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16 August 2018

KAZ MINERALS PLC HALF-YEARLY REPORT FOR THE PERIOD ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenues of $1,098 million (H1 2017: Gross Revenues[1] of $837 million, revenues of $721 million)
  - Increase in revenues supported by 22% copper sales volume growth and a 20% higher average LME copper price
- EBITDA[1] of $690 million representing a 63% margin (H1 2017: Gross EBITDA[1] of $505 million, EBITDA[1] $429 million)
- Operating profit of $464 million (H1 2017: $291 million)
- Group gross cash cost[1] of 145 USc/lb, in line with H1 2017 (144 USc/lb)
- Industry leading first quartile net cash cost[1] of 82 USc/lb (H1 2017: 64 USc/lb)

OPERATIONAL HIGHLIGHTS

- Aktogay sulphide concentrator achieved design throughput capacity
- Copper production increased by 18% to 140 kt (H1 2017: 118 kt)

FINANCIAL POSITION

- Net debt[1] of $2,052 million at 30 June 2018, $250 million deferred from 2016 paid to Aktogay contractor in H1 2018 and commenced investment in Aktogay expansion
- Gearing level reduced, net debt to EBITDA ratio of 1.4x
- Borrowings of $3,705 million and cash and cash equivalents of $1,653 million
- Interim dividend of 6.0 US cents per share declared, marking the successful delivery of the Bozshakol and Aktogay projects

GROWTH PROJECTS

- Announced the acquisition of the Baimskaya copper project in Russia on 2 August 2018, a globally significant copper deposit. Transaction completion expected in first half of 2019, subject to regulatory approvals
- Aktogay expansion project launched in December 2017 with engineering, contracting and earthworks progressing well

OUTLOOK

- Full year copper production guidance maintained at 270-300 kt and by-product targets unchanged
- Cost guidance unchanged, as strong unit cost performance expected to continue in second half
- Medium term copper market outlook remains positive, as supply from existing mines declines and demand from both traditional and new sectors continues to grow

$ million (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Gross Revenues[1,2]	**1,098**	837
Gross EBITDA[1,2,3]	**690**	505
Revenues	**1,098**	721
EBITDA (excluding special items)[1,3]	**690**	429
Operating profit	**464**	291
Profit before tax	**355**	240
Profit for the period	**276**	185
EPS - basic and diluted ($)	**0.62**	0.41
EPS - based on Underlying Profit ($)[1,4]	**0.62**	0.44
Net cash flows from operating activities	**350**	337
Free Cash Flow[1,5]	**308**	155
Free Cash Flow before interest[1,5]	**420**	269
Gross cash cost (USc/lb)[1,2]	**145**	144
Net cash cost (USc/lb)[1,2]	**82**	64
Cash and cash equivalents	**1,653**	1,223
Net debt[1]	**2,052**	2,442

1 These metrics are non-IFRS measures that the Directors use internally to assess the financial performance of the Group, which are also relevant to users of the financial information. See glossary for definitions.
2 Includes operations during the period prior to commercial production for the first half of 2017.
3 Reconciliation to operating profit provided in note 4(a)(i) in the financial information.
4 Reconciliation of EPS based on Underlying Profit provided in note 7 in the financial information.
5 Reconciliation of Free Cash Flow provided on page 20.

Andrew Southam, Chief Executive Officer, said: “KAZ Minerals has delivered strong financial results in the first half of the year due to the ramp up of volumes at Aktogay, higher commodity prices and continued low unit production costs. Following the successful delivery of the Bozshakol and Aktogay projects, the Group now has a portfolio of large scale, low cost operations which provides strong cash generation and has enabled the rapid de-gearing of the balance sheet. Accordingly, the Board has declared an interim dividend of 6.0 US cents per share.”

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NOTES TO EDITORS

KAZ Minerals PLC is a high growth copper company focused on large scale, low cost, open pit mining in Kazakhstan. It operates the Bozshakol and Aktogay open pit copper mines in the Pavlodar and East Region of Kazakhstan, three underground mines and associated concentrators in the East Region of Kazakhstan and the Bozymchak copper-gold mine in Kyrgyzstan. In 2017, total copper production was 259 kt with by-products of 58 kt of zinc in concentrate, 179 koz of gold and 3,506 koz of silver.

The Group's new operations at Bozshakol and Aktogay have delivered one of the highest growth rates in the industry and transformed KAZ Minerals into a company dominated by world class, open pit copper mines.

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 39 years at an average copper grade of 0.35%. The mine and processing facilities will produce an average of 100 kt of copper cathode equivalent and 120 koz of gold in concentrate per year over the first 10 years of operations.

Aktogay is a large scale, open pit mine similar to Bozshakol, with a remaining mine life of 28 years at an average copper grade of 0.36% (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 90 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 2025.

In August 2018 the Group agreed to acquire the Baimskaya copper project in the Chukotka region of Russia, subject to regulatory approvals. Development of the Peschanka deposit within the Baimskaya licence area is expected to deliver 250 kt of annual copper production and 400 koz of gold in the first ten years of operation from 2027, with a mine life of approximately 25 years.

