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KAZ MINERALS PLC HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2020

EXCELLENT FIRST HALF PERFORMANCE IN A CHALLENGING ENVIRONMENT

FINANCIAL HIGHLIGHTS

- Revenues of $991 million (H1 2019: $1,052 million) as 11% lower average LME copper price was partially offset by 2% increase in copper sales volumes and 16% higher gold revenues
- Copper sales of 146.9 kt (H1 2019: 144.4 kt) and gold sales of 98.6 koz (H1 2019: 108.0 koz), lower than production due to timing of shipments
- EBITDA[1] of $559 million, representing a 56% margin (H1 2019: $620 million, 59% margin)
- Operating profit of $357 million (H1 2019: $410 million)
- Strong cash generation, with net cash flows from operating activities of $310 million (H1 2019: $236 million)
- First quartile net cash cost[1] of 68 USc/lb (H1 2019: 80 USc/lb), supported by increased copper sales volumes, strong gold by-product credits and weaker tenge exchange rate during the period
- Gross cash cost[1] guidance lowered by 10 USc/lb for both Bozshakol (120-140 USc/lb) and East Region and Bozymchak (250-270 USc/lb)

OPERATIONAL HIGHLIGHTS

- No material disruption to output or sales from Covid-19 in the year to date
- Copper production[2] increased by 4% to 153.8 kt (H1 2019: 147.6 kt) driven by high ore throughput and improved grades at Bozshakol
- Gold production[3] increased by 25% to 109.7 koz (H1 2019: 87.7 koz), also due to higher processing volumes and grades at Bozshakol
- Covid-19 risks remain in the second half but all metals currently on track to achieve full year production guidance

COVID-19 RESPONSE

- Ensuring the safety, health and wellbeing of employees and contractors is the Group's first priority
- Comprehensive measures have been taken to protect staff and operations including restricted access, testing and isolation, re-organisation of shifts and increased stocking of critical spares and consumables
- Support has been provided to vulnerable local communities
- Additional Covid-19 related costs of $15 million incurred to sustain operations in the first half

FINANCIAL POSITION AND DIVIDEND

- Net debt[1] increased by $38 million to $2,797 million at 30 June 2020 (31 December 2019: $2,759 million)
- Gross liquid funds[1] of $1,101 million at 30 June 2020 (31 December 2019: $541 million)
- Borrowings of $3,898 million at 30 June 2020 (31 December 2019: $3,300 million)
- $200 million remains undrawn of the DBK-Aktogay II facility to fund investment in the Aktogay expansion project and $26 million remains to be drawn under the CAT facility
- Interim dividend of 4.0 US cents per share declared (H1 2019: 4.0 US cents per share)

GROWTH PROJECTS

- Aktogay expansion project on track for late 2021 startup
  - Capital expenditure of $149 million in first half, full year guidance now set at around $300 million
  - $1.2 billion project budget unchanged
- Baimskaya copper project Bankable Feasibility Study expected to be completed by end of 2020
  - Capital expenditure of $74 million in first half, full year guidance increased by $40 million to $190 million to progress detailed engineering

OUTLOOK

- Covid-19 risks remain but full year production guidance maintained after strong performance in first half
- Copper price has recently risen due to increased demand combined with supply disruption, long term outlook is positive due to lack of new projects to replace declining output
- Consistent operational performance provides platform to deliver the Group's growth pipeline

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Revenues	**991**	1,052
EBITDA[1]	**559**	620
Operating profit	**357**	410
Profit before tax	**249**	289
Profit for the period	**197**	227
Ordinary EPS and EPS based on Underlying Profit[1] - basic ($)	**0.42**	0.48
Ordinary EPS and EPS based on Underlying Profit[1] - diluted ($)	**0.40**	0.47
Net cash flows from operating activities	**310**	236
Free Cash Flow[1]	**251**	182
Gross cash cost[1] (USc/lb)	**137**	144
Aktogay	**113**	101
Bozshakol	**120**	157
East Region and Bozymchak	**242**	236
Net cash cost[1] (USc/lb)	**68**	80
Aktogay	**108**	96
Bozshakol	**12**	42
East Region and Bozymchak	**88**	103
Borrowings	**3,898**	3,299
Cash and cash equivalents	**801**	739
Current investments	**300**	-
Net debt[1]	**2,797**	2,560

1 Alternative Performance Measures ("APMs") are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to APMs section on page 51.
2 Payable metal in concentrate and copper cathode from Aktogay oxide ore.
3 Payable metal in concentrate.

Andrew Southam, Chief Executive Officer, said: "Despite challenging conditions for all miners in the first half of 2020 as a result of Covid-19, KAZ Minerals recorded EBITDA of $559 million and grew net cash flow from operations by 31% to $310 million. Thanks to the dedication and hard work of our employees we have increased copper and gold production and maintained our low cost position, recording a net cash cost of 68 USc/lb. Covid-19 risks remain, but the Group is on track to achieve its full year production guidance after an excellent performance in the first half."

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NOTES TO EDITORS

KAZ Minerals PLC ("KAZ Minerals" or "the Group") is a high growth copper company focused on large scale, low cost, open pit mining in Kazakhstan, Russia and Kyrgyzstan. It operates the Aktogay and Bozshakol open pit copper mines in the East Region and Pavlodar region of Kazakhstan, three underground mines and associated concentrators in the East Region of Kazakhstan and the Bozymchak copper-gold mine in Kyrgyzstan. In 2019, total copper production was 311 kt with by-products of 201 koz of gold, 3,382 koz of silver and 38 kt of zinc in concentrate. The Group acquired the Baimskaya project in the Chukotka region of Russia in January 2019, one of the world's most significant undeveloped copper assets, with the potential to become a large scale, low cost, open pit copper mine.

The Group's new operations at Aktogay and Bozshakol have delivered industry leading production growth and transformed KAZ Minerals into a company dominated by world class, open pit copper mines.

Aktogay is a large scale, open pit mine with a remaining mine life of around 25 years (including the expansion project) at an average copper grade of 0.35% (oxide) and 0.33% (sulphide). Aktogay commenced production of copper cathode from oxide ore in December 2015 and copper in concentrate from sulphide ore in February 2017. The operating sulphide concentrator has an annual ore processing capacity of 25 million tonnes and the sulphide processing capacity will be doubled to 50 million tonnes with the addition of a second concentrator by the end of 2021. Aktogay is competitively positioned on the global cost curve and will produce an average of 100 kt of copper per year from sulphide ore until 2021, increasing to 170 kt per year from 2022 to 2027, after the second concentrator commences operations. Copper production from oxide ore will be in the region of 20 kt per annum until 2024.

Bozshakol is a first quartile asset on the global cost curve with an annual ore processing capacity of 30 million tonnes and a remaining mine life of c.40 years at an average copper grade of 0.36%. The mine and processing facilities commenced output in 2016 and will produce an average of 100 kt of copper production and 120 koz of gold in concentrate per year over the first 10 years of operations.

The Peschanka deposit within the Baimskaya licence area in Russia has JORC resources of 9.5 Mt of copper at an average grade of 0.43% and 16.5 Moz of gold at an average grade of 0.23 g/t. The project is located in a region identified by the Russian Government as strategically important for economic development and will benefit from the construction of state-funded power and transport infrastructure and the provision of tax incentives. The estimated capital budget for construction is around $7 billion, with c.10% to be incurred after the commencement of production. The detailed parameters of the project are to be confirmed on completion of the Bankable Feasibility Study by the end of 2020. The Group expects the project to generate a significant NPV uplift and an attractive IRR at analyst consensus copper prices. The development of Baimskaya will enable the Group to continue its high growth trajectory, adding a large scale, long life asset to the Group's portfolio.

KAZ Minerals is listed on the London Stock Exchange and the Kazakhstan Stock Exchange and employs around 16,000 people, principally in Kazakhstan.

AVAILABILITY OF THIS ANNOUNCEMENT

Copies of the half-yearly report will not be mailed to shareholders but the report is available on the KAZ Minerals website (www.kazminerals.com) or you may request a copy from the Corporate Communications department at the Company's registered office.

SHAREHOLDER INFORMATION

The Company declares dividends in US dollars. The default currency for receipt of dividends is US dollars although shareholders can elect to receive their dividends in UK pounds sterling. For those shareholders who wish to receive their dividends in UK pounds sterling, currency election forms or a CREST message should be sent to the Company's registrar, Computershare Investor Services PLC, so as to arrive no later than 5.00pm on 5 October 2020.

For those shareholders who have elected to receive their dividends in UK pounds sterling, the currency conversion rate to convert the dividend into UK pounds sterling will be £0.7660 to the US dollar. The conversion rate is based on the average exchange rate for the five business days ending two business days before the date of this half-yearly results announcement.

The ex-dividend date for the interim dividend is 1 October 2020 for ordinary shareholders, the record date is 2 October 2020 and the dividend is payable on 23 October 2020.

CAUTIONARY NOTICE CONCERNING FORWARD-LOOKING STATEMENTS

This half-yearly report includes certain forward-looking statements. All statements other than historical facts are forward-looking statements. Examples of forward-looking statements include those regarding the business, strategy and plans of KAZ Minerals and its current goals, assumptions and expectations relating to its future financial condition, performance and results, commodity demand and trends in commodity prices, growth opportunities and any assumptions underlying or relating to any of the foregoing. Forward-looking statements are sometimes but not always identified by words such as "aim", "intend", "anticipate", "estimate", "plan", "believe", "expect", "may", "should" or in each case their negative and similar expressions. By their nature, forward-looking statements involve known and unknown risks, assumptions and uncertainties and other factors which are unpredictable as they relate to events and depend on circumstances, that will occur in the future, which may cause actual results, performance or achievements of KAZ Minerals to be materially different from those expressed or implied in these forward-looking statements. Principal risk factors that could cause KAZ Minerals' actual results, performance or achievements to differ materially from those in the forward-looking statements include (without limitation) health and safety, community and labour relations, employees, environmental, business interruption, new projects and commissioning, reserves and resources, political, legal and regulatory compliance, commodity price, foreign exchange and inflation, exposure to China, acquisitions and divestments, liquidity and such other risk factors disclosed in KAZ Minerals' 2019 Annual Report and Accounts, which can be found at www.kazminerals.com. Forward-looking statements should therefore be construed in light of such risk factors. These forward-looking statements should not be construed as a profit forecast.

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

CHIEF EXECUTIVE OFFICER'S REVIEW

The first half of 2020 presented major challenges for the mining industry as the Covid-19 pandemic caused disruption to mining companies worldwide and negatively impacted demand for commodities. KAZ Minerals operated successfully throughout the period, growing copper production by 4% to 154 kt (H1 2019: 148 kt), delivering a 25% increase in gold production to 110 koz (H1 2019: 88 koz) and recording a net cash cost of 68 USc/lb (H1 2019: 80 USc/lb), maintaining our position amongst the lowest cost copper producers globally.

The Group has reported EBITDA of $559 million in the six months to 30 June 2020 (H1 2019: $620 million). Whilst sales volumes increased, revenues were lower due to an 11% fall in average copper prices, partially offset by higher by-product revenues as market prices for gold rose by 26%. The Group's gross cash cost reduced to 137 USc/lb (H1 2019: 144 USc/lb), supported by the 2% increase in copper sales and weaker local currencies in Kazakhstan and Kyrgyzstan. KAZ Minerals continues to benefit from its structurally low cost position based on favourable strip ratios, large scale automated processing, low power costs, water availability, a skilled domestic workforce and efficient rail transport links to its customers in China.

The Group ended the half year period with gross liquid funds of $1,101 million (31 December 2019: $541 million) and $226 million of committed undrawn facilities (31 December 2019: $306 million) after successfully refinancing the PXF in January 2020 on improved terms.

Whilst maintaining operations at full capacity in the first half, the Group also progressed its growth projects at Aktogay and Baimskaya. Travel restrictions in Kazakhstan had an impact on contractor availability and the completion date for the Aktogay expansion project is expected to be towards the end of 2021, within the original project guidance for commissioning in 2021. Covid-19 related restrictions in Russia contributed to a delay in the Bankable Feasibility Study for the Baimskaya project to the end of 2020.

Following its strong performance in the first half the Group has maintained its full year 2020 production guidance, with copper and gold tracking towards the upper end of their guidance ranges assuming no Covid-19 related disruption.

Safety and health

The safety and health of our employees and contractors is our first priority and I am saddened to report that there were three fatalities in our underground mining operations in the first half of 2020, including a fatality in January at Artemyevsky and two fatalities from an incident in June at the Orlovsky mine. We believe that all fatal accidents are avoidable and we are committed to bringing about the necessary cultural change to reduce fatalities to zero.

There were 32 Total Recordable Injuries (H1 2019: 21) and the Total Recordable Injury Frequency Rate increased to 1.42 (H1 2019: 0.99). KAZ Minerals' Total Recordable Injury Frequency Rate remains below the 2019 average for ICMM members of 3.20. The Group continues its efforts to eliminate fatalities and lost time injuries through its 'Goal Zero' initiative. Improvements in underground safety procedures have reduced the severity of rock fall incidents and improved reporting of hazards, violations and near misses. Ongoing initiatives in 2020 include improvements to pre-shift medical checks, blasting safety, workplace supervision and individual risk assessments.

Covid-19 response

Covid-19 became a major workplace safety issue in the first half of the year for many mining companies. KAZ Minerals introduced infection control measures at all sites in the early stages of the outbreak and increased stocking of critical spares and consumables. Access to the Bozshakol and Aktogay sites was closed from 22 March until the end of May to protect the safety of workers and contractors who live in close proximity in permanent camps at these locations. We are grateful to team members who completed overtime shifts and to those who remained at home for this period. When some of the restrictions in Kazakhstan were lifted in May we introduced a revised shift pattern to reduce the number of staff rotations and implemented a system of testing, isolation and extended shifts for new arrivals to mitigate the risk of Covid-19 infections. A dedicated PCR testing facility was installed at the Aktogay site in July.

To date, Covid-19 has not resulted in any material disruption to the Group's operations. Kazakhstan imposed a second phase of quarantine measures on 5 July 2020 reflecting an increased level of risk from Covid-19, which has the potential to cause disruption to the Group's operations in the second half of the year.

Throughout the pandemic, the Group has delivered for its stakeholders. Comprehensive measures were taken to protect the safety of employees and contractors. There have been no reductions in staff headcount resulting from Covid-19 and all workers, including those required to remain at home due to quarantine measures, have continued to receive salaries. Support has been provided for Covid-19 affected communities in Kazakhstan, Kyrgyzstan and Chukotka in Russia, as well as assistance for victims of flooding in the Turkestan region of Kazakhstan in May. Cash tax and royalty payments of $82 million were made during the period and the Group fulfilled its contractual obligations to deliver material to its customers. The final dividend of 8 US cents per share in respect of 2019 earnings was paid to shareholders on 22 May.

Operational performance

Despite disruption to supply chains and staffing caused by Covid-19 in the first half of 2020, the Group delivered strong operational results. Copper production of 154 kt (H1 2019: 148 kt) and gold production of 110 koz (H1 2019: 88 koz) represent good progress towards the 2020 guidance of 280-300 kt and 180-200 koz respectively. The increase in copper output was driven by high ore throughput volumes and improved grades at Bozshakol. Ore throughput of 15.6 Mt (H1 2019: 13.2 Mt) was also a key driver of a c.40% increase in gold production at Bozshakol to 83 koz (H1 2019: 60 koz), together with an average gold grade of 0.29 g/t (H1 2019: 0.25 g/t) and improved recovery rate.

Silver production of 1,741 koz (H1 2019: 1,552 koz) and zinc in concentrate production of 24 kt (H1 2019: 18 kt) were both ahead of the prior year comparative period and on track for full year guidance of c.3,000 koz and c.40 kt respectively.

Whilst risks remain from Covid-19 and disruption to operations could occur in the second half, production of all metals is currently on track to achieve 2020 guidance with copper and gold tracking towards the upper end of their guidance ranges.

Financial performance and guidance

Copper sales increased by 2% to 147 kt, partially offsetting an 11% decline in the average LME copper price to $5,516/t (H1 2019: $6,165/t). Revenues decreased by 6% to $991 million (H1 2019: $1,052 million). Copper sales of 147 kt (H1 2019: 144 kt) and gold sales of 99 koz (H1 2019: 108 koz) were lower than production volumes due to the timing of shipments.

The Group recorded EBITDA of $559 million (H1 2019: $620 million) representing an EBITDA margin of 56% (H1 2019: 59%). Our low cost position was maintained, with gross cash costs reducing to 137 USc/lb (H1 2019: 144 USc/lb) and net cash costs falling to 68 USc/lb (H1 2019: 80 USc/lb). Unit costs benefited from higher sales volumes and a weaker average exchange rate between the Kazakh tenge and US dollar of 404 KZT/$ during the period (H1 2019: 379 KZT/$).

Gross cash costs at Aktogay increased, as expected, to 113 USc/lb (H1 2019: 101 USc/lb), due to lower copper production of 68 kt (H1 2019: 74 kt) as a result of reduced recovery and grades, and were at the lower end of the guidance range of 110-130 USc/lb. Net cash costs after by-product credits were 108 USc/lb (H1 2019: 96 USc/lb).

At Bozshakol, gross cash costs reduced to 120 USc/lb, below full year guidance set at the beginning of the year of 130-150 USc/lb and 24% lower than the 157 USc/lb recorded in H1 2019. The reduction in unit costs was driven by 26% higher copper sales volumes, the weaker tenge exchange rate and additional production costs incurred during H1 2019 associated with the sale of gold from inventory. A 40% increase in gold production and higher gold prices during the current period supported a net cash cost of 12 USc/lb (H1 2019: 42 USc/lb).

Gross cash costs in the East Region and Bozymchak increased, as expected, to 242 USc/lb (H1 2019: 236 USc/lb) due to lower copper sales volumes, partially offset by a reduction in cash operating costs. Gross cash costs were below guidance set at the beginning of the year of 260-280 USc/lb, mainly due to the weaker average exchange rate between the Kazakh tenge and US dollar during the period. Net cash costs decreased to 88 USc/lb (H1 2019: 103 USc/lb) supported by increased gold prices during the period.

The Kazakh tenge recovered towards the end of the first half of 2020 from its low of 449 KZT/$ in April. A stronger tenge in the second half would increase unit costs in dollar terms. Some non-essential maintenance has been deferred as a result of Covid-19 restrictions in the first half of 2020, which could impact costs and production volumes in the remaining six months of the year. Gross cash cost guidance is maintained at 110-130 USc/lb for Aktogay, lowered by 10 USc/lb for Bozshakol to 120-140 USc/lb, and lowered by 10 USc/lb for the East Region and Bozymchak to 250-270 USc/lb, reflecting the cost performance from those divisions in the year to date.

Due to the lower copper price in the period the Group has reported a reduced operating profit of $357 million (H1 2019: $410 million) and profit before tax of $249 million (H1 2019: $289 million). Profit for the period was $197 million (H1 2019: $227 million) with basic earnings per share of $0.42 (H1 2019: $0.48).

Financial position

Net debt increased by $38 million to $2,797 million (31 December 2019: $2,759 million) as net cash flows from operating activities of $310 million supported investment of $252 million into the Group's growth projects, including $149 million of capital expenditure for the Aktogay expansion project and $74 million at the Baimskaya copper project in Chukotka, Russia. Sustaining capital expenditure of $61 million was incurred during the period and full year guidance of approximately $170 million is maintained, with spend expected to be weighted towards the second half.

On 28 January 2020, the Group completed an amendment and extension of the PXF which included an increase in facility commitments to $1.0 billion from $300 million outstanding under the previous facility. The additional $700 million was fully drawn during the first quarter of 2020.

