



## KAZAKHMYS PLC

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Company registered in England and Wales  
Company Number: 5180783

8 May 2014

## 2014 Annual General Meeting Chairman's Statement and Result of Meeting

### Chairman's Statement

At today's Annual General Meeting of Kazakhmys PLC ("Kazakhmys" or the "Group"), Simon Heale, Non-Executive Chairman, provided shareholders with an update on the Group, which is summarised below:

Health and safety is Kazakhmys' number one priority, and the Board regards every fatal and serious incident as unacceptable and avoidable. I am sorry to report that there were 18 fatalities in 2013. We continue to demand significant improvement in health and safety and we clearly have much to do in order to improve our performance in this vital area.

This has been a significant year for Kazakhmys. Over the past 12 months we have sold our non-core holdings in MKM, ENRC and Ekibastuz GRES-1, realising over \$2.1 billion from these disposals. The sales have strengthened our balance sheet as we deliver our growth projects and allow us to focus on our copper mining activities in Kazakhstan and our proposed restructuring.

Over the past few years we have initiated various cost reduction programmes. However, the headwinds of grade decline and cost inflation are strong and the Board concluded that more fundamental action was required. In February this year we announced that we were considering a major restructuring of the Group.

As announced in February, the restructuring envisages the transfer of a number of relatively mature assets into a separate entity which Vladimir Kim, our former Chairman and current Board Director has indicated that he will consider acquiring. These assets are extremely important within their local communities where they are major employers and are likely to fare better without the pressures of immediate financial returns required by external shareholders.

The intention is to create two distinct and separate companies in a transaction that has to be reasonable for both the continuing listed company and the new private company. Vladimir Kim remains committed to his holding in Kazakhmys PLC as his principal business interest and I would like to take this opportunity to thank Vladimir for helping us develop this solution, for the benefit of all shareholders.

This restructuring moves us towards our strategic goal of production dominated by safer, large-scale, low-cost open pit mines, which generate ample free cash flow to sustain our operations and provide future dividends to shareholders. I believe that it will put Kazakhmys in a strong position, with a portfolio of low-cost assets and amongst the leading growth potential in the industry.

Work on the restructuring is currently under way and proceeding well. We hope to produce a Circular to send to shareholders during the second half of this year. The Circular will set out all details of the transaction.

Any restructuring proposals will be reviewed by the independent Directors of the Board to ensure they are fair and reasonable, and will be subject to a vote of independent shareholders.

In terms of our mining business, in 2013 we met or exceeded production targets on all of our principal products for the sixth consecutive year - a considerable achievement. For 2014, we continue to expect copper production to be in line with 2013 at between 285 to 295 kt.

With regard to our growth projects, at Bozshakol we have brought in a second major contractor and we remain on track for first production in 2015. At Aktogay we are replacing the previous single principal contractor with several smaller contractors. We maintained a start date of 2015 for the oxide section, but with first production from the sulphide section expected to commence in 2017. Our major growth projects are key to the delivery of our strategy.

In setting the dividend each year, the Board considers the cash generation and financing requirements of the business. This policy maintains flexibility on dividend payments, which is appropriate for a single commodity business. As we currently have a low level of cash generation from our existing assets, an ongoing review of assets and significant expenditure on our growth projects, the Board has decided not to recommend a dividend at this time. Once production from Bozshakol commences and if we are able to complete the restructuring, then returning funds to our shareholders will be a key and early consideration for the Board.

Several major, global copper projects have been commissioned recently, and have perhaps held back pricing by increasing supply. We believe that this will be a temporary effect and the outlook for copper remains extremely positive. Grades continue to decline at copper mines around the world putting upwards pressure on costs, which will constrain supply. Meanwhile demand continues to rise with economic growth and improving living standards. Kazakhmys is well placed to take advantage of this opportunity.

We are taking the necessary actions to restructure and streamline the assets of the business so that they are aligned with Kazakhmys' strategic goal of production primarily from safer, large-scale, low-cost open pit mines.

The Board remains focused on the delivery of the major growth projects and ensuring the personal welfare of our employees and contractors. We would like to thank our employees on behalf of shareholders for the vital part they play in Kazakhmys' success and progress.

Following the fall in the Company's share price, comments were raised by some institutional shareholders on the quantum of LTIP awards granted to executive Directors in 2014 and the impact this has on the shareholding in Kazakhmys PLC of the Concert Party comprising Vladimir Kim, Oleg Novachuk and Eduard Ogay. This has led to more votes being cast against Resolution 19 to approve the LTIP Waiver Resolution than usual and the resolution

not being passed. The Board takes the views of its shareholders very seriously and to this end the Remuneration Committee will be taking into account and addressing this matter in deciding on the operation of the Company's remuneration policy in the future.

As explained in the circular sent with the Annual General Meeting notice, the fact that Resolution 19 was not passed will not affect the grant of the 2014 LTIP Awards to Oleg Novachuk and Eduard Ogay, however Oleg Novachuk and Eduard Ogay would be required to sell any Ordinary Shares that vest under the 2014 LTIP Awards unless arrangements can be put in place to ensure that the Concert Party's percentage interest in Ordinary Shares will not increase as a result of such vesting and no mandatory bid is triggered.