KAZ Minerals is listed on the London Stock Exchange and the Kazakhstan Stock Exchange and employs around 13,000 people, principally in Kazakhstan. The Group delisted from its secondary listing on the Hong Kong Stock Exchange on 1 August 2018.

AVAILABILITY OF THIS ANNOUNCEMENT

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

SHAREHOLDER INFORMATION

The Company declares dividends in US dollars. For those shareholders who hold their shares on the London Stock Exchange, the default currency for receipt of their dividends is US dollars although they 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 10 September 2018.

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 £0.7817 to the US dollar. The conversion rate is based on the average exchange rate for the five business days ending two days before the date of the half-yearly results announcement.

The ex-dividend date for the interim dividend is 6 September 2018. For ordinary shareholders, the record date is 7 September 2018 and the dividend is payable on 3 October 2018.

CAUTIONARY NOTICE CONCERNING FORWARD-LOOKING STATEMENTS

This half-yearly report includes forward-looking statements with respect to the business, strategy and plans of KAZ Minerals and its current goals, assumptions and expectations relating to its future financial condition, performance and results. Although KAZ Minerals believes that the expectations reflected in such forward-looking statements are reasonable and are made by the Directors in good faith, based on current plans, estimates and projections, no assurance can be given that such expectations will prove to be correct. 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 compliance, business interruption, new project construction and commissioning, reserves and resources, political risk, legal and regulatory compliance, commodity prices, foreign exchange and inflation, exposure to China, acquisitions and divestments, liquidity and such other risk factors disclosed in KAZ Minerals' 2017 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, KAZ Minerals does not undertake any obligation to update or change any forward-looking statements to reflect events occurring after the date of this half-yearly report.

CHIEF EXECUTIVE OFFICER'S REVIEW

KAZ Minerals reported strong operational results in the first half of 2018 with an 18% increase in copper production to 140 kt. Our position as a highly profitable low cost producer was maintained with EBITDA of $690 million at a margin of 63% and a net cash cost of 82 USc/lb. The second of the Group's major growth projects, Aktogay, achieved design throughput capacity for a sustained period in the first half marking the successful delivery of the growth strategy we embarked on in 2010. Following the operational progress at Bozshakol and Aktogay the Board has declared an interim dividend for 2018.

In August 2018, the Group agreed to acquire the Baimskaya copper project in Russia. Baimskaya is a world class deposit with the potential to become a large scale, low cost open pit copper mine which will deliver another phase of transformational growth for the Group. Nearer term growth is anticipated from 2021 when the expansion of Aktogay completes.

Health and safety

Our operations were fatality free in the first half of the year, however I am disappointed to report that there was a contractor fatality in July at the Artemyevsky underground mine in the East Region. The Group's open pit operations at Bozshakol, Aktogay and Bozymchak have sustained their record of operating with zero fatalities since each mine started production. The Group views every fatality as avoidable and we are committed to our goal of zero fatalities. The Total Recordable Injury Frequency Rate increased slightly to 2.00 from 1.81 in the first half of 2017 mainly due to slips, trips and falls. The Group currently has a number of safety initiatives underway, including a top down programme to improve the safety culture across the Group.

Operational performance

Copper production of 140 kt grew from 118 kt delivered in the first half of 2017, benefiting from a 26 kt increase in output from the Aktogay sulphide plant as it operated for a sustained period at design ore throughput. The Group is on track to achieve the 2018 copper guidance range of 270-300 kt.

Group gold production in the first half was 90 koz, compared to full year guidance of 160-175 koz. Gold output was supported by an average gold processing grade of 0.26 g/t at Bozshakol, with lower grades expected in the second half of the year.

First half silver production of 1,637 koz, largely from the East Region and Bozshakol, represents good progress against the full year guidance range of approximately 3,000 koz.

Zinc in concentrate production of 25 kt in the first half was impacted by the planned idling of the Nikolayevsky concentrator and temporarily lower zinc grades in the second quarter, as mining moves through the transition zone between ore bodies at Artemyevsky. With higher output expected from increased processing volumes and improved grades in the second half, production remains on track for the full year guidance of around 60 kt.

Financial performance

Increased copper output from Aktogay and higher commodity prices resulted in revenues of $1,098 million, above the $837 million of Gross Revenues in the first half of 2017 (including the pre-commercial results of the Aktogay sulphide and Bozshakol clay plants) and the reported revenues of $721 million for that period.

The Group maintained its low cost position, recording gross cash costs of 145 USc/lb, in line with the 144 USc/lb reported in the period to 30 June 2017.

Bozshakol recorded a gross cash cost of 127 USc/lb, which was below the 2018 full year guidance range of 130-150 USc/lb but higher than the 120 USc/lb recorded in the first half of 2017 due to the lower average copper grade, the normalisation of maintenance spend and the ramp up of the clay plant. Aktogay's gross cash cost of 109 USc/lb in the first half was also below the full year guidance of 110-130 USc/lb and lower than the 113 USc/lb recorded in the prior year comparative period, assisted by the increase in processing volumes and a high average copper grade in sulphide ore of 0.62%. Grades at both Bozshakol and Aktogay are expected to be lower in the second half and full year cost guidance remains unchanged.