Gross liquid funds at 30 June 2020 were $1,101 million. A further $200 million remains to be drawn against the DBK-Aktogay II facility to fund capital spending on the Aktogay expansion project and $26 million remains to be drawn under the CAT facility upon completion of new vehicle deliveries. Gross debt rose to $3,898 million at 30 June 2020 (31 December 2019: $3,300 million) as drawings against the new PXF and DBK-Aktogay II facilities were offset by scheduled capital repayments of $189 million mainly against the Group's long dated CDB and DBK-Aktogay I facilities.

Growth projects

Aktogay expansion

The Group is currently undertaking an expansion project at Aktogay which will double sulphide ore processing capacity to 50 million tonnes with the addition of a second concentrator by the end of 2021.

Following a review of construction progress and the near-term impact of Covid-19 restrictions, the Group issued an update on the Aktogay expansion project on 30 April 2020. During the first half of the year, measures taken to control the spread of Covid-19 negatively impacted the supply chain, reduced the availability of local contractors and prevented vendor representatives from entering the country to support equipment installations. The project remains on track for completion in 2021, as previously guided, but is now expected to commence production in late 2021.

Capital expenditure of $149 million was incurred on the project during the first half of the year and guidance for spending in 2020 is now forecast to be approximately $300 million, from previous guidance of $300-350 million. There is no change to the overall project budget of $1.2 billion, with the remaining expenditure of around $240 million to be incurred in 2021.

In May and June, the Group was able to rotate staff and contractors onto the Aktogay site and the rate of progress of the project subsequently increased. However, travel restrictions present a risk to the schedule if international contractors and vendor representatives are unable to access the site for a prolonged period.

Baimskaya

The Group acquired the Baimskaya copper project in the Chukotka region of Russia in January 2019 and is currently carrying out a Bankable Feasibility Study and pioneer works at the project site. Baimskaya is one of the world's most significant undeveloped copper assets, with the potential to become a large scale, low cost, open pit copper mine.

Work at the Baimskaya site in the second quarter of 2020 was limited due to measures taken to control the spread of Covid-19 in the region. Prior to the disruption, equipment and materials were delivered to the site for the pioneer works scheduled to take place during the year. Activity on the site has now returned to normal and pioneer works are on schedule.

Capital expenditure of $74 million was incurred in the first half. Opportunities to progress detailed engineering in the second half have been identified and an additional $40 million of capital expenditure has been approved, with capital expenditure in 2020 at Baimskaya now guided at approximately $190 million.

An update on certain key parameters of the Baimskaya project was issued on 5 June 2020 including a potential increase in Mineral Resources and mine life, a 17% increase in design ore throughput capacity to 70 Mtpa and a revised construction schedule which will ramp up two separate processing lines in consecutive phases, around 12 to 18 months apart. The staggered ramp up reduces the peak funding requirement for the project, with around 10% of capital expenditure to be incurred after production commences. The estimated capital budget for the project is now $7 billion.

The Group and the Russian government are continuing to work together on the details of the power and transport infrastructure required for the operational phase of the project, including consideration of a proposal for the construction of a new port and LNG power plant at Cape Nagloynyn in Chaunskaya Bay. Under the proposal, the LNG power plant would provide power for the operations phase and the project site would be linked by approximately 400 km of road to the new port which would be used for the shipment of concentrate.

Further details on the project timetable, capital expenditure, production guidance and operating costs will be published upon completion of the Bankable Feasibility Study expected by the end of 2020. Discussions will then be further progressed with potential lenders and the Group will also assess opportunities for partnering on the project.

Dividend

The Group's dividend policy, established at the time of Listing, is for the Board to consider the cash generation and financing requirements of the business before recommending a suitable dividend. This maintains flexibility, which is appropriate given the underlying cyclicality of a commodity business and the Group's growth ambitions.

The Group performed strongly in the first half of 2020, both operationally and financially. Pre-emptive measures were taken to protect sites from the Covid-19 pandemic and all of the Group's mines maintained output in the first half of 2020, whilst sales to customers have continued with only minor delays at the China-Kazakhstan border. The Group also continues to invest in growth at the Aktogay expansion and Baimskaya copper project, for which the Bankable Feasibility Study is due for completion by the end of 2020.

Taking into account these factors and the Group's flexible dividend policy, the Board has declared an interim dividend of 4.0 US cents per share in respect of the first half of 2020.

The financing requirements of the Baimskaya project including funding and partnering options will be assessed following the Bankable Feasibility Study, after which the Board will further review the Group's allocation of capital.

Outlook

The near-term outlook for the Group's markets, operations and construction activities will continue to be affected by the Covid-19 pandemic.

Copper prices recovered to pre-Covid-19 levels in July, supported by output cuts from other miners. The near-term outlook for copper will depend on the persistence of supply disruption, the pace of economic recovery, central bank stimulus measures and the extent of government spending on new copper-intensive infrastructure projects. The Group maintains its positive view on the medium to long term outlook for copper, as declining supply from existing mines will need to be replaced by output from new projects in progressively more difficult locations and with lower average copper grades. The disruption to both existing mines and new project construction caused by Covid-19 may exacerbate future supply shortages.

Whilst Covid-19 risks remain in Kazakhstan, the Group's assets have delivered excellent results in challenging conditions during the first half of 2020 and production guidance for 2020 remains unchanged. Our consistent operational performance provides a strong platform to deliver our industry leading growth pipeline at Aktogay and Baimskaya.

OPERATING REVIEW

The Group's operations in 2020 include the Aktogay and Bozshakol open pit copper mines in the East Region and Pavlodar region of Kazakhstan, three underground mines in the East Region of Kazakhstan, the Bozymchak copper-gold mine in Kyrgyzstan and their associated concentrators.

Covid-19 update

Ensuring the safety, health and wellbeing of employees and contractors is the Group's first priority and at the onset of the Covid-19 pandemic pre-emptive measures were taken to protect sites from the potential impact of the virus. The Group implemented enhanced hygiene procedures, increased stocking of critical spares and consumables and adopted revised shift patterns to reduce the number of staff rotations at Aktogay and Bozshakol. A testing and isolation procedure has been introduced for new arrivals at Aktogay and Bozshakol and the Group has recently established a PCR testing facility at Aktogay to support its overall Covid-19 response.

Covid-19 did not cause any material disruption to the Group's operations or sales during the first half of 2020 although some non-essential maintenance works were deferred to the second half of the year. Kazakhstan imposed a second phase of quarantine measures on 5 July 2020 reflecting an elevated level of risk from Covid-19, which has the potential to cause disruption to the Group's operations in the second half of the year. However, following its strong performance in the first half and the measures taken to protect sites, the Group has maintained its 2020 production guidance for all metals at all sites with copper and gold tracking towards the upper end of their guidance ranges.

Group production summary

kt (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Copper production	**153.8**	147.6
Aktogay	**67.6**	74.1
Bozshakol	**60.4**	47.1
East Region and Bozymchak	**25.8**	26.4
Gold production (koz)	**109.7**	87.7
Silver production (koz)	**1,741**	1,552
Zinc in concentrate	**23.8**	18.4

AKTOGAY

Aktogay is a large scale, open pit mine with a remaining mine life of around 25 years (including the expansion project) at an average copper grade of 0.35% (oxide) and 0.33% (sulphide). Aktogay commenced production of copper cathode from oxide ore in December 2015 and copper in concentrate from sulphide ore in February 2017. The operating sulphide concentrator has an annual ore processing capacity of 25 million tonnes and the sulphide processing capacity will be doubled to 50 million tonnes with the addition of a second concentrator by the end of 2021. Aktogay is competitively positioned on the global cost curve and will produce an average of 100 kt of copper per year from sulphide ore until 2021, increasing to 170 kt per year from 2022 to 2027, after the second concentrator commences operations. Copper production from oxide ore will be in the region of 20 kt per annum until 2024.

Production summary

kt (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Oxide		
Ore extraction	**3,671**	8,193
Copper grade (%)	**0.28**	0.32
Copper cathode production	**11.5**	11.8
Sulphide		
Ore extraction	**16,033**	16,023
Ore processed	**12,344**	12,733
Average copper grade processed (%)	**0.56**	0.58
Recovery rate (%)	**84.8**	88.8
Copper in concentrate	**58.7**	65.2
Copper production	**56.1**	62.3
Total copper production	**67.6**	74.1
Gold production (koz)	**0.6**	1.7
Silver production (koz)	**246**	288

Copper cathode production from oxide ore in the first half of the year remained stable at 11.5 kt, compared with 11.8 kt in the equivalent period in 2019. A modification of the SX/EW plant configuration enabled the recovery of sufficient quantities of copper via the re-irrigation of ore on the existing heap leach cells, thereby enabling reduced oxide ore extraction of 3,671 kt, 55% lower than the first half of 2019. Production from oxide ore is on track to achieve the full year guidance of around 20 kt.

Copper production from the sulphide concentrator decreased by 10% to 56.1 kt due to a 3% reduction in processing volumes following the deferral of maintenance from 2019 into January 2020, a decline in the average copper grade processed and a lower recovery rate of 84.8% caused by a temporary variation in the ore feed blend in the first quarter. Sulphide ore extraction of 16,033 kt was consistent with the prior year comparative period, remaining above the level required to feed the main concentrator as mine development works continued in preparation for the Aktogay expansion project.

Total copper production declined, as expected, by 9% to 67.6 kt compared to the previous period. While average sulphide copper grades are expected to reduce in the second half of 2020, Aktogay remains on track to deliver at the upper end of its full year copper production guidance of 120-130 kt, assuming no significant Covid-19 related disruption to operations.

Measures taken to control Covid-19 risks at Aktogay include enhanced hygiene procedures, revised shift patterns to reduce the number of staff rotations required and a testing and isolation process for all new arrivals. To support the Group's Covid-19 response, a dedicated PCR testing facility was established on site in July 2020. Restrictions on the movement of people are limiting access to site for contractors and international staff and if not resolved may have a negative impact on maintenance and other activities in the second half of the year.

Financial summary

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Revenues	**349**	429
Copper sales (kt)	**65.6**	71.8
EBITDA	**197**	282
Operating profit	**111**	191
Gross cash costs (USc/lb)	**113**	101
Net cash costs (USc/lb)	**108**	96
Capital expenditure	**178**	276
Sustaining	**24**	21
Expansionary	**154**	255

Revenues

Aktogay revenues of $349 million represent a decrease of $80 million, or 19%, compared with the equivalent period in the prior year. In the first half of 2020 there was a significant reduction in the average LME copper price, which fell to $5,516/t compared with $6,165/t in the first six months of 2019, resulting in a $48 million reduction in revenue. In addition, Aktogay copper sales fell by 6.2 kt, or 9%, as a result of lower production volumes, which led to a $32 million decrease in revenues. Revenues include $8 million from the sale of by-products of silver, gold and molybdenum (H1 2019: $8 million).

EBITDA

EBITDA of $197 million was $85 million below the prior year comparative period, mainly due to the reduction in revenues. Cash operating costs increased by $5 million or 3% to $152 million, impacted by expenses associated with Covid-19 and general inflationary increases for salaries, power and certain consumables. These increases were partially offset by the benefit of a weaker tenge, lower fuel costs, the deferral of non-essential maintenance into the second half of the year and lower reagent consumption rates at the oxide plant.

Expenses incurred in the first half of 2020 associated with Covid-19 totalled approximately $8 million and mainly related to overtime payments made to employees and contractors who worked extended shifts, the purchase of personal protective equipment and the testing and isolation of employees and contractors. It is expected that Covid-19 related costs will be similar in the second half of the year as Aktogay maintains its Covid-19 measures.

Gross cash costs increased as guided, from 101 USc/lb to 113 USc/lb in the reporting period, primarily as a result of lower sales volumes. A favourable KZT/$ rate in the period helped Aktogay to achieve gross cash costs at the lower end of the 2020 guidance range of 110-130 USc/lb. The full year cost guidance range is unchanged, as planned maintenance is weighted towards the second half of the year and processed grades are expected to reduce. Net cash costs, after by-products, were 108 USc/lb.

Operating profit

Operating profit reduced by $80 million to $111 million, primarily reflecting the $85 million reduction in EBITDA.

Capital expenditure

Sustaining capital expenditure increased to $24 million, a $3 million rise compared to the first half of 2019, in line with guidance. Expenditure mainly related to repairs at the sulphide plant, maintenance and overhauls of mining equipment and works at the tailings storage facility. Sustaining capital expenditure for the full year is expected to be around $60 million.

In the first half of 2020, total expansionary capital expenditure of $154 million included $149 million invested in the Aktogay expansion project. Approximately $70 million was incurred on construction activities in the first half, including commencing the installation of gearless motor drives, the installation of flotation tanks and ongoing works on piping and electrical installations. Around $50 million of expenditure related to the procurement of long lead items for the new plant and the expansion of the mining fleet.

Expansionary capital also includes $5 million to complete the dump leach expansion in respect of the first Aktogay project. Full year guidance for the dump leach expansion, which is expected to be commissioned in the second half of the year, is unchanged at $10 million.

On 30 April 2020, the Group announced that the Aktogay expansion project is now expected to commence production in late 2021, within the previously guided year for the start of processing, following a review of construction progress and the near-term impact of Covid-19 restrictions. Prolonged or more severe restrictions arising from Covid-19 could continue to negatively impact supply chains and the ability to mobilise contractors to site, adding risk to the project schedule. Capital expenditure on the project in 2020 is forecast to be approximately $300 million. The total project budget remains unchanged at $1.2 billion.

BOZSHAKOL

Bozshakol is a first quartile asset on the global cost curve with an annual ore processing capacity of 30 million tonnes consisting of a 25 million tonne capacity sulphide ore processing plant and 5 million tonne clay ore processing plant. Bozshakol has a remaining mine life of around 40 years at an average copper grade of 0.36%. The mine and processing facilities commenced output in 2016 and will produce an average of 100 kt of copper production and 120 koz of gold in concentrate per year over the first 10 years of operations.

Production summary

kt (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Ore extraction	**14,262**	17,502
Ore processed	**15,635**	13,248
Average copper grade processed (%)	**0.50**	0.45
Copper recovery rate (%)	**80.2**	82.8
Copper in concentrate	**63.3**	49.3
Copper production	**60.4**	47.1
Average gold grade processed (g/t)	**0.29**	0.25
Gold recovery rate (%)	**61.9**	59.7
Gold in concentrate (koz)	**89.1**	63.7
Gold production (koz)	**83.3**	59.6
Silver production (koz)	**465**	334

Ore extraction of 14,262 kt was 19% lower than the prior year comparative period due to a significant reduction in the volume of clay ore stripped, in line with the mine plan. This was partially offset by a 16% increase in the extraction of sulphide ore.

Ore processed of 15,635 kt increased by 18% compared with the first six months of 2019, due to higher ore throughput at both the sulphide and clay concentrators. Scheduled maintenance at the sulphide plant was postponed to the second half of 2020 due to the impact of Covid-19 on contractor availability, while processing volumes at the clay plant increased by 125% compared with the first half of 2019 when it was suspended for around three months during a programme of upgrades to reduce the consumption of fresh water.

Copper production increased by 28% to 60.4 kt due to a rise in throughput and higher copper grades, which improved from 0.45% in the first half of 2019 to 0.50%. The full year guidance for copper production is maintained at 110-120 kt as scheduled maintenance is weighted to the second half of the year, thereby impacting processing volumes, and as production at Bozshakol may be subject to the risk of Covid-19 related disruption.

Gold production increased by 40% to 83.3 koz, in line with the rise in processing volumes, higher average grade processed and improved recovery rates. In the second half of the year gold production is expected to reduce due to lower grades and reduced processing volumes. The full year gold production guidance of 140-150 koz is maintained with Bozshakol expected to produce at the upper end of this range assuming no significant Covid-19 related disruption.

Silver production increased by 39% to 465 koz due to higher processing volumes and grades. Given the strong performance in the first half, silver production for the full year is expected to exceed guidance of c.700 koz.

Similar measures to those taken at Aktogay have been implemented at Bozshakol to mitigate Covid-19 risks, including revised shift patterns to reduce the number of staff rotations required and testing and isolation of new arrivals to the site. Testing and isolation procedures have resulted in a shortage of mining staff which has prevented the operation of the full mobile fleet. To maintain feed to the processing plants, mining operations have focused on supplying material with shorter haul distances and waste stripping activities have been reduced. Bozshakol has experienced shortages of mining staff. If this were to continue it could impact mining operations in the second half of the year and it may be necessary to utilise lower grade stockpiled ore. Restrictions on the movement of people are limiting access to site for contractors and international staff and if not resolved may have a negative impact on maintenance and other activities in the second half of the year.

Financial summary

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Revenues	**419**	372
Copper	**285**	258
Gold	**126**	107
Silver	**7**	5
Other	**1**	2
Sales volumes		
Copper sales (kt)	**56.5**	45.0
Gold sales (koz)	**74.3**	80.6
Silver sales (koz)	**433**	312
EBITDA	**286**	240
Operating profit	**213**	164
Gross cash costs (USc/lb)	**120**	157
Net cash costs (USc/lb)	**12**	42
Capital expenditure	**16**	62
Sustaining	**16**	25
Expansionary	**-**	37

Revenues

Revenues increased by $47 million, or 13%, versus the prior year comparative period to $419 million. Copper sales volumes increased by 26% to 56.5 kt due to higher production, adding an additional $58 million to revenues. This was partially offset by a $31 million negative impact from the lower average LME copper price. There was a build-up of 3.9 kt of copper inventory at the end of the period due to seasonal railway repairs.

Gold revenues increased by $19 million to $126 million. Despite the increase in gold production, sales volumes in the first half of 2020 were lower than the prior year comparative period which benefited from the sale of 25.6 koz of gold bar inventory accumulated at the end of 2018. In addition, there was a build-up of around 9.0 koz of gold inventory due to railway repairs and the timing of dispatches from the Balkhash smelter. The impact of lower gold sales volumes was more than offset by an improvement in the average LBMA gold price to $1,645/oz, from $1,307/oz in the first half of 2019.

EBITDA

Bozshakol generated EBITDA of $286 million, 19% higher than the first half of 2019, following an increase in revenues and a decrease in gross cash costs per unit of copper sold. Cash operating costs at Bozshakol were broadly unchanged on a period-on-period basis, despite the increase in processing volumes and copper production, benefiting from the weaker tenge and the deferral of maintenance to the second half of the year, which offset additional costs arising from Covid-19, the maturing mine and general inflation. A major shutdown for the relining of the SAG mill, previously scheduled for the first half of 2020, is now expected in the fourth quarter. During the period Bozshakol incurred approximately $6 million of costs associated with Covid-19. Similar to Aktogay, the expenditure mainly related to an increase in salaries for employees and contractors who worked extended shifts at the site and the procurement of personal protective equipment and testing and isolation facilities. It is expected that Bozshakol will incur similar levels of Covid-19 related costs during the second half of the year.

Bozshakol recorded a strong gross cash cost performance of 120 USc/lb, below market guidance and the 157 USc/lb in the prior year comparative period. The gross cash cost figure of 157 USc/lb for the first half of 2019 included charges associated with the sale of 25.6 koz of gold bar inventory accumulated at the end of 2018. Excluding these sales, the gross cash cost figure for the prior year comparative period would have been 144 USc/lb.

This gross cash cost outperformance was largely the result of strong production and sales and the impact of economies of scale as both plants operated at design capacity throughout the period. $5 million of social investment costs within Bozshakol's cash operating costs have been excluded from Bozshakol's gross cash costs as the expenditure is not considered directly attributable to mining and processing at Bozshakol and benefits the wider Group.

