.2</b>	<b>438.5</b>

Cash deposits within Kazakhstan are held with major Kazakhstan banks and local branches of international financial institutions. Cash deposits held outside of Kazakhstan are principally held with Western European and US financial institutions and their triple 'A' rated managed liquidity funds.

### 14. Share capital and reserves

#### (a) Authorised and allotted share capital

	Number	£ million	\$ million
<b>At 30 June 2008, 31 December 2007 and 30 June 2007</b>			
Authorised share capital - ordinary shares of 20 pence each	750,000,000	150.0	-
<b>Allotted and called up share capital</b>			
At 1 January 2007 and 30 June 2007	467,474,200	93.5	173.3
At 1 January 2008	<b>460,123,288</b>	<b>92.0</b>	<b>170.3</b>
Purchase of Company's issued share capital	<b>(5,169,000)</b>	<b>(1.0)</b>	<b>(2.1)</b>
At 30 June 2008	<b>454,954,288</b>	<b>91.0</b>	<b>168.2</b>

Commencing on 24 October 2007, the Company began a share buy-back programme which was completed at the end of January 2008. The total number of ordinary shares purchased and cancelled was 15,079,577. At an average price of £12.73 per share, this equated to a total cost of \$390.1 million, including expenses. The average closing price and the volume weighted average price over the same period were £13.21 per share and £13.08 per share, respectively. The issued capital of the Company, after completion of the buy-back programme, is 454,954,288 ordinary shares.

#### (b) Capital reserves

\$ million	Reserve fund	Net unrealised gains reserve	Currency translation reserve	Capital redemption reserve	Total
At 1 January 2008	37.6	1,594.7	451.7	4.1	2,088.1
Unrealised gain on available for sale investments	-	2,595.3	-	-	2,595.3
Currency translation differences	-	-	2.8	-	2.8
Purchase of Company's issued share capital	-	-	-	2.1	2.1
<b>30 June 2008</b>	<b>37.6</b>	<b>4,190.0</b>	<b>454.5</b>	<b>6.2</b>	<b>4,688.3</b>
At 1 January 2007	37.6	-	228.6	-	266.2
Currency translation differences	-	-	128.0	-	128.0
<b>At 30 June 2007</b>	<b>37.6</b>	<b>-</b>	<b>356.6</b>	<b>-</b>	<b>394.2</b>

(i) Reserve fund

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

(ii) Net unrealised gains reserve

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

(iii) Foreign currency translation reserve

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

(iv) Capital redemption reserve

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

## 15. Borrowings

Details of the Group's significant borrowings are:

(i) Pre-export finance debt facility

On 29 February 2008 the Company signed a five year pre-export finance debt facility of \$2,100 million with a syndicate of banks to be used for general corporate purposes, including the acquisition of the Ekibastuz power plant and Maikuben West coal mine. As at 30 June 2008, \$1,156.0 million had been drawn down from the facility. The loan is secured on the value of sales contracts with certain designated customers. Loan repayments will commence in February 2009 through to February 2013 following a one year grace period. Arrangement fees with an amortised cost as at 30 June 2008 of \$25.1 million (gross cost before amortisation of \$26.4 million) have been netted off against these borrowings in accordance with IAS 39. Interest is payable on drawn down balances at a rate of US LIBOR + 1.25%. Kazakhmys PLC and Kazakhmys LLC act as guarantors of the loan.

(ii) Deutsche Bank

MKM has a loan credit agreement with Deutsche Bank for a long-term loan of €230 million for general working capital purposes. Interest is payable at a rate of EURIBOR + 1.45%. The loan is secured over the inventories and receivables of MKM. At 30 June 2008, the amount of inventories and receivables of MKM held as security for the borrowings was \$267.9 million and \$242.7 million (30 June 2007: \$223.6 million and \$196.0 million, 31 December 2007: \$221.3 million and \$162.0 million) respectively. Kazakhmys LLC acts as guarantor of the loan.

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

\$ million	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Profit before taxation</b>	<b>885.9</b>	1,185.8
Interest income	(12.7)	(45.9)
Interest expense	10.3	6.1
Depreciation and depletion	153.9	113.4
Amortisation	2.8	1.4
Write off of assets and impairment losses	9.5	4.9
Unrealised foreign exchange (gain)/loss	(4.1)	37.2
Gain on disposal of assets held for trading	-	(0.5)
(Gain)/loss on disposal of property, plant and equipment	(0.1)	1.8
<b>Operating cash flows before changes in working capital and provisions</b>	<b>1,045.5</b>	1,304.2
(Increase)/decrease in inventories	(125.0)	68.6
Increase in prepayments and other current assets	(9.6)	(35.9)
Increase in trade and other receivables	(26.3)	(63.6)
Increase in employee benefits	2.2	2.8
Increase in provisions	4.6	1.3
Increase/(decrease) in trade and other payables	67.8	(145.9)
<b>Cash inflow before interest and income tax paid</b>	<b>959.2</b>	1,131.5
Interest paid	(17.7)	(6.2)
Income tax paid	(379.3)	(427.1)
<b>Net cash inflow from operating activities</b>	<b>562.2</b>	698.2

## 17. Movement in net liquid funds/(debt)

\$ million	At 1 January 2008	Business acquisition	Cash flow	Net exchange translation	At 30 June 2008
Cash and cash equivalents	438.5	102.3 <sup>1</sup>	(30.8) <sup>1</sup>	(5.2)	504.8
Current investments	57.3	-	(2.7)	-	54.6
Borrowings	(197.5)	(158.7)	(1,091.3)	(12.6)	(1,460.1)
<b>Net liquid funds/(debt)</b>	<b>298.3</b>	<b>(56.4)</b>	<b>(1,124.8)</b>	<b>(17.8)</b>	<b>(900.7)</b>

<sup>1</sup> Net increase in cash and cash equivalents of \$71.5 million.