The East Region and Bozymchak recorded a gross cash cost of 250 USc/lb, at the upper end of full year guidance of 230-250 USc/lb and higher than the 200 USc/lb recorded in the first half of 2017. This was mainly due to lower copper production during the period as a result of planned idling at the Nikolayevsky concentrator. With higher output expected in the second half, gross cash cost guidance for the East Region and Bozymchak is held at 230-250 USc/lb for the full year.

By-product credits of 63 USc/lb resulted in a Group net cash cost position of 82 USc/lb, higher than 64 USc/lb reported in the first half of 2017, mainly due to the ramp up of output from Aktogay which has limited by-product credits.

The Group generated EBITDA of $690 million, $185 million above the $505 million of Gross EBITDA in the prior year comparative period, with the increase due to higher sales volumes, improved pricing and competitive costs. Accordingly, operating profit increased from $291 million in the first half of 2017 to $464 million in the current period. Profit before tax increased by 48% to $355 million from $240 million recorded in the period to 30 June 2017. Profit for the period was $276 million, rising by 49% from the $185 million reported in the prior year comparative period. Earnings per share based on Underlying Profit improved by 41% to $0.62 from $0.44 in the first half of 2017.

Net cash flows from operating activities increased from $337 million recorded in the first half of 2017 to $350 million, of which $62 million was invested at Aktogay, mainly relating to the expansion project and $250 million was paid in respect of the $300 million NFC deferral on the first Aktogay project.

Financial position

Net debt of $2,052 million remains in line with the $2,056 million reported at 31 December 2017. Gross debt decreased from $3,877 million at the 2017 year end to $3,705 million as scheduled capital repayments were made during the first half. Cash and cash equivalents decreased to $1,653 million from $1,821 million at the 2017 year end. The Group's gearing level measured as a multiple of net debt to 12 month rolling Gross EBITDA to 30 June 2018 reduced to 1.4 times from 1.7 times at 31 December 2017.

Growth projects

On 2 August 2018, the Group announced the acquisition of the Baimskaya copper project in the Chukotka region of Russia, subject to regulatory approvals. Baimskaya is one of the world's most significant undeveloped copper deposits with the potential to become a large scale, low cost, open pit copper mine. It contains 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, with potential for resource expansion. Average annual production over the first ten years of operations is expected to be 250 kt of copper and 400 koz of gold, with first quartile operating costs and a mine life of 25 years. Baimskaya represents a rare opportunity to deliver value-accretive copper production growth, combining a world class deposit with KAZ Minerals' project delivery capabilities in the CIS region.

Good progress has been made at the Aktogay expansion project in the period, which is expected to double sulphide ore processing capacity by the end of 2021 through the construction of an additional concentrator and crusher. Orders for long lead items including grinding mills, gearless motor drives and power equipment were placed in the first quarter.

On 8 June 2018, the Group announced the investment of $70 million in the Koksay project in Kazakhstan by NFC, the construction contractor for the Bozshakol and Aktogay projects, to finance a feasibility study and other works. Subject to regulatory approvals, NFC will receive a 19.4% equity stake in the Koksay project. The Board will then review the results of the feasibility study before assessing how and when to proceed with 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.

Following the successful delivery of the Bozshakol and Aktogay projects, the Group now has a portfolio of large scale, low cost operations which provide strong cash generation. This has enabled the rapid de-gearing of the balance sheet, with a net debt to EBITDA ratio of 1.4x at 30 June 2018. Accordingly, the Board has declared an interim dividend of 6.0 US cents per share and intends that the final dividend for 2018 will be at a similar level. The acquisition of the Baimskaya copper project was announced on 2 August 2018 and the initial consideration can be funded from existing liquidity. The financing requirements of the project construction including capital budget, phasing, sources of funding and partnering options will be assessed during the feasibility study, following which the Board will further review the Group's allocation of capital.

Outlook

The Group maintains its positive medium-term outlook on copper prices as forecast declining global production from existing mines, with limited new projects in development, will result in a shortfall due to a steady growth in demand from both traditional and new uses for copper.

In the second half of 2018 we will focus on sustaining high levels of production at Bozshakol and Aktogay, whilst seeking to maintain our low operating cost position. Consistent with our positive medium-term view of copper, the Aktogay expansion project will progress over the second half of the year and we will incur limited expenditure on study work on the Baimskaya copper project, pending completion of the transaction expected in the first half of 2019.

OPERATING REVIEW

The Group's operations in 2018 include the Bozshakol and Aktogay open pit copper mines in the Pavlodar and East regions of Kazakhstan, three underground mines and associated concentrators in the East Region of Kazakhstan and the Bozymchak copper-gold mine in Kyrgyzstan.