Whilst maintenance is now weighted towards the second half of the year and this is expected to result in higher costs and lower production and sales, the gross cash cost guidance for the full year has been lowered by 10 USc/lb to 120-140 USc/lb following the strong performance to date.

Net cash costs reduced from 42 USc/lb in the prior year comparative period to 12 USc/lb in the first half of 2020, primarily as a result of the lower underlying gross cash cost.

Operating profit

Operating profit at Bozshakol increased by $49 million to $213 million, reflecting the $46 million increase in EBITDA versus the prior year comparative period and a reduction in MET costs primarily due to lower copper prices, partially offset by higher gold prices.

Capital expenditure

Sustaining capital expenditure was $16 million during the period, reducing by $9 million compared with the first half of 2019 as certain non-essential projects and maintenance were postponed into the second half due to Covid-19. Expenditure in the period includes maintenance carried out on the mining fleet and concentrators and ongoing construction works at the tailings storage facility. Capital expenditure is now weighted towards the second half of the year, with construction at the tailings storage facility and other maintenance work expected to ramp up. Capital expenditure guidance of around $60 million is maintained.

There was no expansionary capital expenditure during the first half of 2020. Expansionary capital expenditure of $37 million incurred in the first half of 2019 was primarily final retention payments to contractors.

EAST REGION AND BOZYMCHAK

The Group owns and operates three polymetallic underground mines and associated concentrators in the East Region of Kazakhstan and Bozymchak, a copper and gold open pit mine in Kyrgyzstan.

Production summary

Copper

kt (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Ore extraction	**2,066**	1,942
Ore processed	**1,785**	1,793
Average copper grade processed (%)	**1.70**	1.72
Average recovery rate (%)	**90.0**	90.5
Copper in concentrate	**27.2**	28.0
Copper production	**25.8**	26.4

Ore extraction volumes increased by 6% to 2,066 kt due to additional mining and the stockpiling of low grade ore at Bozymchak. Processing volumes of 1,785 kt were consistent with the first half of 2019 as lower volumes at the Orlovsky concentrator were offset by higher throughput at the Nikolayevsky concentrator. The average copper grade processed reduced slightly to 1.70%, compared to 1.72% in the previous period, due to an expected reduction in grades at Bozymchak.

Copper production of 25.8 kt reduced by 2% compared to the previous period due to slightly lower average grades and recovery rates. The East Region and Bozymchak mines are forecast to meet full year copper production guidance of c.50 kt, subject to the risk of Covid-19 related disruption in the second half of the year.

Measures have been taken to protect the East Region and Bozymchak sites from the impact of Covid-19. However, workers commute daily to these locations and risks have become heightened following an increase in the number of Covid-19 cases in Kazakhstan and Kyrgyzstan.

By-products

koz (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Gold bearing ore processed (kt)	**1,785**	1,793
Gold grade processed (g/t)	**0.79**	0.73
Gold in concentrate	**27.4**	28.1
Gold production	**25.8**	26.4
Silver bearing ore processed (kt)	**1,785**	1,793
Silver grade processed (g/t)	**34.1**	29.5
Silver in concentrate	**1,133**	1,022
Silver production	**1,030**	930
Zinc bearing ore processed (kt)	**1,280**	1,280
Zinc grade processed (%)	**2.62**	2.11
Zinc in concentrate (kt)	**23.8**	18.4

Gold production was 25.8 koz, 2% lower than in the first half of 2019 as higher grades processed were more than offset by lower recovery rates. Silver production increased by 11% to 1,030 koz, driven by an increase in average grade processed to 34.1 g/t. The East Region and Bozymchak mines are well positioned to achieve the full year gold production guidance of 40-50 koz and to exceed silver production guidance of c.1,800 koz.

Zinc in concentrate production was 23.8 kt, an increase of 29% versus the prior year comparative period. While ore processed was consistent with the first half of 2019, all East Region mines benefited from higher average grades, which are expected to continue to be subject to variation in the second half of the year. The Group is on track to achieve its full year guidance of c.40 kt of zinc in concentrate production.

Financial Summary

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Revenues	**223**	251
Copper	**139**	170
Gold	**38**	33
Silver	**18**	15
Zinc	**22**	31
Other	**6**	2
Sales volumes		
Copper sales (kt)	**24.8**	27.6
Gold sales (koz)	**23.1**	25.5
Silver sales (koz)	**1,106**	1,000
Zinc sales (kt)	**22.2**	17.1
EBITDA	**90**	108
Operating profit	**48**	66
Gross cash costs (USc/lb)	**242**	236
Net cash costs (USc/lb)	**88**	103
Capital expenditure	**42**	35
Sustaining	**20**	20
Expansionary	**22**	15

Revenues

Revenues generated by East Region and Bozymchak reduced by $28 million to $223 million, compared with the first half of 2019. Copper revenues decreased by $31 million as a result of lower sales volumes and a decline in the LME price. Gold revenues increased as higher prices more than offset a reduction in sales volumes from Bozymchak. Silver revenues benefited from increased sales volumes and higher prices. Zinc revenues fell by $9 million as a reduction in the average LME price from $2,732/t in the first half of 2019 to $2,047/t in the equivalent period in 2020 more than offset the impact of an increase in sales volumes.

EBITDA

EBITDA decreased by $18 million, reflecting the $28 million lower revenues partially offset by a reduction in operating costs. Cash operating costs of $133 million were $10 million lower than in the prior year comparative period. Management has taken actions to control costs, including the closure of the Belousovsky concentrator in the second half of 2019 which has benefited 2020, and the East Region was also aided by movements in the KZT/$ exchange rate as it has a higher exposure to tenge-based costs than the Group's other sites. The average KZT/$ rate in the first half of 2020 was 404, compared with 379 in the first six months of 2019. These impacts more than offset local price inflation for certain raw materials and salaries. Operating costs at the Bozymchak mine were slightly lower than in the first half of 2019 primarily due to a weaker Kyrgyz som exchange rate.

During the first half of 2020, the East Region and Bozymchak sites incurred approximately $1 million of additional operating costs to mitigate the impacts of Covid-19. This expenditure was primarily in respect of overtime paid to staff and the purchase of personal protective equipment and testing kits. A similar level of Covid-19 related expenditure is expected in the second half of 2020.

Gross cash costs at East Region and Bozymchak increased in the first half of 2020 as expected, from 236 USc/lb to 242 USc/lb driven by the reduction in sales volumes, partially offset by a reduction in cash operating costs. Production and cost performance at East Region and Bozymchak remains subject to risk of disruption from Covid-19 in the second half of the year. However, reflecting the strong cost performance to date, full year gross cash cost guidance has been lowered by 10 USc/lb to 250-270 USc/lb.

Net cash costs decreased by 15 USc/lb to 88 USc/lb as the rise in gross cash was more than offset by an increase in by-product revenues, driven by higher gold and silver revenues partially offset by lower zinc revenues.

Operating profit

Operating profit at East Region and Bozymchak decreased by $18 million to $48 million, primarily due to the $18 million reduction in EBITDA.

Capital expenditure

Sustaining capital expenditure of $20 million was in line with the prior year comparative period and relates to mine development works in the East Region underground mines, the expansion of tailings facilities and the purchase and overhaul of mining equipment. Sustaining capital guidance for the East Region and Bozymchak remains at around $50 million for 2020.

Expansionary capital of $22 million relates to continued works on the Artemyevsky mine extension and at Bozymchak for the development of the underground phase of the project. Expenditure in the period was below plan, as restrictions related to Covid-19 affected construction activities. An increase in activity and expenditure is expected in the second half of the year and full year guidance of $75 million remains unchanged, subject to the risk of disruption from Covid-19. The Artemyevsky project is forecast to require $60 million of expenditure per annum from 2020 to 2023, with limited spend thereafter, while $15 million per annum from 2020 to 2024 will be required for the Bozymchak underground phase.

BAIMSKAYA

The Peschanka deposit within the Baimskaya licence area in Russia has JORC resources of 9.5 Mt of copper at an average grade of 0.43% and 16.5 Moz of gold at an average grade of 0.23 g/t. The project is located in a region identified by the Russian Government as strategically important for economic development and will benefit from the construction of state-funded power and transport infrastructure and the provision of tax incentives.

In the first half of 2020, drilling results indicated a potential increase in Mineral Resources which would lead to an extension of the mine life, previously guided at around 25 years. Reflecting this potential increase, project economics were optimised by increasing design capacity for the concentrator from 60 Mtpa to 70 Mtpa of ore processed. The current construction plan for the processing plant will ramp up the two lines of the concentrator in consecutive phases around 12 to 18 months apart, reducing the peak funding requirement compared to a simultaneous start up. The estimated capital budget for construction has been updated to around $7 billion, with approximately 10% to be incurred after the commencement of production. The updated budget incorporates the additional plant and equipment required to deliver the increased ore volumes for the new concentrator design, including a larger mining fleet, maintenance facilities and site accommodation.

During the first half of 2020, the Group further progressed the Bankable Feasibility Study for the project. Pioneer works at the site also continued, however activity in the second quarter was limited due to measures taken to control the spread of Covid-19 in the region with teams in Moscow and Vancouver required to work from home and restrictions on both domestic and international travel. As a result, the Bankable Feasibility Study is now expected to be completed by the end of 2020. A total of $74 million of capital expenditure was incurred during the reporting period. The Group and the Russian government are continuing to work together on the details of the power and transport infrastructure required for the operational phase of the project. An additional $40 million of expenditure has been approved for 2020 to progress detailed engineering. Full year capital expenditure is now guided at $190 million.

The timetable for construction remains around seven years. Further details on the project timetable, capital expenditure, production guidance and operating costs will be published upon completion of the Bankable Feasibility Study. Discussions will then be further progressed with potential lenders and the Group will assess partnering opportunities for the project.

An EBITDA loss of $7 million was recorded within the Mining Projects segment which includes the commencement of a social investment programme in Russia together with other costs.

OTHER PROJECTS

The Group is progressing a feasibility study at the Koksay project to determine the detailed design for mining and processing operations and the associated capital budget. Approximately $2 million of capital expenditure on the study has been incurred in the first half of 2020 with activities impacted by Covid-19. The Group will continue to progress the feasibility study in the second half of 2020. The results will be reviewed by the Board on completion before assessing how and when to proceed with the project. Guidance for capital expenditure in 2020 on Koksay is maintained at $10 million.

FINANCIAL REVIEW

Basis of preparation

The financial information has been prepared in accordance with IFRSs, as adopted by the EU, using accounting policies consistent with those adopted in the consolidated financial statements for the year ended 31 December 2019. Further details are provided in the notes to the condensed consolidated financial statements on page 34.

Income statement

An analysis of the consolidated income statement is shown below:

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Revenues	**991**	1,052
Cash operating costs	**(432)**	(432)
EBITDA[1]	**559**	620
Less: MET and royalties	**(78)**	(91)
Less: depreciation, depletion and amortisation	**(124)**	(119)
Operating profit	**357**	410
Net finance costs	**(108)**	(121)
Profit before tax	**249**	289
Income tax expense	**(52)**	(62)
Profit for the period	**197**	227
Non-controlling interests	**–**	–
Profit attributable to equity holders of the Company	**197**	227
Earnings per share attributable to equity holders of the Company		
Ordinary EPS and EPS based on Underlying Profit[1] – basic ($)	**0.42**	0.48
Ordinary EPS and EPS based on Underlying Profit[1] – diluted ($)	**0.40**	0.47

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 51.

Revenues

The Covid-19 pandemic had a significant impact on the global macroeconomic environment in the first half of 2020. The average LME price for copper was negatively affected, averaging $5,516/t, a reduction of 11% from $6,165/t in the prior year comparative period. The Group took pre-emptive measures to mitigate the risks presented by Covid-19 and all mines maintained output throughout the first half of 2020. There was also no significant impact on sales to customers.

Revenues for the six months ended 30 June 2020 were $991 million, a decrease of $61 million from the prior year comparative period principally due to lower spot prices for copper which negatively impacted revenues by $94 million. Copper sales volumes increased to 147 kt from 144 kt in the first half of 2019 which added $10 million to revenues. There was an increase in finished goods inventory of 7 kt copper and 11 koz of gold largely due to the timing of shipments in the first half of the year with production being in excess of sales. This inventory is expected to be recognised as sales in the second half of 2020.

The reduction in copper revenues was partly offset by an increase in by-product revenues of $23 million. This was largely the result of a 26% increase in the market price for gold, with the average LBMA price rising from $1,307/oz in the first half of 2019 to $1,645/oz in the equivalent period in 2020, benefiting revenues by $39 million. Revenues from zinc fell by $9 million due to a lower average zinc price.

$ million	
Revenues - six months ended 30 June 2019	**1,052**
Copper volumes[1]	**10**
By-product volumes[1]	**(4)**
Copper prices[2]	**(94)**
By-product prices[2]	**27**
Revenues - six months ended 30 June 2020	**991**

1 Change in sales volumes at current period realised prices.
2 Change in realised prices applied to prior year comparative period sales volumes.

Further information on revenues by operating segment can be found in the Operating review. Additional information on revenues and related credit risk management policies can be found in note 4 to the condensed consolidated financial statements.

Operating profit and EBITDA

Operating profit for the first half of 2020 was $357 million, a decrease of $53 million compared with the equivalent period in 2019, mainly driven by the reduction in revenues. The Group's operating profit margin, measured as operating profit divided by revenues, reduced slightly from 39% in the prior year comparative period to 36%.

EBITDA of $559 million for the six months ended 30 June 2020 was $61 million below the prior year comparative period, consistent with the reduction in revenues, as operating costs were broadly unchanged despite a 4% increase in copper production. The EBITDA margin decreased from 59% in the first half of 2019 to 56% in the current reporting period. Operating costs benefited from the weakening of local currencies in Kazakhstan and Kyrgyzstan. The tenge traded at an average of 404 KZT/$ in the first half of 2020 compared with 379 KZT/$ in the first six months of 2019. The Group incurred additional costs in respect of measures taken to protect sites from Covid-19, which included enhanced hygiene procedures, health screening and additional salary costs associated with revised shift patterns to reduce the number of staff rotations at Aktogay and Bozshakol. These incremental costs have been partially offset by the deferral of some non-essential maintenance works to the second half of 2020. The Group also incurred social contributions at a similar level to the prior year comparative period, which in 2020 included support to vulnerable communities in the Group's countries of operation related to Covid-19.

$ million	
EBITDA - six months ended 30 June 2019	**620**
Copper volumes[1]	**13**
By-product volumes[1]	**(4)**
Cost impact[2]	**(3)**
Copper prices[3]	**(94)**
By-product prices[3]	**27**
EBITDA - six months ended 30 June 2020	**559**

1 Change in sales volumes at current period margin.
2 Change in operating costs applied to prior year comparative period sales volumes plus change in corporate and project costs.
3 Change in realised prices applied to prior year comparative period sales volumes.

Please refer to the Operating review for a detailed analysis of EBITDA by operating segment.

Items excluded from EBITDA

The MET and royalties charge in the income statement was $78 million in the first half of 2020, below the $91 million recorded in the prior year comparative period primarily due to lower commodity prices. The total MET and royalties incurred was $87 million compared with $101 million in the first six months of 2019, which additionally includes MET in unsold inventories on the balance sheet.

Depreciation, depletion and amortisation in the income statement was $124 million in the first half of 2020 compared to $119 million in the equivalent period in 2019, which included a $3 million charge (H1 2019: $6 million credit) associated with depreciation in unsold inventories on the balance sheet.

Net finance costs

Net finance costs include:

$ million	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Total interest incurred on borrowings	**(108)**	(117)
Less: amounts capitalised to the cost of qualifying assets	**28**	12
Interest expense on borrowings	**(80)**	(105)
Other finance costs	**(8)**	(3)
Finance costs	**(88)**	(108)
Net foreign exchange loss	**(27)**	(24)
Interest income	**7**	11
Net finance costs	**(108)**	(121)

Net finance costs of $108 million were $13 million lower than the $121 million in the prior year comparative period. Total interest incurred on borrowings of $108 million was $9 million below the $117 million incurred in the first half of 2019 primarily due to lower US dollar LIBOR rates, which averaged 1.48% on borrowings in the first half of 2020 compared to 2.49% in the prior year comparative period, offset by the increased average level of debt during the period following additional drawings made under the PXF and DBK-Aktogay expansion facility (see movements in borrowings section below) which accrue interest at lower margins compared to the Group's other facilities.

Capitalised interest of $28 million in the first half of 2020 related to financing costs incurred on the DBK-Aktogay expansion facility and the use of the Group's general borrowings to fund capital projects, including the Aktogay expansion and Baimskaya development as well as other qualifying assets (see note 5 on page 42).

Net foreign exchange losses of $27 million (H1 2019: $24 million) arose mainly from the depreciation of the tenge at 30 June 2020 compared with 31 December 2019. This resulted in a non-cash foreign exchange loss on the retranslation of US dollar denominated borrowings in subsidiaries with a tenge functional currency, which was largely offset within movements in equity.

Taxation

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

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Profit before tax	**249**	289
Add: MET and royalties	**78**	91
Adjusted profit before tax	**327**	380
Income tax expense	**52**	62
Add: MET and royalties	**78**	91
Adjusted tax expense	**130**	153
Effective tax rate (%)	**21**	21
All-in effective tax rate[1] (%)	**40**	40

1 The all-in effective tax rate is calculated as the income tax expense plus MET and royalties less the tax effect of special items and other non-recurring items, divided by profit before taxation which is adjusted for MET and royalties and special items. The all-in effective tax rate is considered to be a more representative tax rate on the recurring profits of the Group. There were no special items during the first half of 2020 and 2019.

The effective tax rate of 21% in the first half of 2020 was in line with the prior year comparative period. The all-in effective tax rate of 40% in the first half of 2020 was in line with the prior year comparative period as both profit before tax and the MET and royalties charge were impacted by lower copper prices, whilst operating costs were broadly unchanged.

Profit attributable to equity holders of the Company and Underlying Profit

A reconciliation of Underlying Profit and profit attributable to equity holders of the Company to EPS and EPS based on Underlying Profit is set out below:

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Underlying Profit[1] and profit attributable to equity holders of the Company	**197**	227
Weighted average number of shares in issue (million) – basic	**472**	468
Potential dilutive ordinary shares, weighted for the period outstanding (million)	**21**	19
Weighted average number of shares in issue (million) – diluted	**493**	487
Ordinary EPS and EPS based on Underlying Profit[1] – basic ($)	**0.42**	0.48
Ordinary EPS and EPS based on Underlying Profit[1] – diluted ($)	**0.40**	0.47

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 51.

The Group's profit attributable to equity holders of the Company was $197 million in the first half of 2020 compared to $227 million in the first half of 2019, largely attributable to lower copper prices.

EPS and EPS based on Underlying Profit

Basic EPS and EPS based on Underlying Profit of $0.42 decreased from $0.48 for the first half of 2019 mainly due to the reduction in earnings, as well as the increase in the weighted average number of ordinary shares in issue following the acquisition of the Baimskaya copper project in January 2019, which was partly settled through new ordinary shares. Diluted EPS and diluted EPS based on Underlying Profit of $0.40 takes into account the ordinary shares expected to be issued to settle the Deferred Consideration arising on the acquisition of the Baimskaya copper project (see note 7 on page 43). In the first half of 2019, the resulting potential ordinary shares were also weighted over the period they were outstanding, from acquisition on 22 January 2019 to 30 June 2019.

Dividends

KAZ Minerals PLC, the parent company of the Group, is a non-trading investment holding company and derives its profits from dividends paid by subsidiary companies.