### **Result of 2014 Annual General Meeting**

At the Annual General Meeting of Kazakhmys PLC held today, all resolutions were put to shareholders on a poll. Resolutions 1 to 18 were duly passed and Resolution 19 was not passed. The poll results showing the number of votes received for and against each resolution are shown below.

The poll results for Resolutions 1 to 18 represent approximately 57% of the total number of 446,677,203 Ordinary Shares in issue which carry voting rights of one vote per share. In accordance with the Code, the Concert Party (comprising Vladimir Kim, Oleg Novachuk and Eduard Ogay) has not voted its interest in 188,064,645 Ordinary Shares in respect of Resolution 19 (the 'LTIP Waiver Resolution') and therefore the poll results for this resolution represent approximately 25% of the total number of 258,612,558 Ordinary Shares eligible to vote.

The Company currently holds 11,701,830 Ordinary Shares in treasury which do not carry voting rights.

Full details of the resolutions passed, together with explanatory notes, are set out in the Notice of Annual General Meeting which is available on the Company's website at [www.kazakhmys.com](http://www.kazakhmys.com).

<b>Resolution</b>	<b>For/ Discretion</b>	<b>%</b>	<b>Against</b>	<b>%</b>	<b>Total</b>	<b>Vote Withheld*</b>
1. To receive the 2013 Directors' and auditors' reports and the accounts of the Company	252,771,731	100.00	4,231	0.00	252,775,962	1,486,078
2. To approve the Directors' Remuneration Policy	251,099,185	99.33	1,685,791	0.67	252,784,976	1,477,064
3. To approve the 2013 Directors' Annual Report on Remuneration	219,913,961	86.88	33,218,255	13.12	253,132,216	1,129,823
4. To elect Lynda Armstrong as a Director	252,983,327	99.94	146,197	0.06	253,129,524	1,132,516
5. To re-elect Simon Heale as a Director	247,148,434	97.64	5,981,380	2.36	253,129,814	1,132,226
6. To re-elect Oleg Novachuk as a	252,982,595	99.94	147,219	0.06	253,129,814	1,132,226

Director						
7. To re-elect Eduard Ogay as a Director	247,041,448	97.61	6,058,643	2.39	253,100,091	1,161,949
8. To re-elect Clinton Dines as a Director	252,985,593	99.94	145,256	0.06	253,130,849	1,131,191
9. To re-elect Vladimir Kim as a Director	252,408,761	99.71	722,168	0.29	253,130,929	1,131,111
10. To re-elect Michael Lynch-Bell as a Director	252,988,258	99.94	142,591	0.06	253,130,849	1,131,191
11. To re-elect Lord Renwick as a Director	252,976,395	99.94	154,534	0.06	253,130,929	1,131,111
12. To re-elect Charles Watson as a Director	252,990,061	99.94	140,788	0.06	253,130,849	1,131,191
13. To appoint KPMG LLP as auditors	252,330,583	99.68	799,931	0.32	253,130,514	1,131,526
14. To authorise the Directors to set the auditors' remuneration	253,090,414	99.98	40,671	0.02	253,131,085	1,130,955
15. To renew the Directors' authority to allot shares	244,742,388	96.68	8,391,527	3.32	253,133,915	1,128,125
16. To renew the Directors' authority to disapply pre-emption rights	253,074,513	99.98	57,215	0.02	253,131,728	1,130,312
17. To authorise the Directors to make market purchases of the Company's shares	253,124,691	100.00	8,743	0.00	253,133,434	1,128,606
18. To authorise the calling of general meetings on 14 clear days' notice	247,662,314	97.84	5,471,631	2.16	253,133,945	1,128,095
19. To approve the LTIP Waiver granted by the Takeover Panel pursuant to the vesting of LTIP Awards	28,931,810	45.02	35,325,885	54.98	64,257,695	1,939,222

\*'Vote Withheld' is not a vote in law and is not counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

In accordance with LR 9.6.2 of the UK Listing Authority, Kazakhmys PLC has submitted copies of the special resolutions passed at its Annual General Meeting to the National Storage Mechanism which will shortly be available for inspection at [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do).

Capitalised terms used in this announcement but not otherwise defined herein shall have the same meanings given in the Notice of Annual General Meeting.

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**NOTES TO EDITORS**

Kazakhmys PLC is a leading international natural resources group. It is the largest copper producer in Kazakhstan and one of the top worldwide with 16 operating mines, 7 concentrators and a copper smelter. Kazakhmys Mining has a full range of facilities enabling it to process ore extracted through to finished metal. Total copper cathode equivalent output from own ore was 294 kt in 2013. The Group has two major copper projects under construction.

Kazakhmys Mining produces significant volumes of other metals, including zinc, silver and gold. In 2013, it produced 134 kt of zinc in concentrate. The Group is amongst the largest global silver producers with output of 14 Moz in 2013.

Kazakhmys Power operates three captive power stations which supply electricity to Kazakhmys Mining and third parties. In 2013, net power generated by captive power stations was 5,723 GWh.

The Group is listed on the London Stock Exchange, the Kazakhstan Stock Exchange and the Hong Kong Stock Exchange. It had revenues from continuing operations of \$3.1 billion in 2013 and a Group EBITDA of \$1.1 billion. The Group employs around 56,000 people, principally in Kazakhstan.

In February 2014, the Group announced plans for a potential restructuring of its business in order to improve profitability and cash returns.