Group production summary

kt (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Copper production	**139.6**	118.0
Bozshakol	**49.8**	52.0
Aktogay	**60.5**	33.0
East Region and Bozymchak	**29.3**	33.0
Zinc in concentrate	**24.9**	32.3
Gold production (koz)	**89.8**	93.0
Silver production (koz)	**1,637**	1,756

Group copper production increased by 18% to 139.6 kt due to the successful ramp up of the Aktogay sulphide concentrator. Aktogay production of 60.5 kt represents an 83% increase from the prior year comparative period benefiting from increased throughput as the sulphide concentrator achieved design capacity, as well as from a sustained high copper grade. Bozshakol contributed 49.8 kt of copper production, marginally below the first half of 2017 due to an expected reduction in grades. At East Region and Bozymchak, copper production was 11% lower than the prior year comparative period due to the planned idling of the Nikolayevsky concentrator. The Group's operations are on track to achieve 2018 production guidance for all metals.

Group financial summary

$ million (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Sales volumes[1]		
Copper sales (kt)	**140.8**	115.3
Gold sales (koz)	**81.1**	83.6
Silver sales (koz)	**1,554**	2,043
Zinc in concentrate (kt)	**26.6**	32.0
Revenues	**1,098**	721
Gross Revenues[1]	**1,098**	837
Realised price: copper in concentrate ($/t)[1]	**6,135**	5,238
Realised price: copper cathode ($/t)[1]	**6,916**	5,793
Gross EBITDA (excluding special items)[1]	**690**	505
EBITDA (excluding special items)	**690**	429
Operating profit	**464**	291
Gross cash costs (USc/lb)[1]	**145**	144
Net cash costs (USc/lb)[1]	**82**	64

1 The prior year comparative period includes the results of pre-commercial production from Aktogay sulphide and Bozshakol clay.

Revenues increased by 52% to $1,098 million in the current period, driven by additional volumes from the Aktogay sulphide and Bozshakol clay plants and an improved copper price. The average LME copper price increased by 20% from $5,748/t to $6,917/t. Gross Revenues for the prior year comparative period include revenues from the Aktogay sulphide and Bozshakol clay plant prior to their achievement of commercial production. Over 80% of the Group's revenues are derived from copper, the majority of which now relate to the sale of copper in concentrate, which is sold by reference to the LME price minus a deduction for TC/RCs. Revenues from by-products reduced slightly when compared to Gross Revenues in the first half of 2017, as lower zinc and silver sales volumes were partly offset by a favourable zinc price.

Gross EBITDA increased by 37% to $690 million, attributable to the increase in Gross Revenues as the gross cash cost remained stable. The tenge, in which a significant portion of the Group's costs are based, weakened slightly during the period, trading at an average of 327 KZT/$ versus 319 KZT/$ in the first half of 2017. The Group recorded a gross cash cost of 145 USc/lb, in line with the prior year comparative period, as higher volumes and a lower gross cash cost at Aktogay offset the impact of inflation and tariff increases and lower grades at all operations. There was an increase in net cash cost to 82 USc/lb, reflecting the higher proportion of copper volumes from the Aktogay operations, which have lower by-product credits.

Operating profit increased by 59% to $464 million, reflecting the $261 million increase in EBITDA, partially offset by an increase in MET and royalties payable from higher mining volumes and higher commodity prices, as well as increased depreciation following commercial production at Bozshakol and Aktogay.

BOZSHAKOL

Bozshakol is a first quartile asset on the global cost curve with an annual ore processing capacity of 30 Mt and a remaining mine life of 39 years at an average copper grade of 0.35%. The mine and processing facilities 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 2018**	Six months ended 30 June 2017
Ore extraction	**15,506**	19,426
Ore processed	**13,430**	11,690
Average copper grade processed (%)	**0.49**	0.56
Copper recovery rate (%)	**80**	83
Copper in concentrate	**52.1**	54.4
Copper production	**49.8**	52.0
Average gold grade processed (g/t)	**0.26**	0.31
Gold recovery rate (%)	**60**	59
Gold in concentrate (koz)	**66.7**	67.2
Gold production (koz)	**62.3**	62.9
Silver production (koz)	**340**	361

Ore extraction of 15,506 kt was 20% lower compared to the 19,426 kt mined in the first half of 2017, when higher volumes of clay ore were extracted to expose sulphide ore. Sulphide ore extraction increased by 25% over the same period, as the main concentrator ramped up operations.

Ore processed increased by 15% to 13,430 kt versus the prior year comparative period, reflecting the ramp up of both the sulphide concentrator and the clay plant. Throughput at the sulphide plant was 95% of design capacity in the first quarter of 2018 and reduced to 89% in the second quarter impacted by a planned shutdown for maintenance, returning to 97% in June. The clay plant ramped up successfully to achieve 95% of design capacity in the second quarter following closure for maintenance and upgrades during the first quarter. Clay ore throughput increased by 47% versus the prior year comparative period.

Copper production of 49.8 kt was 4% lower than the first half of 2017, as the benefit of increased throughput was more than offset by an expected reduction in grades and a lower overall recovery as a larger proportion of clay material was processed. The average grade of copper processed during the period reduced to 0.49% from 0.56%, in line with the mine plan. The expected average grade of sulphide ore to be processed in 2018 remains in the region of 0.44%, as previously guided, with the mining of lower grade sulphide zones planned in the second half of the year.

Gold production of 62.3 koz was in line with the 62.9 koz produced in the prior year comparative period, as an increase in processing volumes offset a lower gold grade. Silver production of 340 koz was 6% lower due to a reduction in grades. A small quantity of molybdenum concentrate was produced during the period and samples were sent to potential customers for assessment.