The Group's dividend policy, established at the time of Listing, is for the Board to consider the cash generation and financing requirements of the business before recommending a suitable dividend. This maintains flexibility, which is appropriate given the underlying cyclicality of a commodity business and the Group's growth ambitions.

The Board has declared an interim dividend of 4.0 US cents per share (H1 2019: 4.0 US cents per share) equating to a payment of $19 million, recognising the Group's strong operational and financial performance in the first half of 2020. Pre-emptive measures were taken to protect sites from the Covid-19 pandemic and all of the Group's mines maintained output in the first half of 2020. The Group also continues to invest in growth at the Aktogay expansion and Baimskaya copper project. The financing requirements for Baimskaya will be assessed following the feasibility study, after which the Board will further review the Group's allocation of capital.

The final dividend of $38 million in respect of the year ended 31 December 2019 was paid on 22 May 2020.

Cash flows

The summary of cash flows below is prepared on a basis consistent with internal management reporting.

$ million	**Six months ended 30 June 2020**	Six months ended 30 June 2019
EBITDA[1]	**559**	620
Change in working capital	**(53)**	(131)
Interest paid	**(112)**	(117)
MET and royalties paid	**(64)**	(97)
Income tax paid	**(18)**	(29)
Foreign exchange and other movements	**–**	2
Sustaining capital expenditure	**(61)**	(66)
Free Cash Flow[1]	**251**	182
Expansionary and new project capital expenditure	**(252)**	(332)
Acquisition of Baimskaya copper project, net of cash acquired	**–**	(435)
Net VAT paid associated with major growth projects	**(2)**	(12)
Interest received	**5**	12
Dividends paid	**(38)**	(28)
Other investments	**–**	45
Other movements	**(1)**	–
Cash flow movement in net debt	**(37)**	(568)
Net debt[1] at the beginning of the period	**(2,759)**	(1,986)
Other non-cash movements	**(1)**	(6)
Net debt[1] at the end of the period	**(2,797)**	(2,560)
Represented by:		
Cash and cash equivalents and current investments	**1,101**	739
Borrowings	**(3,898)**	(3,299)
Net debt[1] at the end of the period	**(2,797)**	(2,560)

1 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 51.

Summary

Net debt increased from $2,759 million at 31 December 2019 to $2,797 million at 30 June 2020 as Free Cash Flow from operations was offset by investment in the Group's growth projects. Free Cash Flow of $251 million was $69 million higher than the prior year comparative period, as the reduction in EBITDA was offset by lower working capital outflows (see working capital section below) and decreased payments for MET and royalties and income tax.

Expansionary capital expenditure of $252 million was below the $332 million in the first half of 2019, which included $56 million of final retention payments in respect of the original Aktogay and Bozshakol projects. Expenditure on the Aktogay expansion project in the current period was impacted by restrictions and measures taken to control the spread of Covid-19. Further details regarding guidance for capital expenditure is included within the Operating review.

Working capital

The summary of movements in working capital is outlined below:

$ million	Six months ended 30 June 2020	Six months ended 30 June 2019
Change in inventories[1]	**(60)**	(87)
Change in prepayments and other current assets[2]	**(64)**	(22)
Change in trade and other receivables	**58**	–
Change in trade and other payables and provisions[3]	**13**	(22)
Movement in working capital	**(53)**	(131)

1 The $67 million increase in inventories shown in the IFRS based cash flow statement (see note 14(a)) includes MET and depreciation, which are excluded from the cash flow above as MET paid is reflected separately and EBITDA is stated before depreciation and amortisation.

2 The $66 million increase in prepayments and other current assets shown in the IFRS based cash flow statement (see note 14(a)) includes net VAT paid on the major growth projects. The cash flow above contains net VAT (paid)/received associated with major growth projects as a separate line item.

3 The difference to trade and other payables and provisions shown in the IFRS based cash flow statement (see note 14(a)) is the change in MET and royalties payable, excluding MET payments due which were offset against VAT refunds in the first half of 2020. The cash flow above contains MET and royalties paid as a separate line item.

The cash impact of inventory changes in the first half of 2020 was $60 million (H1 2019: $87 million), which included $33 million of additional raw materials, reflecting measures taken to stockpile critical spares and consumables as well as the deferral of planned maintenance resulting from Covid-19. Also included in change in inventories was an increase of $21 million in respect of finished goods inventory at Bozshakol and Aktogay, reflecting the timing of sales. At Bozshakol there was an increase in copper and gold inventory of 4 kt and 9 koz respectively, due to seasonal railway repairs, whilst there was a marginal increase in copper inventory of 2 kt at Aktogay.

The cash outflow associated with prepayments and other current assets of $64 million (H1 2019: $22 million) was mainly due to net VAT paid of $50 million and an increase in prepayments for goods and services of $10 million. VAT receivable at the end of 2019 is being recovered in 2020 through a combination of offset and refund, with $72 million recovered through offset resulting in lower income tax and MET payments in the first half of the year. There was also a $2 million net increase in VAT receivable relating to major growth projects (H1 2019: $12 million), which is shown separately in the table above and excluded from Free Cash Flow (see APMs section on page 52).

Trade and other receivables decreased by $58 million (H1 2019: unchanged) reflecting the timing of sales and cash receipts from trade receivables built up at the end of 31 December 2019 as well as lower copper prices. This was partly offset by the effect of provisionally priced trade receivables which are marked to market at period end based on the appropriate forward metal price, which increased trade receivables by $20 million at 30 June 2020 compared to $12 million at the prior year end. Further details relating to the nature of the Group’s customers are given in note 4(b) to the condensed consolidated financial statements.

Trade and other payables and provisions increased by $13 million (H1 2019: $22 million decrease) which reflects the timing of payments and $6 million of additional customer receipts in advance of product deliveries compared to 31 December 2019. At the end of the period, the Group had received advance payments for the dispatch of copper concentrate and copper cathode which will be recognised as revenue in the second half of 2020.

Interest cash flows

Interest paid during the first half of 2020 was $112 million compared with $117 million in the first half of 2019. Interest paid was higher than total interest incurred on borrowings during the six month period of $108 million, which includes amortisation of arrangement fees of $6 million and led to a reduction in interest payable from $61 million at 31 December 2019 to $51 million at 30 June 2020.

Income taxes and MET

Income tax payments during the first half of 2020 of $18 million (H1 2019: $29 million) were below the income statement charge of $52 million (H1 2019: $62 million), primarily as $25 million of income tax due was offset against VAT refunds and as the Group’s net income tax payable increased to $16 million from $9 million at 31 December 2019. In the first half of 2019, income tax payments were below the income statement charge mainly due to capital allowances and utilisation of available tax losses.

MET and royalties payments of $64 million were below the total MET and royalties incurred of $87 million and the prior year comparative period (H1 2019: $97 million) as $47 million of MET payments due were offset against VAT refunds in the first half of 2020. This led to a reduction in MET and royalties payable from $56 million at 31 December 2019 to $32 million at 30 June 2020.

Capital expenditure

Sustaining capital expenditure was $61 million in the first half of 2020, broadly in line with expenditure of $66 million in the prior year comparative period.

Expansionary and new project expenditure of $252 million in the first half of 2020 primarily relates to Aktogay ($154 million) mainly for the expansion project, as well as the feasibility study and pioneer works at Baimskaya ($74 million). In addition, capital investments were made at East Region and Bozymchak of $22 million, mainly relating to the Artemyevsky mine extension and the development of the underground phase at Bozymchak. Please refer to the Operating review for an analysis of the Group's capital expenditure by operating segment.

Acquisition of the Baimskaya copper project

On 22 January 2019, the Group announced the Initial Completion of the acquisition of the Baimskaya copper project in the Chukotka region of Russia. The consideration due at Initial Completion was $675 million made up of $436 million in cash and 22.3 million new KAZ Minerals shares valued at $239 million, which were allotted to the Vendor. The Initial Cash Consideration of $436 million was settled during the first half of 2019, partly offset by $1 million of cash and cash equivalents on acquisition.

Other investments

In the first half of 2019, other investing cash flows relates to the receipt of the remaining $45 million consideration in respect of NFC's equity investment in Koksay for $70 million, as announced in June 2018 and completed in July 2019.

Movements in equity

Equity attributable to owners of the Company at 30 June 2020 was $2,070 million (31 December 2019: $2,115 million), a decrease of $45 million as profit for the period of $197 million was primarily offset by a $206 million decrease in the US dollar value of the Group's foreign currency operations following a 6% decrease in the value of the tenge between 31 December 2019 and 30 June 2020, and the payment of the final dividend of $38 million in respect of the year ended 31 December 2019. The Group's mining assets are largely held within Kazakhstan-based entities which maintain the tenge as their functional currency. At period ends, non-monetary net assets are consolidated and reported in US dollars at the closing exchange rate with the change in value arising from movements in the tenge exchange rate reflected in equity and not through the income statement. The weaker tenge should have a positive effect on their underlying economic value as it reduces local operating costs, whilst revenues are largely US dollar based. The Group's external liabilities, principally bank debt, are mainly US dollar denominated and not affected by movements in the KZT/$ exchange rate.

Movements in borrowings

On 28 January 2020, the Group completed an amendment and extension of the PXF which includes an increase in facility commitments to $1.0 billion, an extension of the loan tenor and a reduction in the facility margin. The amendment represented a net increase of $700 million above the $300 million outstanding under the previous facility and the maturity profile was extended by 3.5 years, from June 2021 until December 2024 with two annual extension options which, if exercised, would extend final maturity of the facility to December 2025 or December 2026 respectively. The amended facility accrues interest at a variable margin of between 2.25% and 3.50% above US$ LIBOR (previously between 3.00% and 4.50% above US$ LIBOR), dependent on the ratio of net debt to EBITDA which will be tested semi-annually. Monthly repayments will commence in January 2021, with a final balloon repayment of one-third of the facility amount ($333 million) in December 2024, which will be amortised during 2025 and 2026 if the extension options are exercised.

At 30 June 2020, borrowings (net of unamortised fees) were $3,898 million, an increase of $598 million from 31 December 2019 as a result of the movements set out below:

$ million	At 1 January 2020	Drawings[1]	Repayments	Other movements[2]	At 30 June 2020
CDB-Bozshakol and Bozymchak	1,165	–	(91)	2	1,076
CDB-Aktogay CNY facility	97	–	(6)	(1)	90
CDB-Aktogay USD facility	1,117	–	(54)	1	1,064
PXF facility	300	702	(17)	2	987
DBK-Aktogay facility	234	–	(21)	–	213
DBK-Aktogay expansion facility	315	80	–	1	396
CAT facility	72	–	–	–	72
	3,300	782	(189)	5	3,898

$ million	At 1 January 2019	Drawings[1]	Repayments	Other movements[2]	At 30 June 2019
CDB-Bozshakol and Bozymchak	1,345	–	(91)	1	1,255
CDB-Aktogay CNY facility	110	–	(6)	–	104
CDB-Aktogay USD facility	1,221	–	(54)	2	1,169
PXF facility	500	–	(100)	–	400
DBK-Aktogay facility	277	–	(21)	–	256
DBK-Aktogay expansion facility	–	115	–	–	115
	3,453	115	(272)	3	3,299

1 Drawings are shown net of arrangement fees, which are netted off against borrowings in accordance with IFRS 9.
2 Other movements include non-cash amortisation of fees on borrowings and foreign exchange gains on the CDB-Aktogay CNY facility.

Further details of the terms of the Group's borrowings are included in note 12 of the condensed consolidated financial statements.

Going concern

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level and liquidity position of the Group taking into consideration the expected outlook of the Group's financial position, cash flows, future capital expenditure and debt service requirements.

The Board is satisfied that the Group's forecasts, taking into account reasonably possible downside scenarios, show that the Group has adequate liquidity to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis of accounting in the preparation of the condensed consolidated financial statements.

Further details regarding the Group's going concern assessment, including financial covenants and possible impacts of Covid-19, is included in note 2(a) of the condensed consolidated financial statements.

PRINCIPAL RISKS

Managing our risks

The significant risks identified by KAZ Minerals are those that could materially affect the Group's financial condition, performance, strategy and prospects. In the view of the Board, the principal risks contained in the 2019 Annual Report and Accounts continue to reflect the significant risks and uncertainties for the Group for the remaining six months of 2020. These risks, together with their potential impact and the mitigating actions being taken by management, are set out in the 2019 Annual Report and Accounts, which is available at www.kazminerals.com.

The emergence of the Covid-19 pandemic during the first half of 2020 has significantly impacted global markets and presented major challenges for the mining industry. The Group has taken a number of measures to mitigate the associated risks including the restriction of access to its sites, extension of staff rotations to reduce the number of shift changes, testing and isolation for new arrivals to site, enhanced hygiene procedures and increased stocking of critical spares and consumables.

Covid-19 has not to date resulted in any material disruption to the Group's output or sales to customers, which have continued with only minor delays. The pandemic has however impacted the Group's new projects, contributing to the Aktogay expansion project now being expected to commence production in late 2021, and the Baimskaya Bankable Feasibility Study now forecast to be completed by the end of 2020.

Kazakhstan imposed a second phase of quarantine measures on 5 July 2020 reflecting a heightened in-country risk. The Covid-19 pandemic has the potential to increase the probability or severity of certain principal risks, as described below.

There may be other risks unknown, or currently believed immaterial by the Group, which might become material. The risks set out below are not in order of likelihood of occurrence or materiality and should be viewed, as with any forward-looking statements in this document, with regard to the cautionary notice.

Sustainability risks

Health and safety

Mining is a hazardous industry. Health and safety incidents could result in harm to people, as well as production disruption, financial loss and reputational damage.

The Group is in a period of more intense construction activity, increasing potential health and safety exposures.

Community and labour relations

The Group operates in areas where it is a major employer, where employees are represented by labour unions and where it may provide support to the local community. This may impose restrictions on the Group's flexibility in taking certain operating decisions. Failure to identify and manage the concerns and expectations of local communities and the labour force could affect the Group's reputation and social licence to operate and could result in production disruptions and increases in operating costs. Wage negotiations could be impacted by higher commodity prices, higher domestic inflation or the continued weakness of the tenge.

Employees

The Group is dependent on its ability to attract and retain highly skilled personnel. Failure to do so could have a negative impact on operations or the successful implementation of growth projects and result in higher operating costs to recruit required staff. The remote location of some operations and restrictions imposed as a result of Covid-19 increases this risk.

The Group will be entering a period of increased recruitment to staff the operational phase of the Aktogay expansion and relating to the potential development of Baimskaya.

Environmental

Mining operations involve the use of toxic substances and require the storage of large volumes of waste materials in tailings dams, which could result in spillages, loss of life and significant environmental damage. The Group is subject to environmental laws and regulations which are continually developing, including those to tackle climate change. Failure to comply with applicable laws could lead to the suspension of operating licences, the imposition of financial penalties or costly compliance costs and reputational damage.

Environmental practices face additional scrutiny as societal expectations around responsible investing evolve. This could impact the Group's operations or access to capital.

Operational risks

Business interruption

Operations are subject to a number of risks not wholly within the Group's control, including: geological and technological challenges; weather, pandemic disease or other natural phenomena; damage to or failure of equipment and infrastructure; information technology and cyber risks; loss or interruption to key inputs such as electricity and water; and the availability of key supplies and services, including the Balkhash smelter.

If the Covid-19 pandemic were to continue for a prolonged period or increase in severity this could impact the Group's operations in the form of travel restrictions, availability of staff, supply chain interruptions or an outbreak of Covid-19 occurring at one of our sites. Any disruption could impact production and may require the Group to incur unplanned expenditure and negatively affect cash flows.

New projects and commissioning

Projects may fail to achieve the desired economic returns due to an inability to recover mineral resources, design or construction deficiencies, a failure to achieve expected operating parameters or because of capital or operating costs being higher than expected. Failure to effectively manage new projects or a lack of available financing may prevent or delay completion of projects.

There are various project risks associated with the successful development of the Baimskaya copper project, including its remote location, the delivery of government support for infrastructure, obtaining certain tax incentives and local weather conditions.

Covid-19 may affect key suppliers and manufacturers and the ability of contractors and personnel to mobilise to site and therefore impact the completion of new projects, including the Aktogay expansion and the Baimskaya copper project. Global market uncertainty could also impact the availability of financing for major growth projects.

Reserves and resources

The Group's ore reserves are in part based on an estimation method established by the former Soviet Union. There are numerous uncertainties inherent in estimating ore reserves, which if changed, could require the need to restate ore reserves and impact the economic viability of affected operations and development projects.

Political

The Group could be affected by political instability or social and economic changes in the countries in which it operates. This could include a change in government, the granting and renewal of permits and changes to foreign trade or legislation that could affect the business environment and negatively impact the Group's business, financial performance and licence to operate.

Further international sanctions on Russia could impact the development of Baimskaya, as well as the supply of certain goods and services to the Group's existing operations.

Legal and regulatory compliance

The Group is subject to various legal and regulatory requirements across all of its jurisdictions including subsoil usage rights in Kazakhstan, Kyrgyzstan and Russia and UK governance rules including related party transactions and anti-bribery and corruption. Legislation and taxation may be subject to change and uncertainty of interpretation, application and enforcement. In a number of jurisdictions around the world, governments have been increasing taxation on resource companies.

Non-compliance with legislation could result in regulatory challenges, fines, litigation and ultimately the loss of operating licences. A number of the Group's operating subsidiaries in Kazakhstan are currently undergoing or expected to undergo routine tax audits which could give rise to additional tax assessments. Substantial payments of tax could arise for the Group, or tax receivable balances may not be recovered as expected.

Financial risks

Commodity price

The Group's results are heavily dependent on the commodity price for copper and to a lesser extent, the prices of gold, silver and zinc. Commodity prices can fluctuate significantly and are dependent on several factors, including global supply and demand and investor sentiment.

The emergence of Covid-19 negatively impacted copper prices in the first half of 2020 before they recovered to pre-pandemic levels in July 2020. Covid-19 may continue to affect global supply and demand for commodities resulting in further price volatility. As the largest consumer of copper, a reduction in China's economic growth could have a material adverse impact on the copper price.

Foreign exchange and inflation

Fluctuations in rates of exchange or inflation in the jurisdictions to which the Group is exposed could result in future increased costs.

As the functional currency of the Group's operating entities is their local currency, fluctuations in exchange rates can give rise to exchange gains and losses in the income statement and volatility in the level of net assets recorded on the Group's balance sheet.

Exposure to China

Sales are made to a limited number of customers in China, particularly in respect of copper concentrate output. Treatment and refining charges are dependent upon Chinese smelting capacity and the level of copper concentrate supply in the region.

China is an important source of financing to the Group with long-term debt facilities of $2.2 billion at 30 June 2020. In addition, the Group uses contractors, services and materials from China.

The Chinese economy and its outlook have been negatively affected by global trade tensions and the emergence of Covid-19. Restrictions on the movement of goods, people and services or the imposition of trade sanctions could impact the Group's operations and projects, the availability of Chinese credit and its demand for commodities.

Acquisitions and divestments

The Group may acquire or dispose of assets and businesses which fail to achieve the expected benefit or value to the Group. Changing market conditions, incorrect assumptions or deficiencies in due diligence could result in the wrong decisions being made and in acquisitions or disposals failing to deliver expected benefits.

The Restructuring was effected under the laws and regulations of Kazakhstan which are subject to change and open to interpretation, including the legal and tax aspects of the Restructuring in 2014, which could give rise to liabilities for KAZ Minerals.

Liquidity

The Group is exposed to liquidity risk if it is unable to meet payment obligations as they fall due or is unable to access acceptable sources of finance. Non-compliance with financial covenants could result in borrowing facilities becoming uncommitted and repayable.