\$ million	At 1 January 2007	Cash flow	Net exchange translation	Other non-cash movements <sup>1</sup>	At 30 June 2007
Cash and cash equivalents	785.4	810.4	8.4	-	1,604.2
Current investments	1,237.2	(885.6)	47.2	(41.6)	357.2
Borrowings	(277.3)	58.7	(2.4)	-	(221.0)
<b>Net liquid funds/(debt)</b>	<b>1,745.3</b>	<b>(16.5)</b>	<b>53.2</b>	<b>(41.6)</b>	<b>1,740.4</b>

<sup>1</sup> Other non cash movements comprise foreign exchange losses incurred by the Company's subsidiaries and recognised in the consolidated income statement.

## 18. Events after the balance sheet date

### (a) Acquisition of ENRC PLC shares

On 24 July 2008 the Company issued 80,286,050 ordinary shares of 20 pence each to the Government in exchange for 98,607,884 shares in ENRC which it received on 28 July 2008. The share price of the Company as at the date of the share issue was £13.17 per share, and the market value of the shares issued was \$2,110 million. Following this transaction, the Group's interest in ENRC increased from 14.6% as at 31 December 2007 to 22.2% and the allotted and called up share capital of the Company increased from 454,954,288 to 535,240,338 ordinary shares of 20 pence each.

On 8 August 2008 the Group purchased a further 35,733,717 shares in ENRC thereby taking the Group's total shareholding in ENRC to 322,177,851 shares or 25.0% of the issued share capital of ENRC.

**(b) Interim dividends**

On 27 August 2008 the Directors declared an interim dividend in respect of the year ended 31 December 2008 of 14.0 US cents per ordinary share. The interim dividend will be paid on 31 October 2008 to shareholders on the register as at 3 October 2008. For those shareholders who have elected to receive their dividends in sterling, the currency conversion rate to convert the dividend into UK pounds sterling will be £0.536448 to the US dollar. This is based on the average exchange rate for the five business days ending two days before the date of the interim results announcement.

**(c) Credit facility**

On 26 August 2008, the Group signed a \$200 million unsecured revolving credit facility with a syndicate of banks to be used for general working capital purposes.

## **GLOSSARY**

### **Cash cost of copper after by-product credits excluding purchased concentrate**

The total of operating costs as presented in the income statement less by-product revenues, over the volume of copper cathodes and rods and excluding purchased concentrate

### **dollar or \$**

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

### **EBITDA**

Earnings before interest, tax, depreciation and amortisation

### **ENRC or ENRC PLC**

Eurasian Natural Resources Corporation PLC

### **EPS**

Earnings per share

### **EPS based on Underlying Profit**

EPS before special items, and their resulting tax and minority interest impacts

### **EURIBOR**

European Inter Bank Offer Rate

### **Euro or €**

Euro, the currency of the European Union

### **Free Cash Flow**

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

### **g/t**

Grammes per metric tonne

### **GVA**

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

### **GW**

Gigawatt

### **GWh**

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

### **Government**

The Government of the Republic of Kazakhstan

### **IAS**

International Accounting Standards

### **IFRIC**

International Financial Reporting Interpretation Committee

**IFRS**

International Financial Reporting Standards

**Kazakhmys LLC or Kazakhmys Corporation LLC**

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

**Kazakhmys Copper**

A business segment of the Group, which includes the processing and sale of copper and other metals

**Kazakhmys Gold**

A business segment of the Group, which includes the activities of the acquired Eurasia Gold Inc.

**Kazakhmys Petroleum**

A business segment of the Group, which includes the business activities of the acquired Kazakhmys Petroleum LLP (formerly Dostan-Temir LLP)

**Kazakhmys Power**

A business segment of the Group, which includes the businesses of the Ekibastuz coal fired power plant and Maikuben West coal mine

**km**

Kilometres

**koz**

Thousand ounces

**kt**

Thousand metric tonnes

**kWh**

kilowatt-hour

**LBMA**

London Bullion Market Association

**LIBOR**

London Inter Bank Offer Rate

**LME**

London Metal Exchange

**MKM**

MKM Mansfelder Kupfer und Messing GmbH, the Group's operating subsidiary in the Federal Republic of Germany and a business segment of the Group

**MT**

Million metric tonnes

**MW**

Megawatts

**Ounce or oz**

A troy ounce, which equates to 31.1035 grammes

**ROCE**

Return on Capital Employed, defined as profit before taxation, finance items and negative goodwill over capital employed (borrowings and total equity, including minority interests)

**\$/t or \$/tonne**

US dollars per metric tonne

**Special items**

Those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. Special items are set out in note 5 to the consolidated condensed financial statements

**t**

Metric tonnes

**tenge or KZT**

The official currency of the Republic of Kazakhstan

**Underlying Profit**

Profit for the half-year to 30 June 2008 after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and minority interest effects

**USc/lb**

US cents per pound