Bozshakol is on track to achieve full year guidance of 95-105 kt of copper production, as higher throughput in the second half of the year is expected to be offset by lower grades. Gold and silver production is on track to achieve guidance of 115-125 koz and around 500 koz respectively.

Financial summary

$ million (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Revenues	**388**	323
Gross Revenues[1]	**388**	344
Copper	**310**	264
Gold	**72**	74
Silver	**6**	6
Sales volumes[1]		
Copper sales (kt)	**49.8**	50.0
Gold sales (koz)	**55.9**	58.1
Silver sales (koz)	**365**	323
Gross EBITDA (excluding special items)[1]	**277**	242
Capitalised EBITDA	**–**	(12)
EBITDA (excluding special items)	**277**	230
Operating profit	**197**	164
Gross cash costs (USc/lb)[1]	**127**	120
Net cash costs (USc/lb)[1]	**55**	48
Capital expenditure	**15**	56
Sustaining	**12**	–
Expansionary	**3**	56

1 The prior year comparative period includes the results of pre-commercial production from Bozshakol clay.

Revenues

Revenues increased by 20% from the prior year comparative period, to $388 million. Prior to the achievement of commercial production, all revenues and operating costs were capitalised and not recognised in the income statement. Revenues recorded in the income statement during the first half of 2017 of $323 million exclude $21 million of revenues from the clay plant, which achieved commercial production from 1 July 2017.

Gross Revenues increased by 13% which was largely the result of a favourable copper market as copper sales of 49.8 kt remained stable. Bozshakol continues to benefit from significant revenues from by-products, with gold contributing $72 million, slightly below the prior year comparative period due to a temporary build-up of finished goods. Gold sales volumes may exceed production in the second half of the year due to the sale from gold bar inventory at the Balkhash smelter.

EBITDA (excluding special items)

Bozshakol generated a Gross EBITDA of $277 million, a 14% increase from the prior year comparative period and consistent with the higher revenues derived from a favourable copper price. The gross cash cost is expressed on a unit of copper sales basis, after adjustment for the copper payable and TC/RC terms. As expected, the gross cash cost of 127 USc/lb has increased from 120 USc/lb in the first half of 2017, when operations benefited from a much higher grade in ore processed, lower maintenance expenditure and lower volumes from the higher cost clay operations. There have been some inflationary impacts on costs during the period, with higher prices for certain consumables and local salaries rising, however this has been partially offset by efficiencies in consumption rates as well as a reduction in benchmark TC/RCs. The gross cash cost of 127 USc/lb is slightly below the lower end of the guidance for the full year of 130-150 USc/lb. Costs in the second half of the year are expected to trend higher due to a reduction in grades, increased output from clay operations and continued normalisation of maintenance expenditure. After deducting the by-product credits, the net cash cost for Bozshakol was 55 USc/lb in the first half of 2018.

Operating profit

The $33 million increase in operating profit to $197 million is due to the higher copper price as well as the additional contribution from the clay plant which achieved commercial production from 1 July 2017. These factors were partly offset by a $13 million increase in MET charged to the income statement due to higher commodity prices and additional attributable clay volumes.

Capital expenditure

Sustaining capital expenditure was $12 million, mainly relating to the overhaul of mining equipment. Expenditure is expected to increase in the second half of the year as maintenance programmes accelerate. Total sustaining capital for the year is estimated to be around $35 million. There was limited expansionary capital expenditure of $3 million, as construction activities are now complete. There are final outstanding project capital commitments of approximately $40 million to the principal contractor, scheduled for settlement in the second half of the year.

AKTOGAY

Aktogay is a large scale, open pit mine similar to Bozshakol, with a remaining mine life of 28 years at an average copper grade of 0.36% (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 sulphide operations currently have an annual ore processing capacity of 25 million tonnes which 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 90 kt of copper per year from sulphide ore until 2021, increasing to 170 kt per year from 2022 to 2027. Copper production from oxide ore will be in the region of 20 kt per annum until 2025.

Production summary

kt (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Oxide		
Ore extraction	**8,835**	8,297
Copper grade (%)	**0.31**	0.42
Copper cathode production	**11.5**	10.4
Sulphide		
Ore extraction	**10,290**	4,725
Ore processed	**9,585**	4,574
Average copper grade processed (%)	**0.62**	0.75
Recovery rate (%)	**86**	69
Copper in concentrate	**51.3**	23.7
Copper production	**49.0**	22.6
Total copper production	**60.5**	33.0

Copper cathode production from oxide ore of 11.5 kt was 11% higher than the prior year comparative period as the SX/EW plant is now at full capacity. Cathode output increased to 6.2 kt in the second quarter due to seasonally higher temperatures. Production is on track to achieve guidance of 20-25 kt for the year.