Baimskaya is a large-scale project, the development of which will require additional financing which will increase the debt levels of the Group.

There has been a reduction in equity analysts' short-term consensus for copper prices following global uncertainty resulting from Covid-19, which may negatively impact the Group's expected cash flow from operations in the short term. Any disruption to operations would also negatively impact earnings, liquidity and the Group's ability to comply with financial covenants (see going concern on page 33).

Failure to manage liquidity risk could have a material impact on the Group's cash flows, earnings and financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

Each Director confirms to the best of his or her knowledge that this condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and that the half-yearly report includes a fair review of the information required by:

- DTR 4.2.7R being 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 financial year; and
- DTR 4.2.8R being material related party transactions that have taken place in the first six months of the current financial year and any material changes in the related party transactions described in the KAZ Minerals 2019 Annual Report and Accounts.

The Directors of KAZ Minerals PLC are listed on the Company's website at www.kazminerals.com.

ANDREW SOUTHAM
CHIEF EXECUTIVE OFFICER
17 August 2020

INDEPENDENT REVIEW REPORT TO KAZ MINERALS PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the consolidated statement of total comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and the related explanatory notes 1 to 18.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 '*Interim Financial Reporting*' as adopted by the EU and the Disclosure Guidance and Transparency Rules (the 'DTR') of the UK's Financial Conduct Authority ('the UK FCA').

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 UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Juliette Lowes

for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square,
Canary Wharf,
London
E14 5GL
17 August 2020

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME (UNAUDITED)

Six months ended 30 June 2020

$ million (unless otherwise stated)	Notes	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Revenues	4(b)	**991**	1,052
Cost of sales		**(519)**	(533)
Gross profit		**472**	519
Selling and distribution expenses		**(42)**	(41)
Administrative expenses		**(70)**	(69)
Net other operating (expenses)/income		**(3)**	1
Operating profit		**357**	410
Finance income		**7**	11
Finance costs	5	**(88)**	(108)
Net foreign exchange loss		**(27)**	(24)
Profit before tax		**249**	289
Income tax expense	6	**(52)**	(62)
Profit for the period		**197**	227
Attributable to:			
Equity holders of the Company	7	**197**	227
Non-controlling interests	11	**–**	–
		197	227
Other comprehensive (expense)/income for the period after tax:			
Items that may be reclassified subsequently to the income statement:			
Exchange differences on retranslation of foreign operations		**(207)**	61
Items that will never be reclassified to the income statement:			
Actuarial losses on employee benefits, net of tax		**–**	(1)
Other comprehensive (expense)/income for the period		**(207)**	60
Total comprehensive (expense)/income for the period		**(10)**	287
Attributable to:			
Equity holders of the Company		**(9)**	287
Non-controlling interests		**(1)**	–
		(10)	287
Earnings per share attributable to equity shareholders of the Company			
Ordinary EPS and EPS based on Underlying Profit – basic ($)	7	**0.42**	0.48
Ordinary EPS and EPS based on Underlying Profit – diluted ($)	7	**0.40**	0.47

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2020

$ million	Notes	At 30 June 2020	At 31 December 2019	At 30 June 2019
Assets				
Non-current assets				
Intangible assets		**5**	5	6
Property, plant and equipment		**2,726**	2,756	2,380
Mining assets		**1,507**	1,457	1,382
Other non-current assets	9	**276**	338	355
Deferred tax asset		**42**	40	46
		4,556	4,596	4,169
Current assets				
Inventories		**587**	553	519
Prepayments and other current assets		**175**	193	128
Income taxes prepaid		**7**	7	11
Trade and other receivables		**121**	176	128
Current investments	14(c)	**300**	–	–
Cash and cash equivalents	14(b)	**801**	541	739
		1,991	1,470	1,525
Total assets		**6,547**	6,066	5,694
Equity and liabilities				
Equity				
Share capital	10(a)	**177**	177	177
Share premium		**2,883**	2,883	2,883
Capital reserves	10(b)	**(2,364)**	(2,158)	(2,171)
Retained earnings		**1,374**	1,213	886
Attributable to equity holders of the Company		**2,070**	2,115	1,775
Non-controlling interests	11	**58**	59	1
Total equity		**2,128**	2,174	1,776
Non-current liabilities				
Borrowings	12	**3,463**	2,755	2,759
Deferred tax liability		**111**	110	94
Employee benefits		**11**	15	14
Provision for closure and site restoration		**67**	74	73
Other non-current liabilities	13	**9**	12	7
		3,661	2,966	2,947
Current liabilities				
Trade and other payables		**295**	360	332
Borrowings	12	**435**	545	540
Income taxes payable		**23**	16	24
Employee benefits		**2**	2	2
Provision for closure and site restoration		**–**	–	1
Other current liabilities	13	**3**	3	72
		758	926	971
Total liabilities		**4,419**	3,892	3,918
Total equity and liabilities		**6,547**	6,066	5,694

These condensed consolidated financial statements were approved by the Board of Directors on 17 August 2020.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 June 2020

$ million	Notes	**Six months ended 30 June 2020**	Restated[1] Six months ended 30 June 2019
Operating activities			
Cash receipts from customers		**1,053**	1,025
Cash payments to employees, suppliers and taxes other than income tax		**(613)**	(643)
Cash flows from operations before interest and income taxes paid	14(a)	**440**	382
Interest paid		**(112)**	(117)
Income taxes paid		**(18)**	(29)
Net cash flows from operating activities		**310**	236
Investing activities			
Interest received		**5**	12
Acquisition of Baimskaya copper project, net of cash acquired		**–**	(435)
Purchase of intangible assets		**(1)**	(1)
Purchase of property, plant and equipment		**(233)**	(352)
Investments in mining assets		**(79)**	(45)
Net (additions to)/redemption of current investments	14(c)	**(300)**	250
Net cash flows used in investing activities		**(608)**	(571)
Financing activities			
Proceeds from borrowings	14(c)	**782**	115
Repayment of borrowings	14(c)	**(189)**	(272)
Dividends paid by the Company	8(a)	**(38)**	(28)
Advance consideration for investment in Koksay	13	**–**	45
Other financing activities		**(1)**	–
Net cash flows from/(used in) financing activities		**554**	(140)
Net increase/(decrease) in cash and cash equivalents	14(c)	**256**	(475)
Cash and cash equivalents at the beginning of the period		**541**	1,219
Effect of exchange rate changes on cash and cash equivalents	14(c)	**4**	(5)
Cash and cash equivalents at the end of the period	14(b)	**801**	739

1 Advance consideration for investment in Koksay reclassified from investing activities, see note 2(d).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 June 2020

$ million	Notes	Attributable to equity holders of the Company: Share capital	Share premium	Capital reserves[1]	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2020		**177**	**2,883**	**(2,158)**	**1,213**	**2,115**	**59**	**2,174**
Profit for the period		**–**	**–**	**–**	**197**	**197**	**–**	**197**
Exchange differences on retranslation of foreign operations	10(b)	**–**	**–**	**(206)**	**–**	**(206)**	**(1)**	**(207)**
Total comprehensive (expense)/income for the period		**–**	**–**	**(206)**	**197**	**(9)**	**(1)**	**(10)**
Dividends	8(a)	**–**	**–**	**–**	**(38)**	**(38)**	**–**	**(38)**
Share-based payments, net of taxes		**–**	**–**	**–**	**2**	**2**	**–**	**2**
At 30 June 2020		**177**	**2,883**	**(2,364)**	**1,374**	**2,070**	**58**	**2,128**
At 1 January 2019		171	2,650	(2,457)	686	1,050	4	1,054
Profit for the period		–	–	–	227	227	–	227
Exchange differences on retranslation of foreign operations	10(b)	–	–	61	–	61	–	61
Actuarial loss on employee benefits, net of tax		–	–	–	(1)	(1)	–	(1)
Total comprehensive income for the period		–	–	61	226	287	–	287
Dividends	8(a)	–	–	–	(28)	(28)	(3)	(31)
Shares issued and Deferred Consideration arising from acquisition of the Baimskaya copper project	10(b)	6	233	225	–	464	–	464
Share-based payments, net of taxes		–	–	–	2	2	–	2
At 30 June 2019		177	2,883	(2,171)	886	1,775	1	1,776

1 See note 10(b) for an analysis of 'Capital reserves'.

1. Corporate information

KAZ Minerals PLC (the 'Company') is a public limited company incorporated in England and Wales. The Company's 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 through five divisions, the principal activities of which during the first half of 2020 were:

Operating division	Principal activity	Primary countries of operations
Aktogay	Mining and processing of copper and other metals	Kazakhstan
Bozshakol	Mining and processing of copper and other metals	Kazakhstan
East Region[1]	Mining and processing of copper and other metals	Kazakhstan
Bozymchak[1]	Mining and processing of copper and other metals	Kyrgyzstan
Mining Projects	Development of greenfield metal deposits	Kazakhstan and Russia

1 East Region and Bozymchak are separate divisions but have been combined for segmental reporting purposes.

These condensed consolidated financial statements for the six months ended 30 June 2020 were authorised for issue in accordance with a resolution of the Board on 17 August 2020. The condensed consolidated financial statements are unaudited and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The information for the year ended 31 December 2019 included in this report was derived from the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards ('IFRSs') 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 EU up to 31 December 2019, a copy of which has been delivered to the Registrar of Companies. The auditor's opinion in relation to those accounts was unqualified, did not draw attention to any matters by way of emphasis and also did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 *'Interim Financial Reporting'* and the requirements of the DTR in the United Kingdom as applicable to interim financial reporting. These condensed consolidated financial statements represent a 'condensed set of financial statements' as referred to in the DTR. Accordingly, they do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2019.

(a) Going concern

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level and liquidity position of the Group taking into consideration the expected outlook of the Group's financial position, cash flows, future capital expenditure and debt service requirements.

At 30 June 2020, the Group's net debt was $2,797 million with gross debt of $3,898 million and gross liquid funds of $1,101 million. The gross debt facilities, net of unamortised debt costs, consist of:

- $1,076 million under the CDB-Bozshakol and Bozymchak facilities, which amortise over the period to 2025;
- $1,154 million under the CDB-Aktogay US dollar and CNY facilities, which amortise over the period to 2029;
- $987 million under the PXF facility which amortises over the period from January 2021 to December 2024;
- $213 million under the DBK-Aktogay facility, which amortises over the period to June 2025;
- $396 million under the DBK-Aktogay expansion facility, which amortises over the period from 2022 to 2034. The remaining $200 million of the committed facility has an availability period for drawing until April 2022; and
- $72 million of the CAT facility, which amortises over the period to December 2024. The remaining $26 million of the committed facility has an availability period for drawing until the end of the first quarter of 2021.

The Board has considered the Group's cash flow forecasts for the period to 30 September 2021, including the outlook for commodity prices, production levels from the Group's operations, the principal repayments due under the Group's debt facilities and its future capital requirements including the Aktogay expansion project and initial study and pioneer works at the Baimskaya copper project.

The emergence of the Covid-19 pandemic during the first half of 2020 has significantly impacted global markets and presented major challenges for the mining industry. The Group has taken a number of measures to mitigate the associated risks and Covid-19 has not to date resulted in any material disruption to the Group's output or sales to customers. A prolonged or worsening situation in respect of Covid-19 could negatively impact the Group through disruption to its operations and/or lower prices for its products.

In assessing going concern the Board has considered reasonably possible downside scenarios which could negatively affect the liquidity of the Group, incorporating sustained lower than expected commodity prices and lower than expected production equivalent to a one month loss of Group production. In addition, in light of the additional uncertainty and risk as a result of Covid-19, the Board has assessed a more severe production downside scenario of an equivalent three month loss of Group output over the assessment period as well as a more severe impact to the market price for copper throughout the period. The Board considers these cases to be more remote in likelihood.

Given the significant amount of liquidity available to the Group at 30 June 2020 of $1,101 million, the Group's forecasts, taking into account all assessed downside scenarios, show that the Group has adequate liquidity to continue in operational existence for the foreseeable future.

The Group's PXF and CAT facilities are subject to financial covenants, including a net debt to EBITDA covenant which is tested semi-annually. The Group's forecasts show that in a scenario of either sustained lower commodity prices or severe production downside (equivalent to a three month loss of Group output), the financial covenants would be in compliance throughout the assessment period. In a scenario of a one month loss of production downside combined with sustained lower commodity prices, covenants would also be in compliance. However, in the event of a more extreme scenario of severe production downside (equivalent to a three month loss of Group output) combined with sustained lower commodity prices, this covenant would be breached when tested at 30 June 2021. The Board considers this more extreme scenario to be remote in likelihood and believes that in such circumstances the banks would view favourably amendments to the financial covenants provided the Group's debt service obligations continue to be maintained, which forecasts indicate would be the case. This conclusion is supported by the quality of the Group's assets, including the Aktogay and Bozshakol mines which have long operational lives and provide large scale output at competitive cash costs. In addition, in such circumstances any breach is forecast to occur only towards the end of the going concern assessment period.

The Board is satisfied that the Group's forecasts, taking into account reasonably possible downside scenarios, show that the Group has adequate liquidity to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis of accounting in the preparation of these condensed consolidated financial statements.

(b) Basis of accounting

The condensed consolidated financial statements have been prepared on a historical cost basis, except for metal-related trade receivables and derivative financial instruments which have been measured at fair value. The condensed consolidated financial statements are presented in US dollars ('$') and all financial information has been rounded to the nearest million dollars ('$ million'), except where otherwise indicated.

All accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

None of the new standards or amendments to standards and interpretations applicable during the period has had a material impact on the financial position or performance of the Group. The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

In preparing these condensed consolidated financial statements, the Group has adopted all the applicable extant accounting standards issued by the IASB and all the applicable extant interpretations issued by the IFRIC and as adopted by the EU up to 30 June 2020.

The following accounting standards, amendments and interpretations, which had no significant impact on these condensed consolidated financial statements, became effective in the current reporting period on adoption by the EU through the European Financial Reporting Advisory Group ('EFRAG'):

Definition of a Business

On 1 January 2020, the Group adopted *'Definition of a Business (Amendments to IFRS 3)'*. The amendment provides clearer application guidance to help companies distinguish between a business and a group of assets when applying IFRS 3 '*Business Combinations*'. The amendment also clarifies that applying the classification of a business would not be appropriate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The application of this amendment had no impact on the amounts reported in the Group's condensed consolidated financial statements and it would not have changed the accounting for the acquisition of the Baimskaya copper project in the prior year comparative period.

Definition of Material

On 1 January 2020, the Group adopted *'Definition of Material (Amendments to IAS 1 and IAS 8)'*. The amendment revises the definition of material stating that 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The application of this amendment had no impact on the amounts reported in the Group's condensed consolidated financial statements.

Interest Rate Benchmark Reform

On 1 January 2020, the Group adopted *'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)'*. The amendment requires that for interest rate hedges affected by Interbank Offered Rate ('IBOR') reform, the interest rate benchmark is not altered when considering whether a forecast transaction is highly probable, or whether there is an economic relationship between the hedged cash flow and the hedging instrument. This would apply for a limited period until there is no longer uncertainty relating to IBOR reform. The application of this amendment had no impact on the amounts reported in the Group's condensed consolidated financial statements.

(c) Exchange rates

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

	30 June 2020		31 December 2019		30 June 2019	
$ million	**Spot**	**Average**	Spot	Average	Spot	Average
Kazakhstan tenge	**403.83**	**403.84**	381.18	382.75	380.53	379.14
Kyrgyzstan som	**75.99**	**74.23**	69.64	69.79	69.49	69.79
UK pounds sterling	**0.81**	**0.79**	0.75	0.78	0.79	0.77
Russian rouble	**69.95**	**69.33**	61.91	64.69	63.08	65.23

There was a 6% decrease in the value of the tenge from 31 December 2019 to 30 June 2020, which resulted in a non-cash foreign exchange loss of $207 million (H1 2019: non-cash foreign exchange gain of $61 million) recognised directly within reserves. The Group's mining assets are largely held within Kazakhstan-based entities which maintain the tenge as their functional currency. At period ends, non-monetary net assets are consolidated and reported in US dollars at the closing exchange rate with the change in value arising from movements in the tenge exchange rate reflected in equity and not through the income statement. The weaker tenge should have a positive effect on their underlying economic value as it reduces local operating costs, whilst revenues are largely US dollar based. The Group's external liabilities, principally bank debt, are mainly US dollar denominated and not affected by movements in the KZT/$ exchange rate.

(d) Comparative information

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

In the consolidated statement of cash flows, the advance consideration arising on the part disposal of Koksay of $45 million in the first half of 2019 has been reclassified to financing activities (previously shown within investing activities), being proceeds from changes in ownership interests in subsidiaries that do not result in loss of control. This restatement increased cash flows from financing activities and decreased cash flows from investing activities for the comparative period by $45 million and is solely for presentation purposes, consistent with the Group's consolidated financial statements for the year ended 31 December 2019.

3. Significant accounting judgements and key sources of estimation uncertainty

In the course of preparing these condensed consolidated financial statements, the Directors make necessary judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

Judgements are based on the Directors' best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the condensed consolidated financial statements.

Estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, but actual results may differ from these estimates. The estimates and underlying assumptions applied are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

In preparing these condensed consolidated financial statements, significant judgements made by the Directors in applying the Group's accounting policies and the key sources of estimation uncertainty used were consistent, in all material respects, with those applied to the Group's consolidated financial statements for the year ended 31 December 2019.

Impairment of assets

Significant accounting judgements

Consistent with the approach taken for the year ended 31 December 2019, the Directors reviewed the carrying value of the Group's assets to determine whether there were any indicators of impairment such that the carrying values of the assets may not be recoverable. The assessment of whether an indicator of impairment or reversal thereof has arisen requires considerable judgement, taking account of factors such as future operational and financial plans, commodity prices and the competitive environment.

For exploration and evaluation assets held by the Group, namely Koksay and Baimskaya, before the technical feasibility and commercial viability of extracting a mineral resource is demonstrable, indicators of impairment can include: (a) the right to explore in a specific area has expired and is not expected to be renewed; (b) significant expenditure for further exploration or evaluation activities is not being planned; (c) exploration and evaluation of mineral resources have not led to the discovery or confirmation of commercially viable resource; or (d) that sufficient data exists to indicate that the carrying amount of the asset may not be recovered in full from development or sale.

Where such indicators exist, the carrying value of the assets of a cash generating unit ('CGU') or exploration and evaluation asset is compared with the recoverable amount of those assets, that is, the higher of its fair value less costs to sell and value in use, which is typically determined on the basis of discounted future cash flows.

The Covid-19 pandemic has had a significant impact on the global macroeconomic environment and may continue to unsettle markets in the future. There was a negative impact on market prices for copper during the first half of 2020, although prices had largely recovered to pre-pandemic levels by 30 June 2020. Management does not consider fluctuations in short-term commodity prices to be an indicator of impairment, given the relatively long life of the Group's most significant assets. Management monitors external copper price forecasts and for the purpose of assessing commodity prices for indicators of impairment, consideration was given to a range of equity analysts' long-term copper price forecasts with a median price of around $6,700/t. During the first six months of 2020, there has also been a weakening of local currencies in Kazakhstan, Kyrgyzstan and Russia, which benefited the Group by partially offsetting the negative impact of lower copper prices.