Copper production from the sulphide plant increased by 117% to 49.0 kt due to a 110% increase in processing volumes, supported by high grades and recoveries. The plant achieved a significant ramp up milestone in the period, sustaining 100% of design ore throughput capacity for a month and averaging 89% during the second quarter, which included a planned maintenance shutdown. The average copper grade processed reduced to 0.62% but remained significantly above the reserve grade of 0.33% due to the continued processing of supergene enriched ore. The copper recovery rate improved substantially to 86%, from 69% in the prior year comparative period when operations were ramping up.

Total copper production of 60.5 kt represents strong progress towards full year guidance of 110–130 kt. Higher average throughput levels at the sulphide concentrator in the second half of the year are expected to offset a reduction in average copper grades processed.

Financial summary

$ million (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Revenues	**389**	58
Gross Revenues[1]	**389**	153
Copper sales (kt)[1]	**61.3**	27.8
Gross EBITDA (excluding special items)[1]	**271**	93
Capitalised EBITDA	**–**	(64)
EBITDA (excluding special items)	**271**	29
Operating profit	**177**	12
Gross cash costs (USc/lb)[1]	**109**	113
Net cash costs (USc/lb)[1]	**107**	111
Capital expenditure	**321**	12
Sustaining	**9**	–
Expansionary	**312**	12

1 The prior year comparative period includes to the results of pre-commercial production from Aktogay sulphide.

Revenues

Revenues increased significantly, by over 570% from the prior year comparative period, to $389 million, due to the additional contribution from the sulphide plant. Prior to the achievement of commercial production all revenues and operating costs were capitalised and not recognised in the income statement. The income statement for the first half of 2017 only reflects oxide operations, as sulphide operations achieved commercial production from 1 October 2017. Gross Revenues and Gross EBITDA include the pre-commercial production period.

Gross Revenues increased by over 150% as the successful ramp-up of the sulphide concentrator led to copper sales volumes more than doubling, which contributed an additional $211 million to revenues. The improved copper price increased revenues by $24 million. In addition, Aktogay recorded revenues of $3 million from the sale of 166 koz of commercially payable silver.

EBITDA (excluding special items)

The significant increase in Gross EBITDA to $271 million reflects the additional volumes from the sulphide plant, which achieved design ore throughput capacity during the period. This volume growth contributed to a reduction in gross cash costs to 109 USc/lb for the period which also benefited from a lower TC/RC market rate as well as a continued elevated copper grade at the sulphide operations. These factors more than offset certain price increases for consumables, as well as an increase in the cost of reagents at the oxide operations. Costs are expected to trend higher in the second half of the year, as the impact of higher throughput from the sulphide operations will be offset by lower grades, normalisation of maintenance expenditure and a full period impact of inflationary increases. Full year gross cash cost guidance of 110-130 USc/lb remains unchanged. Net cash cost, after by-products from commercially payable silver, was 107 USc/lb.

Operating profit

The $165 million increase in operating profit to $177 million is due to the additional contribution from the sulphide operations. This follows the $242 million increase in EBITDA, offset by higher MET from additional ore mined and rising copper prices and an increase in depreciation following the achievement of commercial production.

Capital expenditure

Sustaining capital expenditure was $9 million, mainly relating to the overhaul of mining equipment. Total sustaining capital for the year is estimated to be in the region of $30 million as expenditure is expected to increase in the second half of the year.

In the first half of 2018, total expansionary capital expenditure was $312 million. $258 million of this expenditure related to the original Aktogay project and included $250 million paid, as scheduled, in respect of the $300 million NFC payments deferred from 2016. Other planned expenditure incurred on the original project related to the acquisition of additional mining fleet and reserve spares to support the ramp-up of operations to full capacity. Expansionary capital also incorporates $54 million for the Aktogay expansion project, primarily relating to prepayments for long-lead items for the new concentrator. Aktogay expansion expenditure also included the acquisition of construction equipment to support initial groundworks beginning during the second quarter.

Expansionary capital expenditure guidance for the full year is unchanged at $550 million. This includes $350 million for the original project, with the final $50 million outstanding to NFC to be settled in the second half of 2018, as well as investment to expand the heap leach cells, which will also require payments of $20 million in 2019. The total capital budget for the Aktogay expansion project is $1.2 billion, with approximately $200 million to be invested in 2018, $400 million in each of 2019 and 2020 and the final $200 million in 2021. The expansion represents a low-risk growth opportunity, being a duplicate of the existing plants at Bozshakol and Aktogay and will be managed by the same project team. First production from the new plant is expected by the end of 2021.

EAST REGION AND BOZYMCHAK

Production summary

Copper

kt (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Ore extraction	**1,954**	1,973
Ore processed	**1,886**	1,965
Average copper grade processed (%)	**1.84**	1.97
Average recovery rate (%)	**89**	90
Copper in concentrate	**31.0**	34.9
Copper production	**29.3**	33.0

Ore extraction volumes were stable compared to the prior year comparative period. Processing volumes were 4% lower mainly due to the periodic idling of the Nikolayevsky concentrator, as ore was temporarily stockpiled to enable the concentrator to operate more efficiently with a higher throughput.

Copper production reduced by 11% to 29.3 kt due to the reduction in processing volumes as well as a lower copper grade. The average copper grade processed reduced from 1.97% to 1.84%, mainly due to lower grades at Orlovsky. The Bozymchak mine in Kyrgyzstan continued to operate at full capacity and contributed 3.7 kt of copper production, in line with the first half of 2017. With higher processing volumes expected in the second half of the year, copper production from East Region and Bozymchak is on track to achieve full year production guidance of around 65 kt.

By-products

koz (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Zinc grade processed (%)	**2.63**	3.07
Zinc in concentrate (kt)	**24.9**	32.3
Gold bearing ore processed	**1,886**	1,965
Gold grade processed (g/t)	**0.79**	0.82
Gold in concentrate	**28.9**	31.6
Gold production	**27.2**	29.7
Silver bearing ore processed	**1,886**	1,965
Silver grade processed (g/t)	**34.9**	35.9
Silver in concentrate	**1,189**	1,409
Silver production	**1,082**	1,282

As with copper, output of all by-products was lower than the first half of 2017 due to a reduction in processing volumes. Zinc production fell by 23% driven by a lower zinc grade, which at 2.63% was 14% below the prior year comparative period. Zinc grades continue to be variable, in particular at Artemyevsky, where the mined zinc grade was 0.25% in the second quarter as mining moved through a transitional zone between ore bodies. Zinc production is expected to increase in the second half of the year and remains on track to achieve 2018 guidance of around 60 kt as higher grade areas are accessed, combined with higher throughput at the Nikolayevsky concentrator.

The 8% reduction in gold output to 27.2 koz was lower than other by-products as the majority of production is supplied from the Bozymchak mine. Bozymchak gold production reduced by 4% versus the prior year comparative period due to an expected decline in grades, with ore processed remaining stable. Silver production of 1,082 koz in the period represents a reduction of 16% due to lower processing volumes as well as decreased grades and recoveries. Gold and silver production are on track to achieve full year guidance of 45-50 koz and around 2,000 koz respectively.

Financial summary

$ million (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Revenues	**321**	340
Copper	**206**	216
Zinc	**60**	59
Gold	**33**	32
Silver	**17**	28
Other	**5**	5
Sales volumes		
Copper sales (kt)	**29.7**	37.5
Zinc sales (kt)	**26.6**	32.0
Gold sales (koz)	**25.2**	25.5
Silver sales (koz)	**1,023**	1,632
EBITDA (excluding special items)	**155**	180
Operating profit	**104**	126
Gross cash costs (USc/lb)	**250**	200
Net cash costs (USc/lb)	**77**	50
Capital expenditure	**28**	34
Sustaining	**18**	23
Expansionary	**10**	11

Revenues

Revenues generated by East Region and Bozymchak decreased by 6% to $321 million as, consistent with production, sales of all metals reduced. Copper revenues benefited by $44 million due to the increase in the average LME copper price, but this was more than offset by the $54 million impact of a 21% reduction in sales volumes. Zinc revenues were broadly stable, as lower sales volumes were offset by an increase in the average market price for zinc, to $3,268/t from $2,690/t. The reduction in silver sales volumes was significantly higher than the decrease in production volumes, as sales in the first half of 2017 benefited from a release of work in progress. Gold revenues were in line with the prior year comparative period, with no significant change in market prices or sales volumes.

EBITDA (excluding special items)

EBITDA reduced by $25 million, reflecting the $19 million reduction in revenues as well as an increase in cash operating costs. Cash operating costs of $166 million increased by $6 million from the prior year comparative period, despite lower production volumes and a marginal weakening, by 3%, of the tenge. As expected, there has been upward pressure on costs as the effect of inflationary pressures, which began in the second half of 2017, have had a full period impact. This includes an increase in salaries following a period of muted inflation since the devaluation of the tenge in 2015. Market prices for raw materials, including fuel and energy costs, have experienced small increases. At Bozymchak mining costs have risen due to a deeper pit and longer haul distances.

The increase in gross cash cost from 200 USc/lb to 250 USc/lb is primarily due to a decrease in sales volumes. This is partly due to lower production in the current period but also due to higher sales in the prior year comparative period, when sales volumes of 37.5 kt were significantly higher than production of 33.0 kt due to the release of finished goods inventory. The gross cash cost for the period of 250 USc/lb is at the top end of guidance for the full year of 230-250 USc/lb. Costs are expected to benefit from higher sales volumes in the second half of the year, when the East Region concentrators are scheduled to operate at higher throughput levels. There has been a slight weakening of the tenge, which traded at an average 344 KZT/$ in July, compared to an average 327 KZT/$ for the first half of the year. Any continued or further weakening would also benefit costs.

The strong contribution of by-product revenues continues to ensure that East Region and Bozymchak has a competitive net cash cost of 77 USc/lb, within the first quartile of the global cost curve.

Operating profit

The $22 million decrease in operating profit to $104 million follows the $25 million decrease in EBITDA, offset by a $3 million decrease in MET and royalties.

Capital expenditure

Sustaining capital expenditure of $18 million was below that incurred in the prior year period, which included certain projects deferred from previous years. Expenditure in the period relates to mine development works across the underground mines, the purchase of mine equipment, expansion of tailings facilities and maintenance of support infrastructure. In 2018 sustaining capital requirements for the East Region and Bozymchak are expected to be around $50 million.