The Group's Bozymchak CGU in Kyrgyzstan was previously impaired in 2018 and as at 31 December 2019 it was assessed that a 5% reduction in forecast copper prices in isolation could result in the carrying value exceeding its recoverable amount by $10 million. At 30 June 2020, management considered whether changes in forecast commodity prices were a potential indicator of impairment for Bozymchak. Whilst there has been a reduction in equity analysts' short-term consensus for copper prices, the long-term forecast remains unchanged. In addition, the short-term consensus for gold has increased and Bozymchak derives a higher proportion of its revenue from gold (around two-thirds). Accordingly, management concluded there was no indicator of impairment at Bozymchak at 30 June 2020. The weaker Kyrgyz som exchange rate also reduces local operating costs and the US dollar value of the CGUs assets at 30 June 2020.

The Group took measures to mitigate risks presented by Covid-19 and all of the Group's mines maintained operations during the first half of 2020 and there was no significant disruption in respect of sales to customers. Credit risk on trade receivables is limited as the majority of sales are made to Chinese customers and are subject to letters of credit received from the customer's bank, which are obtained prior to delivery and transfer of title of the goods. Furthermore, for sales made to European customers and Chinese customers without letters of credit, cash is received prior to the delivery and transfer of title of the goods.

An assessment of the key external and internal factors affecting the Group, its CGUs or exploration and evaluation assets at 30 June 2020 did not identify any indicators of impairment or reversal thereof at any of the Group's CGUs or exploration and evaluation assets.

Key sources of estimation uncertainty

The preparation of discounted future cash flows used to assess the recoverable amount of the Group's CGUs includes management estimates of commodity prices, future operating costs, economic and regulatory environments, capital expenditure requirements, long-term mine plans and other factors including the discount rate. Whilst no indicators of impairment were identified at any of the Group's CGUs, in order to provide an indication of the sensitivity of the recoverable amount of the assets, a valuation and sensitivity analysis has been performed.

Changes to commodity prices within a reasonably possible range, including a 10% reduction in the long-term copper price assumption, are not expected to significantly impact the carrying value of the Group's CGUs, which show positive headroom. This is a simple sensitivity on copper prices in isolation and does not consider any actions which management would take to mitigate the impact of a fall in commodity prices. At the Group's Bozymchak CGU in Kyrgyzstan, which was previously impaired in 2018, a 20% reduction in forecast copper prices in isolation could result in the carrying value exceeding its recoverable amount by $3 million, a reduction in the sensitivity to copper compared with 31 December 2019 due to the favourable higher gold price and the weaker som. Separately, a 25% reduction in forecast gold prices in isolation could result in the carrying value at 30 June 2020 exceeding its recoverable amount by $3 million.

There is a risk that a prolonged Covid-19 pandemic could lead to increased risk premiums used in determining the discount rate. A 1% increase in the discount rate in isolation, from the Group's assessed post-tax nominal discount rate of 12% would not result in a significant impairment of any of the Group's CGUs. Any subsequent revisions to cash flows due to changes in the factors listed above, principally commodity prices and discount rates, beyond what is considered as reasonably possible, could impact the recoverable amount of the assets.

4. Segment information

Information provided to the Group's Board of Directors for the purposes of resource allocation and the assessment of segmental performance is prepared in accordance with the management and operational structure of the Group. For management and operational purposes, the Group is organised into a number of businesses as shown below, according to the nature of their operations, end-products and services rendered. Each of these business units represents an operating segment in accordance with IFRS 8 '*Operating Segments*'. The East Region and Bozymchak segments are presented on a combined basis.

The Group's operating segments are:

Aktogay

The Aktogay open pit, sulphide concentrator and oxide plant located in the east of Kazakhstan and the associated international sales and marketing activities managed out of the UK. The sulphide concentrator was commissioned in the final quarter of 2016 with some concentrate toll processed at the Balkhash smelter (a related party) and the cathode output sold to third parties. The smaller oxide plant was commissioned in the fourth quarter of 2015 and produces copper cathode. The oxide plant is included in the Aktogay operating segment due to the sharing of infrastructure, its relatively small size and to reflect the Group's management structure. An expansion of the sulphide processing facilities at Aktogay was announced in December 2017, which is expected to double its sulphide ore processing capacity by the end of 2021.

Bozshakol

The Bozshakol open pit, sulphide concentrator and clay plant located in the Pavlodar region of Kazakhstan and the associated international sales and marketing activities managed out of the UK. The sulphide and clay concentrators were commissioned in February 2016 and in the fourth quarter of 2016 respectively. Some concentrate from both plants is also toll processed at the Balkhash smelter with the output of copper, gold and silver sold to third parties. The clay plant is included in the Bozshakol operating segment due to the sharing of infrastructure and mining pit, its relatively small size and to reflect the Group's management structure.

East Region and Bozymchak

The East Region and Bozymchak operations are shown as one operating segment consisting of Vostoktsvetmet LLC ('East Region'), whose principal activity is the mining and processing of copper and other metals which are produced as by-products from three underground mines and two associated concentrators located in the eastern region of Kazakhstan; and KAZ Minerals Bozymchak LLC ('Bozymchak') a copper-gold open pit mine and concentrator located in western Kyrgyzstan and the associated international sales and marketing activities managed out of the UK. Bozymchak is combined with the East Region operations, given the similarity of their economic characteristics and concentrate production processes; and as their combined output is toll processed at the Balkhash smelter and subsequently sold to the Group's customers.

Mining Projects

The Group's mining projects consist of companies which are responsible for the assessment and development of greenfield metal deposits. The segment includes the Koksay deposit in Kazakhstan and the Baimskaya licence area in the Chukotka region of Russia. Both of these projects are at the feasibility study stage.

Managing and measuring operating segments

The key performance measure which the Directors use internally to assess the performance of the operating segments is EBITDA. Refer to the APMs section on page 51 for further details.

The Treasury department manages the Group's borrowings and monitors finance income and finance costs at the Group level on a net basis, rather than by operating segment.

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

(a) Operating segments

(i) Income statement information

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Mining Projects	Corporate Services	Total
						Six months ended 30 June 2020
Revenues	**349**	**419**	**223**	**–**	**–**	**991**
EBITDA	**197**	**286**	**90**	**(7)**	**(7)**	**559**
Less: depreciation, depletion and amortisation[1]	**(62)**	**(41)**	**(20)**	**–**	**(1)**	**(124)**
Less: MET and royalties[1,2]	**(24)**	**(32)**	**(22)**	**–**	**–**	**(78)**
Operating profit/(loss)	**111**	**213**	**48**	**(7)**	**(8)**	**357**
Net finance costs and foreign exchange loss						**(108)**
Income tax expense						**(52)**
Profit for the period						**197**

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Mining Projects	Corporate Services	Total
						Six months ended 30 June 2019
Revenues	429	372	251	–	–	1,052
EBITDA	282	240	108	–	(10)	620
Less: depreciation, depletion and amortisation[1]	(52)	(46)	(20)	–	(1)	(119)
Less: MET and royalties[1,2]	(39)	(30)	(22)	–	–	(91)
Operating profit/(loss)	191	164	66	–	(11)	410
Net finance costs and foreign exchange loss						(121)
Income tax expense						(62)
Profit for the period						227

1 Depreciation, depletion and amortisation and MET and royalties exclude the costs associated with inventories on the balance sheet.
2 MET and royalties have been excluded from the key financial indicator of EBITDA. The Directors believe that MET and royalties are a substitute for a tax on profits, hence their exclusion provides an informed measure of the operational performance of the Group.

(ii) Balance sheet information

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Mining Projects: Baimskaya	Mining Projects: Koksay	Corporate Services[4]	Total
							At 30 June 2020
Assets							
Non-current assets[1]	**1,764**	**1,004**	**397**	**1,107**	**241**	**6,234**	**10,747**
Current assets excluding cash and cash equivalents and current investments[2]	**376**	**320**	**319**	**18**	**–**	**1,817**	**2,850**
Cash and cash equivalents and current investments	**9**	**204**	**27**	**5**	**62**	**794**	**1,101**
Segment assets	**2,149**	**1,528**	**743**	**1,130**	**303**	**8,845**	**14,698**
Taxes receivable							**49**
Elimination							**(8,200)**
Total assets							**6,547**
Liabilities							
Non-current liabilities	**12**	**10**	**60**	**4**	**3**	**2**	**91**
Inter-segment borrowings	**809**	**695**	**74**	**226**	**–**	**150**	**1,954**
Current liabilities[3]	**104**	**51**	**53**	**26**	**–**	**79**	**313**
Segment liabilities	**925**	**756**	**187**	**256**	**3**	**231**	**2,358**
Borrowings							**3,898**
Taxes payable							**134**
Elimination							**(1,971)**
Total liabilities							**4,419**

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Mining Projects: Baimskaya	Mining Projects: Koksay	Corporate Services[4]	Total
							At 31 December 2019
Assets							
Non-current assets[1]	1,758	1,112	398	1,044	243	6,220	10,775
Current assets excluding cash and cash equivalents[2]	414	325	173	19	–	1,928	2,859
Cash and cash equivalents	6	6	16	1	64	448	541
Segment assets	2,178	1,443	587	1,064	307	8,596	14,175
Taxes receivable							47
Elimination							(8,156)
Total assets							6,066
Liabilities							
Non-current liabilities	18	12	64	5	3	2	104
Inter-segment borrowings	845	837	91	146	–	–	1,919
Current liabilities[3]	168	56	64	12	1	82	383
Segment liabilities	1,031	905	219	163	4	84	2,406
Borrowings							3,300
Taxes payable							126
Elimination							(1,940)
Total liabilities							3,892

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Mining Projects Baimskaya	Mining Projects Koksay	Corporate Services[4]	Total
							At 30 June 2019
Assets							
Non-current assets[1]	1,458	1,125	360	938	239	6,215	10,335
Current assets excluding cash and cash equivalents[2]	320	268	209	6	–	1,872	2,675
Cash and cash equivalents	97	18	49	–	68	507	739
Segment assets	1,875	1,411	618	944	307	8,594	13,749
Taxes receivable							57
Elimination							(8,112)
Total assets							5,694
Liabilities							
Non-current liabilities	13	10	68	–	3	–	94
Inter-segment borrowings	833	867	123	41	–	–	1,864
Current liabilities[3]	127	59	91	5	71	90	443
Segment liabilities	973	936	282	46	74	90	2,401
Borrowings							3,299
Taxes payable							118
Elimination							(1,900)
Total liabilities							3,918

1 Non-current assets include property, plant and equipment, mining assets and intangible assets which are located in the principal country of operations of each operating segment. Aktogay, Bozshakol and Koksay (within Mining Projects) segments principally operate in Kazakhstan. The East Region and Bozymchak segment includes property, plant and equipment, mining assets and intangible assets of $313 million relating to the East Region assets located in Kazakhstan and $44 million of Bozymchak assets located in Kyrgyzstan (31 December 2019: $303 million and $52 million respectively; 30 June 2019: $277 million and $53 million respectively). The Baimskaya (within Mining Projects) segment relates to assets located in Russia. Additionally, included within non-current assets is long-term stockpiled ore of $114 million at Bozshakol and $51 million at Aktogay (31 December 2019: $135 million and $42 million respectively; 30 June 2019: $129 million and $25 million respectively).
2 Current assets excluding cash and cash equivalents and current investments comprise inventories, prepayments and other current assets and trade and other receivables, including intragroup non-financing receivables.
3 Current liabilities comprise trade and other payables, including intragroup non-financing related payables, and other current liabilities including provisions.
4 Corporate Services non-current assets include $6,229 million of intra-group investments while current assets include $1,804 million of inter-segment loans, which are eliminated within total assets (31 December 2019: $6,216 million and $1,919 million respectively; 30 June 2019: $6,212 million and $1,864 million respectively).

(iii) Capital expenditure[1]

$ million	**Aktogay**	**Bozshakol**	**East Region and Bozymchak**	**Mining Projects Baimskaya**	**Mining Projects Koksay**	**Corporate Services**	**Total**
							Six months ended 30 June 2020
Property, plant and equipment	**175**	**14**	**14**	**28**	**1**	**1**	**233**
Mining assets	**3**	**2**	**28**	**45**	**1**	**–**	**79**
Intangible assets	**–**	**–**	**–**	**1**	**–**	**–**	**1**
Capital expenditure	**178**	**16**	**42**	**74**	**2**	**1**	**313**

$ million	Aktogay[2]	Bozshakol[3]	East Region and Bozymchak	Mining Projects Baimskaya[4]	Mining Projects Koksay	Corporate Services	Total
							Six months ended 30 June 2019
Property, plant and equipment	275	61	16	–	–	–	352
Mining assets	1	1	18	458	2	–	480
Intangible assets	–	–	1	–	–	–	1
Capital expenditure	276	62	35	458	2	–	833

1 Capital expenditure presented by operating segment reflects cash paid and is aligned with the Group's internal capital expenditure reporting. Capital expenditure includes non-current advances paid for items of property, plant and equipment and mining assets.
2 Includes $19 million settled in the first half of 2019 in respect of final amounts deferred on agreement with the principal construction contractor at the original Aktogay project.
3 Includes $37 million for the payment of final retentions in the first half of 2019 relating to the construction of the sulphide and clay plants.
4 Includes $436 million paid on 22 January 2019 to acquire the asset.

(b) Information in respect of revenues

Revenues by product to third parties are as follows:

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Total
	Six months ended 30 June 2020			
Copper cathodes	**167**	**54**	**139**	**360**
Copper in concentrate	**174**	**231**	**–**	**405**
Gold	**2**	**16**	**38**	**56**
Gold in concentrate	**–**	**110**	**–**	**110**
Silver	**1**	**1**	**18**	**20**
Silver in concentrate	**3**	**6**	**–**	**9**
Zinc in concentrate	**–**	**–**	**22**	**22**
Other revenues including other by-products	**2**	**1**	**6**	**9**
	349	**419**	**223**	**991**

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Total
	Six months ended 30 June 2019			
Copper cathodes	200	30	170	400
Copper in concentrate	221	228	–	449
Gold	3	37	33	73
Gold in concentrate	–	70	–	70
Silver	1	1	15	17
Silver in concentrate	4	4	–	8
Zinc in concentrate	–	–	31	31
Other revenues including other by-products	–	2	2	4
	429	372	251	1,052

Most of the Group's sales agreements are based on provisional pricing with the final pricing usually determined by the average market price of the respective metal in the month (for gold and silver bar), the month following (for copper cathode and zinc concentrate) or the second month following (for copper concentrate including by-products) dispatch to the customer. At 30 June, the Group's provisionally priced volumes and their respective average provisional price were as follows:

	At 30 June 2020		At 30 June 2019	
	Provisionally priced volumes	**Weighted average provisional price**	Provisionally priced volumes	Weighted average provisional price
Copper cathodes	**6 kt**	**5,632 $/t**	7 kt	6,077 $/t
Copper in concentrate[1]	**22 kt**	**4,815 $/t**	27 kt	5,431 $/t
Gold in concentrate[1]	**16 koz**	**1,714 $/oz**	16 koz	1,286 $/oz
Silver in concentrate[1]	**128 koz**	**16 $/oz**	141 koz	14 $/oz
Zinc in concentrate[1]	**1 kt**	**1,119 $/t**	5 kt	2,135 $/t

1 Payable metal in concentrate. Typically priced after deduction of a processing charge.

The final prices for the provisionally priced volumes shown above will be determined during the quarter after the period end. At 30 June 2020, sales contracts which had not been finally priced were marked to market to reflect the expected settlement price based on the appropriate forward metal price (typically one month for copper cathode and zinc concentrate and two months for copper concentrate including by-products). This adjustment increased revenue by $20 million (30 June 2019: decreased by less than $1 million). The cumulative commodity pricing adjustments recorded during the first half of 2020 between the final price and the forward price at the expected settlement date, at the time of the sale, resulted in a $7 million increase (H1 2019: $4 million increase) which is included within revenues.

Revenues by destination from sales to third parties are as follows:

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Total
	Six months ended 30 June 2020			
China	**345**	**298**	**151**	**794**
Europe	**2**	**105**	**29**	**136**
Kazakhstan and Central Asia	**2**	**16**	**43**	**61**
	349	**419**	**223**	**991**

$ million	Aktogay	Bozshakol	East Region and Bozymchak	Total
			Six months ended 30 June 2019	
China	403	200	143	746
Europe	23	135	61	219
Kazakhstan and Central Asia	3	37	47	87
	429	372	251	1,052

The Group's copper concentrate sales and certain copper cathode and zinc sales have been contracted to Advaita East Trade DMCC ('Advaita'). Advaita is a member of a metals trading group with significant experience in marketing metals the Group produces into China and Europe. Sales from all the Group's segments to Advaita comprise 82% ($813 million) of revenues (H1 2019: 87% or $919 million). The risk arising from the concentration of revenue to one customer is managed through the Group's financial risk management policies requiring sale of metal to be made either on receipt of cash prior to delivery, on delivery, or through letters of credit which are received from the customer's bank depending on when the transfer of title of the goods takes place.

5. Finance costs

$ million	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Total interest incurred on borrowings	**108**	117
Less: amounts capitalised to the cost of qualifying assets[1]	**(28)**	(12)
Interest expense on borrowings	**80**	105
Fair value losses on debt related derivative financial instruments	**6**	–
Unwinding of discount on provisions and other liabilities	**2**	2
Interest on employee obligations	**–**	1
	88	108

1 In the first half of 2020, the Group capitalised to the cost of the Aktogay expansion project $10 million (H1 2019: $nil) of borrowing costs from the DBK-Aktogay expansion facility at an average rate of interest of 5.45%. The Group also capitalised to the cost of the Aktogay expansion and the Baimskaya copper project and other qualifying assets $18 million (H1 2019: $12 million) of borrowing costs at an average rate of interest of 5.61% (H1 2019: 7.12%) from all other borrowings outstanding during the period, which are regarded as general borrowings for Group reporting purposes. In accordance with IAS 23 *'Borrowing Costs'*, project specific borrowings are included as general borrowings once those assets are operating as intended and therefore the associated interest will become available for capitalisation on other qualifying assets.

Further information relating to finance costs is in the Financial review on page 18.

6. Income tax expense

Major components of income tax expense are:

$ million	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Current income tax		
Corporate income tax – current period (UK)	**–**	–
Corporate income tax – current period (overseas)	**52**	48
Corporate income tax – prior periods (overseas)	**(2)**	1
	50	49
Deferred income tax		
Corporate income tax – current period temporary differences	**–**	13
Corporate income tax – prior periods temporary differences	**2**	–
	2	13
	52	62

A reconciliation of the income tax expense applicable to the accounting profit before tax at the statutory income tax rate, to the income tax expense at the effective income tax rate, is as follows:

$ million	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Profit before tax	**249**	289
At UK statutory income tax rate of 19.0%	**47**	55
(Over)/under provided in prior periods – current income tax	**(2)**	1
Underprovided in prior periods – deferred income tax	**2**	–
Effect of changes in future tax rates	**(2)**	–
Tax effect of non-deductible items:		
Transfer pricing	**1**	1
Other non-deductible expenses	**6**	5
	52	62

Corporate income tax ('CIT') is calculated at 19.0% (H1 2019: 19.0%) of the assessable profit for the period for the Company and its UK subsidiaries and at 20.0% (H1 2019: 20.0%) for the operating subsidiaries in Kazakhstan and Russia. In Kyrgyzstan, changes to legislation applicable from November 2017 have reduced CIT to 0%, replaced by a tax on gold revenues, which is reflected as royalties within selling expenses.

Historical tax years relating to various companies within the Group remain open for tax audits. The tax authorities in Kazakhstan are able to raise additional tax assessments for five years after the end of the relevant tax period. In Kyrgyzstan, tax authorities are able to raise additional tax assessments for a period of six years after the end of the relevant tax period. In Russia, the tax authorities are able to raise additional tax assessments for a period of three years prior to the year of review. In all three jurisdictions, under certain circumstances, historical tax years may remain open for inspection for longer periods.

7. Earnings per share

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

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Underlying Profit[1] and profit attributable to equity holders of the Company	**197**	227
Weighted average number of ordinary shares of 20 pence each for EPS calculation – basic	**472,432,524**	468,304,900
Potential dilutive ordinary shares, weighted for the period outstanding	**21,009,973**	18,572,352
Weighted average number of ordinary shares of 20 pence each for EPS calculation – diluted	**493,442,497**	486,877,252
Ordinary EPS and EPS based on Underlying Profit[1] – basic ($)	**0.42**	0.48
Ordinary EPS and EPS based on Underlying Profit[1] – diluted ($)	**0.40**	0.47

1 Alternative Performance Measures (APMs) are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 51.

Basic EPS (both Ordinary EPS and EPS based on Underlying Profit) is calculated by dividing profit or Underlying Profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the period. The provision of shares to the Group's share-based payment plans is facilitated by an Employee Benefit Trust. Purchases of the Company's shares by the Employee Benefit Trust and by the Company under any share buy-back programmes are held in treasury and treated as own shares.

For the purposes of calculating diluted EPS, it is assumed that the $225 million Deferred Consideration arising on the acquisition of the Baimskaya copper project (see note 10(b)(iii)) will be settled in 21.0 million shares, reflecting the Group's ability to waive the Project Delivery Conditions that are not met and settle in shares. In the first half of 2019, the resulting 21,009,973 potential ordinary shares were weighted over the period they were outstanding, from acquisition on 22 January 2019 to 30 June 2019, providing an additional 18,572,352 shares included in the calculation of diluted EPS.

Further information relating to EPS is in the Financial review on page 19.

8. Dividends

(a) Dividends paid

The dividends paid during the six months ended 30 June 2020 and 2019 were as follows:

	Per share US cents	Amount $ million
Six months ended 30 June 2020		
Final dividend in respect of year ended 31 December 2019	**8.0**	**38**
Six months ended 30 June 2019		
Final dividend in respect of year ended 31 December 2018	6.0	28

(b) Dividends declared after the balance sheet date

	Per share US cents	Amount $ million
Declared by the Directors on 17 August 2020 (not recognised as a liability at 30 June 2020)		
Interim dividend in respect of the half year ended 30 June 2020	**4.0**	**19**

9. Other non-current assets

$ million	**At 30 June 2020**	At 31 December 2019	At 30 June 2019
Non-current inventories[1]	**165**	176	154
Advances paid for property, plant and equipment and mining assets	**93**	144	187
Non-current VAT receivable[2]	**15**	15	12
Long-term bank deposits[3]	**4**	4	3
Gross value of other non-current assets	**277**	339	356
Provision for impairment	**(1)**	(1)	(1)
	276	338	355

1 Non-current inventories comprise ore stockpiles that are expected to be processed in excess of 12 months from the balance sheet date and relate mainly to clay ore at Bozshakol and low grade sulphide ore at Aktogay.
2 Comprises VAT incurred at Bozymchak which is subject to audit and other administrative procedures prior to refund, with anticipated refund dates in excess of 12 months from the balance sheet date.
3 Long-term bank deposits are monies placed in escrow accounts with financial institutions in Kazakhstan and Kyrgyzstan as required by the Group's site restoration obligations.

10. Share capital and reserves

(a) Allotted share capital

	Number	£ million	$ million
Allotted and called up share capital – ordinary shares of 20 pence each			
At 1 January 2019	458,379,033	92	171
Shares issued	22,344,944	4	6
At 30 June 2019, 1 January 2020 and 30 June 2020	**480,723,977**	**96**	**177**

On 22 January 2019, the Company issued 22,344,944 KAZ Minerals PLC shares allotted as part of the Initial Consideration for the Baimskaya copper project. The 22.3 million shares are subject to a three-year lock-up period ending on the third anniversary of Initial Completion. The issued share capital was fully paid.

(b) Capital reserves

	Attributable to equity holders of the Company			
$ million	Currency translation reserve	Capital redemption reserve	Deferred Consideration reserve	Total
At 1 January 2020	**(2,414)**	**31**	**225**	**(2,158)**
Exchange differences on retranslation of foreign operations	**(206)**	**–**	**–**	**(206)**
At 30 June 2020	**(2,620)**	**31**	**225**	**(2,364)**
At 1 January 2019	(2,488)	31	–	(2,457)
Exchange differences on retranslation of foreign operations	61	–	–	61
Deferred Consideration on acquisition of Baimskaya copper project	–	–	225	225
At 30 June 2019	(2,427)	31	225	(2,171)

(i) 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. The decrease in the US dollar value of the Group's foreign currency operations attributable to equity holders of the Company of $206 million (H1 2019: increase of $61 million) follows a 6% decrease in the value of the tenge from 31 December 2019 to 30 June 2020.

(ii) Capital redemption reserve

As a result of the share buy-back programme undertaken in 2008 and the repurchase of Company shares in 2013, transfers were made from share capital to the capital redemption reserve based on the nominal value of the shares cancelled.

(iii) Deferred Consideration reserve

On 22 January 2019, the Group announced the Initial Completion of the acquisition of the Baimskaya copper project in the Chukotka region of Russia for total consideration of $900 million, of which around $880 million has been reflected as a mining licence within mining assets, $13 million in net deferred tax assets and $7 million relating to other non-current assets, income taxes prepaid and cash and cash equivalents ($1 million). The consideration due at Initial Completion was $675 million for a 75% equity stake in the project, made up of $436 million in cash and 22.3 million new KAZ Minerals shares valued at $239 million, which was recognised as an increase in share capital of around $6 million (see note 10(a)) and share premium of $233 million.

The Deferred Consideration of $225 million represents the purchase price for the remaining interest in Baimskaya and is payable in 21.0 million shares, subject to the achievement of certain Project Delivery Conditions, including a pre-determined level of throughput and development of infrastructure by the Russian state. To the extent these conditions are not met or waived by the Group and therefore not settled in shares, the Deferred Consideration will become payable in cash on 31 March 2029.

The Deferred Consideration has been included within equity as a separate share-based payment reserve, representing the Group's ability to settle this amount through the issue of 21.0 million shares, measured according to the fair value of the asset acquired on Initial Completion. If the Group decides not to waive any outstanding conditions and settle the Deferred Consideration in cash, the cash payment will be accounted for as the repurchase of an equity interest. The Group obtained a 75% equity stake in the project on Initial Completion, however no non-controlling interest is recognised as the remaining 25% will be purchased through Deferred Consideration.

11. Non-controlling interests

Non-controlling interests that are material to the Group are reflected in the table below and relate to the transfer of a 19.4% equity stake in KAZ Minerals Koksay B.V., the parent company of the entity which holds the Koksay mining licence in Kazakhstan, to NFC in July 2019 (see note 13). The principal operations of KAZ Minerals Koksay B.V. relate to the Koksay exploration licence located in Kazakhstan.

Summarised financial information on a 100% basis for Koksay is as follows:

$ million	**At 30 June 2020**	At 31 December 2019	At 30 June 2019
Non-current assets	**241**	243	239
Current assets[1]	**62**	64	68
Non-current liabilities	**(3)**	(3)	(3)
Current liabilities	**–**	(1)	(71)
Net assets	**300**	303	233
Attributable to non-controlling interests	**58**	59	–
Attributable to KAZ Minerals PLC	**242**	244	233

1 Current assets comprise cash and cash equivalents of $62 million (31 December 2019: $64 million, 30 June 2019: $68 million) which are to be used solely for the investment into the Koksay project.

The loss for the period and net movement in cash and cash equivalents for Koksay was as follows:

$ million	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Loss for the period	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(2)**	43
Net cash flows used in investing activities	**(2)**	(2)
Net cash flows from financing activities	**–**	45

In addition, non-controlling interests that were not material to the Group were $nil at 30 June 2020 and 31 December 2019 (30 June 2019: $1 million).

12. Borrowings

	Maturity	Average interest rate during the period	Currency of denomination	Current $ million	Non-current $ million	Total $ million
At 30 June 2020						
CDB-Bozshakol and Bozymchak (US$ LIBOR + 4.50%)	2025	6.41%	US dollar	**181**	**895**	**1,076**
CDB-Aktogay facility (PBoC 5 year)	2028	4.30%	CNY	**11**	**79**	**90**
CDB-Aktogay facility (US$ LIBOR + 4.20%)	2029	5.66%	US dollar	**106**	**958**	**1,064**
PXF facility (US$ LIBOR + 2.25% to 3.50%)	2024	3.43%	US dollar	**79**	**908**	**987**
DBK-Aktogay facility (US$ LIBOR + 4.50%)	2025	6.14%	US dollar	**43**	**170**	**213**
DBK-Aktogay expansion facility (US$ LIBOR + 3.90%)	2034	5.45%	US dollar	**–**	**396**	**396**
CAT facility (US$ LIBOR + 3.00% to 4.50%)	2024	4.18%	US dollar	**15**	**57**	**72**
				435	**3,463**	**3,898**
At 31 December 2019						
CDB-Bozshakol and Bozymchak (US$ LIBOR + 4.50%)	2025	7.06%	US dollar	180	985	1,165
CDB-Aktogay facility (PBoC 5 year)	2028	5.42%	CNY	12	85	97
CDB-Aktogay facility (US$ LIBOR + 4.20%)	2029	6.69%	US dollar	105	1,012	1,117
PXF facility (US$ LIBOR + 3.00% to 4.50%)	2021	5.30%	US dollar	200	100	300
DBK-Aktogay facility (US$ LIBOR + 4.50%)	2025	7.11%	US dollar	43	191	234
DBK-Aktogay expansion facility (US$ LIBOR + 3.90%)	2034	5.98%	US dollar	–	315	315
CAT facility (US$ LIBOR + 3.00% to 4.50%)	2024	4.91%	US dollar	5	67	72
				545	2,755	3,300
At 30 June 2019						
CDB-Bozshakol and Bozymchak (US$ LIBOR + 4.50%)	2025	7.34%	US dollar	180	1,075	1,255
CDB-Aktogay facility (PBoC 5 year)	2028	5.53%	CNY	12	92	104
CDB-Aktogay facility (US$ LIBOR + 4.20%)	2029	6.83%	US dollar	105	1,064	1,169
PXF facility (US$ LIBOR + 3.00% to 4.50%)	2021	5.49%	US dollar	200	200	400
DBK-Aktogay facility (US$ LIBOR + 4.50%)	2025	7.29%	US dollar	43	213	256
DBK-Aktogay expansion facility (US$ LIBOR + 3.90%)	2034	n/a	US dollar	–	115	115
				540	2,759	3,299

CDB-Bozshakol and Bozymchak facilities

At 30 June 2020, $1.1 billion (31 December 2019: $1.2 billion; 30 June 2019: $1.3 billion) was drawn under the facility agreements. The facilities accrue interest at US$ LIBOR plus 4.50% and arrangement fees with an amortised cost at 30 June 2020 of $7 million (31 December 2019: $9 million; 30 June 2019: $10 million) have been netted off against these borrowings in accordance with IFRS 9 '*Financial Instruments*'. During the six month period, $91 million of the borrowing was repaid, with $181 million due to be repaid within 12 months of the balance sheet date (including $2 million of unamortised debt costs). The facility is repayable in semi-annual instalments in January and July with final maturity in 2025. KAZ Minerals PLC acts as guarantor of the facilities.

CDB-Aktogay facilities

The CDB-Aktogay facilities consist of a CNY 1.0 billion facility and a $1.3 billion US dollar facility. KAZ Minerals PLC acts as guarantor of both facilities.

At 30 June 2020, the drawn US dollar equivalent amount under the CNY facility was $90 million (31 December 2019: $97 million; 30 June 2019: $104 million). The facility accrues interest at the applicable benchmark lending rate published by the People's Bank of China. This facility is repayable in semi-annual instalments in March and September of each year until final maturity in 2028. $6 million was repaid in the first half of 2020, while $11 million is due to be repaid within 12 months of the balance sheet date. To protect the Group from currency risks arising on the CNY denominated debt, the Group has entered into CNY/US$ cross currency swaps for a portion of the exposure. This derivative instrument provides a hedge against movements in the CNY exchange rate against the US dollar and also swaps the interest basis from a CNY interest rate into a US$ LIBOR interest basis. The fair value of the swaps at 30 June 2020, included within payables, was $18 million (31 December 2019: $12 million; 30 June 2019: $12 million).

The US dollar facility accrues interest at US$ LIBOR plus 4.20%. At 30 June 2020, $1.1 billion (31 December 2019: $1.1 billion; 30 June 2019: $1.2 billion) was outstanding under the facility. Arrangement fees with an amortised cost of $8 million (31 December 2019: $9 million; 30 June 2019: $10 million) have been netted off against these borrowings in accordance with IFRS 9. The facility is repayable in semi-annual instalments in March and September until final maturity in 2029. During the first half of 2020, $54 million was repaid, with $106 million due to be repaid within 12 months of the balance sheet date (including $2 million of unamortised debt costs).

PXF facility

On 28 January 2020, the Group completed an amendment and extension of the PXF which includes an increase in facility commitments to $1.0 billion, an extension of the loan tenor and a reduction in the facility margin. The amendment represented a net increase of $700 million above the $300 million outstanding under the previous facility and the maturity profile was extended by 3.5 years, from June 2021 until December 2024 with two annual extension options which, if exercised, would extend final maturity of the facility to December 2025 or December 2026 respectively. The amended facility accrues interest at a variable margin of between 2.25% and 3.50% above US$ LIBOR (previously between 3.00% and 4.50% above US$ LIBOR), dependent on the ratio of net debt to EBITDA which will be tested semi-annually. Monthly repayments will commence in January 2021, with a final balloon repayment of one-third of the facility amount ($333 million) in December 2024, which will be amortised during 2025 and 2026 if the extension options are exercised.

At 30 June 2020, $1.0 billion (31 December 2019: $300 million; 30 June 2019: $400 million) was drawn under the PXF facility, with repayment in January of $17 million and subsequent drawings of $702 million (net of arrangement fees) in the six month period. As the present value of the cash flows under the previous facility was not determined to be substantially different, arrangement fees relating to the amendment have been netted off against these borrowings in accordance with IFRS 9 with an amortised cost at 30 June 2020 of $13 million (31 December 2019 and 30 June 2019: $nil). $79 million was due to be repaid within 12 months of the balance sheet date (including $4 million of unamortised debt costs). KAZ Minerals PLC, Vostoktsvetmet LLC and KAZ Minerals Sales Limited act as guarantors of the facility.

DBK-Aktogay facilities

The DBK-Aktogay facilities consist of a $600 million credit facility agreement relating to the Aktogay expansion project and a $300 million facility relating to the original Aktogay project. KAZ Minerals PLC acts as guarantor of both facilities.

The $600 million facility was entered into in June 2019 and will be drawn in accordance with capital expenditure incurred on certain contracts committed for the Aktogay expansion project. At 30 June 2020, $400 million (31 December 2019: $320 million; 30 June 2019: $120 million) was drawn under the facility, with drawings of $80 million in the six month period. Arrangement fees with an amortised cost of $4 million (31 December 2019: $5 million; 30 June 2019: $5 million) have been netted off against these borrowings in accordance with IFRS 9. The facility extends for a term of 15 years and accrues interest at a rate of US$ LIBOR plus 3.90%. The facility is repayable in instalments with the first repayment due in June 2022, followed by semi-annual repayments in May and November of each year from November 2022 until the final repayment in 2034.

The $300 million facility was entered into in December 2016 and was fully drawn at 31 December 2016. The facility extends for a term of eight and a half years and accrues interest at US$ LIBOR plus 4.50%. The facility is repayable in semi-annual instalments in May and November with a final repayment in 2025. At 30 June 2020, $214 million (31 December 2019: $235 million; 30 June 2019: $257 million) was drawn under the facility. Arrangement fees with an amortised cost of $1 million (31 December 2019: $1 million; 30 June 2019: $1 million) have been netted off against these borrowings in accordance with IFRS 9. During the first half of 2020, $21 million of the borrowing was repaid, with $43 million due to be repaid within 12 months of the balance sheet date.

CAT facility

On 15 November 2019, the Group entered into a credit facility with CAT of up to $100 million. At 30 June 2020, $74 million (31 December 2019: $74 million; 30 June 2019: $nil) was drawn under the facility. Arrangement fees with an amortised cost of $2 million (31 December 2019: $2 million) have been netted off against these borrowings in accordance with IFRS 9. The facility accrues interest with a variable margin of between 3.00% and 4.50% above US$ LIBOR, dependent on the ratio of net debt to EBITDA which will be tested semi-annually. It is comprised of two sub-facilities of $40 million and $60 million secured against existing and new Caterpillar equipment, which will be drawn by March 2021. Quarterly repayments for the existing drawing will commence in December 2020 until final maturity in 2024, with $15 million due to be repaid within 12 months of the balance sheet date. KAZ Minerals PLC acts as guarantor of the facility.

Undrawn facilities

At 30 June 2020, $200 million remained to be drawn under the DBK-Aktogay expansion facility and $26 million remained to be drawn under the CAT facility. All other debt facilities were fully drawn at 30 June 2020, 31 December 2019 and 30 June 2019.

13. Other liabilities

$ million	At 30 June 2020	At 31 December 2019	At 30 June 2019
Payments for licences	**6**	7	7
Advance consideration	**–**	–	70
Other	**6**	8	2
	12	15	79
Current	**3**	3	72
Non-current	**9**	12	7
	12	15	79

Advance consideration

On 8 June 2018, KAZ Minerals announced an agreement for NFC to invest $70 million for a 19.4% equity stake in the Group's Koksay project. The $70 million cash consideration was received in advance from NFC (including $25 million received in 2018 and $45 million in the first half of 2019) and was reflected as a current liability pending completion of the transaction. Following completion of the transaction in July 2019, the advance consideration was reclassified to equity, with NFC's interest in KAZ Minerals Koksay B.V. reflected as a non-controlling interest of $59 million (see note 11), being its share of Koksay's net assets, and the remaining amount recognised directly within equity and attributed to the Group's shareholders.

14. Consolidated cash flow analysis

(a) Reconciliation of profit before tax to net cash inflow from operating activities

$ million	Notes	Six months ended 30 June 2020	Six months ended 30 June 2019
Profit before tax		**249**	289
Finance income		**(7)**	(11)
Finance costs	5	**88**	108
Share-based payments		**2**	2
Depreciation, depletion and amortisation		**122**	124
Unrealised foreign exchange loss		**24**	25
Other reimbursements		**1**	1
Operating cash flows before changes in working capital and provisions		**479**	538
Increase in inventories		**(67)**	(103)
Increase in prepayments and other current assets		**(66)**	(34)
Decrease in trade and other receivables		**58**	–
Increase/(decrease) in trade and other payables and provisions		**36**	(19)
Cash flows from operations before interest and income taxes paid		**440**	382

(b) Cash and cash equivalents

$ million	At 30 June 2020	At 31 December 2019	At 30 June 2019
Cash deposits with maturities less than three months[1]	**432**	517	475
Cash at bank	**369**	24	264
	801	541	739

1 Excludes term deposits with original maturity of greater than three months classified within current investments. Included within cash and cash equivalents is $62 million (31 December 2019: $64 million; 30 June 2019: $68 million) which is to be used solely for the investment into the Koksay project (see note 11).

(c) Movement in net debt

$ million	At 1 January 2020	Cash flow	Other movements	At 30 June 2020
Cash and cash equivalents	**541**	**256**	**4**	**801**
Current investments[1]	**–**	**300**	**–**	**300**
Borrowings[2]	**(3,300)**	**(593)**	**(5)**	**(3,898)**
Net debt[3]	**(2,759)**	**(37)**	**(1)**	**(2,797)**

$ million	At 1 January 2019	Cash flow	Other movements	At 30 June 2019
Cash and cash equivalents	1,219	(475)	(5)	739
Less: restricted cash	(2)	–	2	–
Current investments[1]	250	(250)	–	–
Borrowings[2]	(3,453)	157	(3)	(3,299)
Net debt[3]	(1,986)	(568)	(6)	(2,560)

1 Current investments include term deposits with original maturity of greater than three months.
2 The cash flows on borrowings in the first half of 2020 reflect repayments on existing facilities of $189 million (H1 2019: $272 million) and drawings of $782 million (H1 2019: $115 million), net of arrangement fees (see note 12). Other movements include non-cash amortisation of fees on borrowings of $6 million (H1 2019: $3 million) and foreign exchange gains on the CDB-Aktogay CNY facility of $1 million (H1 2019: $nil).
3 APMs are used to assess the performance of the Group and are not defined or specified under IFRS. For further information on APMs, including justification for their use, please refer to the APMs section on page 51.

15. Financial instruments

The carrying amounts of financial assets and liabilities by categories are as follows:

$ million	Notes	At 30 June 2020	At 31 December 2019	At 30 June 2019
Financial assets at amortised cost				
Long-term bank deposits	9	**4**	4	3
Trade and other receivables not subject to provisional pricing		**9**	18	6
Current investments	14(c)	**300**	–	–
Cash and cash equivalents	14(b)	**801**	541	739
		1,114	563	748
Financial assets at fair value through profit or loss				
Trade receivables subject to provisional pricing[1]		**112**	158	122
Financial liabilities at amortised cost				
Borrowings[2]	12	**(3,898)**	(3,300)	(3,299)
Other liabilities	13	**(12)**	(15)	(79)
Trade and other payables[3]		**(222)**	(276)	(247)
		(4,132)	(3,591)	(3,625)
Financial liabilities at fair value through profit or loss				
Derivative instrument[4]		**(18)**	(12)	(12)

1 Trade receivables subject to provisional pricing include a $20 million favourable adjustment (31 December 2019: $12 million favourable; 30 June 2019: $1 million adverse) arising from the marked to market valuation on provisionally priced contracts at the period end. These are measured according to prices directly or indirectly based on observable market data, namely quoted forward prices, which is a level 2 valuation method within the fair value hierarchy.
2 The fair value of borrowings approximates its carrying value and is measured by discounting future cash flows using currently available interest rates for debt of similar maturities, which is a level 3 valuation method within the fair value hierarchy.
3 Excludes payments received in advance from customers, other taxes payable and MET and royalties payable that are not regarded as financial instruments.
4 Derivative financial instruments, representing cross currency and interest rate swaps, are measured according to inputs other than quoted prices that are observable for the derivative financial instrument, either directly or indirectly, which is a level 2 valuation method within the fair value hierarchy.

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented.

16. Commitments and contingencies

(a) Legal claims

In the ordinary course of business, the Group is subject to legal actions and complaints. The Directors believe that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial condition or results of operations of the Group. As of 30 June 2020, 31 December 2019 and 30 June 2019, the Group was not involved in any significant legal proceedings, including arbitration, which may crystallise a material financial loss for the Group.

(b) Capital expenditure commitments

The Group has capital expenditure commitments for the purchase of property, plant and equipment as well as commitments under its mining subsoil agreements. The total commitments for property, plant and equipment at 30 June 2020 amounted to $454 million (31 December 2019: $537 million, 30 June 2019: $700 million). These amounts relate mainly to the Aktogay expansion, the Artemyevsky expansion and the Baimskaya copper project, which reflect contractual commitments, not the minimum cost which would be incurred in the event of delay or cancellation.

(c) Tax audits

Historical tax years relating to various companies within the Group remain open for inspection during a tax audit. The tax authorities in Kazakhstan are able to raise additional tax assessments for five years after the end of the relevant tax period in respect of all taxes. In Kyrgyzstan, tax authorities are able to raise additional tax assessments for a period of six years after the end of the relevant tax period. In Russia, the tax authorities are able to raise additional tax assessments for a period of three years prior to the year of review. In all three jurisdictions, under certain circumstances, historical tax years may remain open for inspection for longer periods. A number of the Group's operating subsidiaries in Kazakhstan are currently undergoing or expected to undergo routine tax audits which could give rise to substantial tax assessments. As such, additional tax payments could arise for the Group.

17. Related party disclosures

(a) Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties, including Kazakhmys Holding Group, are disclosed below.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial period:

$ million	Sales to related parties	Purchases from related parties	Amounts owed by related parties[1]	Amounts owed to related parties
Kazakhmys Holding Group				
30 June 2020	**–**	**53**	**6**	**3**
30 June 2019	1	55	5	2

1 No provision is held against the amounts owed by related parties at 30 June 2020 and 2019.

Kazakhmys Holding Group

The related party transactions and balances with companies which are part of the Kazakhmys Holding Group (a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company) are provided under two Framework Service Agreements and in accordance with the Relationship Agreements. These include the provision of smelting and refining of the Group's copper concentrate at the Balkhash smelter, electricity supply and certain maintenance functions.

At 30 June 2020, the Group's joint operation, ICG, held cash and cash equivalents of $1 million (31 December 2019: $3 million; 30 June 2019: $nil) with Bank RBK JSC (a company majority owned by Vladimir Kim, a Director of the Company). Joint operations are proportionally consolidated such that the Group's share of its cash and cash equivalents are included within the consolidated financial statements.

(b) Terms and conditions of transactions with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

18. Post balance sheet events

(a) Dividends

On 17 August 2020, the Directors of the Company declared an interim dividend for the half year ended 30 June 2020 of 4.0 USc per share. See note 8(b).

ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

Alternative Performance Measures (APMs) are measures of financial performance, financial position or cash flows that are not defined or specified under IFRS. APMs are used by the Directors internally to assess the performance of the Group and assist in providing relevant and useful information to users of the half-yearly report.

APMs are not uniformly defined by all companies, including those in the Group's industry. APMs used by the Group may not be comparable with similarly titled measures and disclosures made by other companies. APMs should be considered in addition to and not as a substitute for measures of financial performance, financial position or cash flows reported in accordance with IFRS.

The Group uses APMs to improve the comparability of information between reporting periods and segments, either by adjusting for special items which impact upon IFRS measures or by aggregating or disaggregating IFRS measures, to aid understanding of the Group's performance. The definition and relevance of the APMs used by the Group is set out below, which are consistent with the previous reporting period.

(a) EBITDA

EBITDA is defined as earnings before interest, taxation, depreciation, depletion, amortisation, MET and royalties and special items[1]. EBITDA is a key non-IFRS measure that the Directors use internally to assess the performance of the Group's segments and is viewed as relevant to capital intensive industries with long life assets. The Directors believe that the exclusion of MET and royalties provides an informed measure of the operational profitability given the nature of the taxes, as further explained in the 'Taxation' section on page 19. Special items are excluded to enhance the comparability of EBITDA and certain other APMs from period to period. This performance measure is one of the Group's KPIs, the relevance of which is shown on page 28 of KAZ Minerals' 2019 Annual Report and Accounts. A reconciliation to operating profit is provided in note 4(a)(i) to the condensed consolidated financial statements.

(b) Underlying Profit

Underlying Profit is defined as profit/loss excluding special items[1] and their resulting tax and non-controlling interest effects. This measure is considered to be useful as it provides an indication of the profit resulting from the underlying trading performance of the Group. Underlying Profit is reconciled from profit attributable to equity holders of the Company on page 19 and as set out in note 7 to the condensed consolidated financial statements.

(c) EPS based on Underlying Profit

EPS based on Underlying Profit is profit/loss excluding special items[1] and their resulting tax and non-controlling interest effects, divided by the weighted average number of ordinary shares in issue during the period. This is one of the Group's KPIs for measuring financial performance, the relevance of which is outlined on page 28 of KAZ Minerals' 2019 Annual Report and Accounts. A calculation of EPS based on Underlying Profit is included within note 7 to the condensed consolidated financial statements.

(d) Gross liquid funds

Gross liquid funds is defined as the aggregate of cash and cash equivalents and current investments less restricted cash.

$ million	**At 30 June 2020**	At 31 December 2019
Cash and cash equivalents	**801**	541
Current investments	**300**	–
Gross liquid funds	**1,101**	541

(e) Net debt

Net debt is the excess of current and non-current borrowings over gross liquid funds. The Board uses this measure for the purposes of capital management. A reconciliation of net debt is included on page 20 and note 14(c) of the condensed consolidated financial statements.

1 Special items are defined as those items which are non-recurring or variable in nature and do not impact the underlying trading performance of the Group. In the six months ended 30 June 2020, there were no special items (H1 2019: none).

(f) Free Cash Flow

Free Cash Flow is net cash flow from operating activities, as reflected in the consolidated statement of cash flows on page 20, before capital expenditure and VAT associated with major growth projects less sustaining capital expenditure. This is one of the Group's KPIs for measuring financial performance, the relevance of which is outlined on page 28 of KAZ Minerals' 2019 Annual Report and Accounts. A reconciliation from net cash flow from operating activities is provided below.

$ million	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Net cash flows from operating activities	**310**	236
Net VAT paid associated with major growth projects	**2**	12
Less: sustaining capital expenditure	**(61)**	(66)
Free Cash Flow	**251**	182

(g) Gross cash costs

Gross cash costs is defined as cash operating costs excluding purchased cathode plus TC/RC on concentrate sales, divided by the volume of own copper sales. Cash costs are a standard industry measure applied by most major copper mining companies. The Directors use gross cash costs to measure the performance of the Group in managing its costs. A reconciliation from revenues is shown below.

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Revenues	**991**	1,052
Less: EBITDA – see note 4(a)(i)	**(559)**	(620)
Cash operating costs	**432**	432
Less: cash operating costs excluded from gross cash costs (including corporate)	**(25)**	(20)
Add: TC/RC on concentrate sales	**38**	47
Gross cash costs	**445**	459
Own copper sales (kt)	**146.9**	144.4
Gross cash costs ($/t)	**3,029**	3,179
Gross cash costs (USc/lb)	**137**	144

(h) Net cash costs

Net cash costs is defined as gross cash costs less by-product revenues, divided by the volume of own copper sales. This is one of the Group's KPIs for measuring cost performance, the relevance of which is outlined on page 29 of KAZ Minerals' 2019 Annual Report and Accounts. A reconciliation from gross cash costs is shown below.

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Gross cash costs – see note (g) above	**445**	459
Less: by-product revenues – see note 4(b), excluding tolling revenues	**(226)**	(203)
Net cash costs	**219**	256
Own copper sales (kt)	**146.9**	144.4
Net cash costs ($/t)	**1,491**	1,773
Net cash costs (USc/lb)	**68**	80

(i) Maintenance spend per tonne of copper produced

Maintenance spend per tonne of copper produced is defined as sustaining capital expenditure, divided by copper production volumes. This is one of the Group's KPIs for measuring the efficiency of controlling sustaining capital expenditure, the relevance of which is outlined on page 29 of KAZ Minerals' 2019 Annual Report and Accounts. A reconciliation from capital expenditure included within the consolidated statement of cash flows is shown below.

$ million (unless otherwise stated)	**Six months ended 30 June 2020**	Six months ended 30 June 2019
Purchase of intangible assets – cash flow statement	**1**	1
Purchase of property, plant and equipment – cash flow statement	**233**	352
Investments in mining assets – cash flow statement	**79**	45
Less: expansionary and new project capital expenditure – see Financial review	**(252)**	(332)
Sustaining capital expenditure	**61**	66
Copper production (kt)	**153.8**	147.6
Maintenance spend per tonne of copper produced ($/t)	**397**	447

GLOSSARY

Aktogay II or Aktogay expansion
the expansion project at Aktogay to increase sulphide processing capacity at the site

APMs
Alternative Performance Measures being measures of financial performance, financial position or cash flows that are not defined or specified under IFRS but used by the Directors internally to assess the performance of the Group

Baimskaya or Baimskaya copper project
the mining licence covering the Peschanka copper deposit, located in the Chukotka region of Russia

Bankable Feasibility Study
the feasibility study for the Baimskaya copper project

Board or Board of Directors
the Board of Directors of the Company

cash operating costs
all costs included within profit before finance items and taxation, net of other operating income, excluding MET, royalties, depreciation, depletion, amortisation and special items

CAT
Caterpillar Financial Services (UK) Limited, a subsidiary of Caterpillar Financial Services Corporation and Caterpillar Inc.

CDB or China Development Bank
China Development Bank Corporation

China
People's Republic of China

CIT
corporate income tax

CNY
Chinese yuan, basic unit of the renminbi, the official currency of China

Commercial Production (Baimskaya)
the first commissioned concentrator at the project achieving 70 per cent of nameplate processing capacity for six consecutive calendar months

Company or KAZ Minerals
KAZ Minerals PLC

Copper Equivalent Production
copper equivalent production units, consisting of copper production plus gold production converted into copper units, assuming analyst consensus long term average price forecasts of $6,700/t for copper and $1,300/oz for gold

Covid-19
disease caused by Severe Acute Respiratory Syndrome Coronavirus-2

CREST
an electronic means of settling share transactions and registering investors on a company's register of members

DBK
Development Bank of Kazakhstan

Deferred Cash Consideration
$225 million in cash payable to the Vendor at the Long Stop Date, in lieu (in whole or in part) of payment of Deferred Equity Consideration at Final Completion, if and to the extent that the Project Delivery Conditions are not satisfied at the date of Commercial Production

Deferred Consideration
any Deferred Equity Consideration payable at Final Completion and any Deferred Cash Consideration payable at the Long Stop Date, with a total value of $225 million

Deferred Equity Consideration
up to 21,009,973 KAZ Minerals shares to be issued to the Vendor or its nominee at Final Completion, if and to the extent that the Project Delivery Conditions are satisfied at the date of Commercial Production

Directors
the Directors of the Company

Disposal Assets
the Disposal Assets comprised the mining, processing, auxiliary, transportation and heat and power assets of the Group in the Zhezkazgan and Central Regions of Kazakhstan. The Disposal Assets included 12 copper mines, mine development opportunities, four concentrators, two smelters, two coal mines and three captive heat and power stations, all of which were disposed of as a result of the Restructuring

dollar or $ or US$ or USD
United States dollars, the official currency of the United States of America

DTR
Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority

EBITDA
earnings before interest, taxation, depreciation, depletion, amortisation, MET and royalties and special items. A reconciliation to operating profit is in note 4(a)(i) of the condensed consolidated financial statements

EPS
earnings per share

EPS based on Underlying Profit
profit/loss excluding special items and their resulting tax and non-controlling interest effects, divided by the weighted average number of ordinary shares in issue during the period (see note 7 of the condensed consolidated financial statements)

EU
European Union

Final Completion
completion of the acquisition by KAZ Minerals of the remaining 25 per cent interest in the Baimskaya copper project, which will be at the earlier of (i) a date shortly after the date of Commercial Production and (ii) the Long Stop Date

Free Cash Flow
net cash flow from operating activities before capital expenditure and VAT associated with major growth projects less sustaining capital expenditure (see page 52 for a reconciliation to the closest IFRS based measure)

g/t
grammes per metric tonne

gross cash costs
cash operating costs excluding purchased cathode plus TC/RC on concentrate sales, divided by the volume of own copper sales

gross liquid funds
the aggregate of cash and cash equivalents and current investments less restricted cash

the Group
KAZ Minerals PLC and its subsidiary companies

IAS
International Accounting Standard

IASB
International Accounting Standards Board

ICG
Industrial Construction Group LLC

ICMM
International Council on Mining and Metals

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standard

Initial Cash Consideration
$436 million in cash

Initial Completion
completion of the acquisition by KAZ Minerals of a 75 per cent interest in the Baimskaya copper project in the first half of 2019, after obtaining anti-monopoly and other regulatory approvals and satisfaction of certain other conditions

Initial Consideration
the Initial Cash Consideration and the Initial Equity Consideration payable at Initial Completion, with a total value of $675 million at 31 July 2018

Initial Equity Consideration
22,344,944 new KAZ Minerals shares valued at $239 million at 31 July 2018

IRR
internal rate of return

JORC
Joint Ore Reserves Committee

JORC Code
the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, a professional code of practice that sets minimum standards for Public Reporting of Minerals Exploration Results, Mineral Resources and Ore Reserves

Kazakhmys Holding Group
Kazakhmys Holding Group B.V. (formerly Cuprum Netherlands Holding B.V.), the entity to which the Disposal Assets were transferred, a company owned by Vladimir Kim, a Director of the Company, and Eduard Ogay, a former Director of the Company

Kazakhstan
the Republic of Kazakhstan

koz
thousand ounces

KPI
key performance indicator

kt
thousand metric tonnes

Kyrgyzstan
the Kyrgyz Republic

KZT or tenge
the official currency of the Republic of Kazakhstan

lb
pound, unit of weight

LBMA
London Bullion Market Association

LIBOR
London Interbank Offered Rate

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

Listing Rules
the Listing Rules of the UK Listing Authority

LME
London Metal Exchange

LNG
liquified natural gas

Long Stop Date
31 March 2029

major growth projects
the initial construction of Aktogay, Bozshakol, the Aktogay expansion project and the Baimskaya copper project

MET
mineral extraction tax

Mineral Resources
Mineral Resources as defined under the JORC code

Moz
million ounces

Mt
million metric tonnes

Mtpa
million metric tonnes per annum

net cash costs
gross cash costs less by-product revenues, divided by the volume of own copper sales

net debt
the excess of current and non-current borrowings over gross liquid funds. A reconciliation of net debt is in note 14(c) of the condensed consolidated financial statements

NFC
China Non Ferrous Metal Industry's Foreign Engineering and Construction Co., Ltd

NPV
net present value

ounce or oz
a troy ounce, which equates to 31.1035 grammes

PBoC
People's Bank of China

PCR test
polymerase chain reaction test

Project Delivery Conditions
conditions to the payment of Deferred Equity Consideration at Final Completion in lieu of payment of Deferred Cash Consideration at the Long Stop Date, which relate to state construction of transport and power infrastructure, confirmation of federal tax incentives and demonstration of year-round concentrate shipment from the port of Pevek on agreed terms

PXF
pre-export finance debt facility

Recordable Injury
a new occupational injury of sufficient severity that it requires medical treatment beyond first aid or results in the worker's inability to perform his or her routine function on the next calendar day

Restructuring
the transfer, subject to certain consents and approvals, of the Disposal Assets to Kazakhmys Holding Group B.V. (formerly Cuprum Netherlands Holding B.V.) which was approved by shareholders at the General Meeting on 15 August 2014 and completed on 31 October 2014

rouble or RUB
the official currency of the Russian Federation

Russia
Russian Federation

$/t or $/tonne
US dollars per metric tonne

Som
the official currency of Kyrgyzstan

special items
those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the Group

SX/EW
solvent extraction and electrowinning, a two-stage metallurgy process used for the extraction of copper

t
metric tonnes

TC/RCs
treatment charges and refining charges for smelting and refining services

Total Recordable Injury Frequency Rate
the number of Recordable Injuries occurring per million hours worked

UK
United Kingdom

Underlying Profit
profit/loss excluding special items and their resulting tax and non-controlling interest effects. Underlying Profit is set out in note 7 to the condensed consolidated financial statements

US
United States of America

USc/lb
US cents per pound

Vendor
Aristus Holdings Limited, a company owned and controlled by a consortium of individual investors including Roman Abramovich and Alexander Abramov