Expansionary capital of $10 million predominantly relates to initial development works for the extension of the existing Artemyevsky mine to develop a ventilation tunnel. Expansionary capital in 2018 is expected to be around $40 million as work continues on the Artemyevsky extension. The extension will require around $60 million per annum from 2019 to 2022, with limited annual spend thereafter.

OTHER PROJECTS

On 8 June 2018, the Group announced an investment of $70 million in the Koksay project by NFC. The $70 million will be ring-fenced for the development of Koksay, including a feasibility study to determine the detailed design and capital budget. The Board will then review the results of the feasibility study to assess how and when to proceed with the project.

On 2 August 2018, the Group announced the acquisition of the Baimskaya copper project in the Chukotka region of Russia, subject to certain conditions precedent including regulatory approvals. In the second half of 2018 the Group will incur limited expenditure to commence feasibility study work to progress the optimal project design.

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 2017, except for the application of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* which were applicable from 1 January 2018. As the impact of the new standards was not material to the Group, they were both applied without the restatement of the prior year comparative period and there was no impact on retained earnings at 1 January 2018. Further details are provided in the notes to the condensed consolidated financial statements on page 34.

The Aktogay sulphide and Bozshakol clay plants commenced sales during the six months ended 30 June 2017 and were in pre-commercial production until they were declared commercial on 1 October 2017 and 1 July 2017 respectively. During their pre-commercial production phase, revenues and operating costs were capitalised within property, plant and equipment as part of the cost of construction and are not included in the income statement.

The Financial Review and note 4(a)(i) to the condensed consolidated financial statements include the non-IFRS measures Gross Revenues and Gross EBITDA, which include the results of the Aktogay sulphide and Bozshakol clay plants during pre-commercial production to provide a measure of their performance for the full periods presented.

Income statement

An analysis of the consolidated income statement is shown below:

$ million (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Gross Revenues	**1,098**	837
Gross EBITDA (excluding special items)	**690**	505
Revenues	**1,098**	721
Cash operating costs	**(408)**	(292)
EBITDA (excluding special items)	**690**	429
Less: depreciation, depletion and amortisation	**(128)**	(78)
Less: MET and royalties	**(98)**	(60)
Operating profit	**464**	291
Net finance costs	**(109)**	(51)
Profit before taxation	**355**	240
Income tax expense	**(79)**	(55)
Profit for the period	**276**	185
Non-controlling interests	**–**	–
Profit attributable to equity holders of the Company	**276**	185
Earnings per share attributable to equity shareholders of the Company		
Ordinary EPS – basic and diluted ($)	**0.62**	0.41
EPS based on Underlying Profit – basic and diluted ($)	**0.62**	0.44

Revenues and Gross Revenues

Revenues recognised in the income statement increased by 52% to $1,098 million, reflecting the inclusion of revenues from the Aktogay sulphide and Bozshakol clay plants in the current period, while being capitalised in the period to 30 June 2017 as neither plant had achieved commercial production at that time. Sales capitalised during the pre-commercial production period to 30 June 2017 amounted to $95 million and $21 million from the Aktogay sulphide and Bozshakol clay plants respectively.

Gross Revenues for the first half of 2018 were $1,098 million, an increase of $261 million from the prior year comparative period, primarily due to higher copper volumes from the Aktogay sulphide plant as it ramps up to design capacity and an increase in average commodity prices for LME copper (+20%), LME zinc (+22%) and LBMA gold (+6%). The total copper sold in the first half of 2018 was 140.8 kt versus 115.3 kt in the prior year comparative period, due to higher throughput at the Aktogay sulphide and Bozshakol clay plants. The LME copper price averaged $6,917 per tonne in the first half of 2018, up from $5,748 per tonne in the prior year comparative period.

Gross Revenues from by-products were $191 million compared to $200 million in the prior year comparative period. Gold revenues were $105 million, slightly below the $106 million in the first half of 2017 as lower Bozshakol grades were offset by the impact of higher prices. The LBMA gold price averaged $1,318 per ounce in the first half of 2018, up from $1,238 per ounce in the prior year comparative period. By-products comprised 17% of Gross Revenues in the first half of 2018 versus 24% in the prior year comparative period following the large increase in copper sales from the Aktogay operations which have significantly lower by-products.

Further information on Gross Revenues and revenues by operating segment can be found in the Operating Review.

Operating profit and EBITDA (excluding special items)

Operating profit for the first half of 2018 was $464 million compared to $291 million in the first half of 2017, primarily due to the growth in revenues from higher volumes at the newer operations and stronger commodity prices. The Group's operating profit margin, defined as operating profit divided by revenues, improved to 42% in the current half year period from 40% in the prior year comparative period, attributable to a greater contribution from the lower cost Bozshakol and Aktogay operations and higher commodity prices. Within operating profit, the Group's cost of sales and selling and distribution expenses rose due to the higher sales volumes from the newer operations.

EBITDA (excluding special items) is a key non-IFRS profit 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. This performance measure removes depreciation, depletion, amortisation, MET, royalties and special items. The Directors believe that the exclusion of MET and royalties provides an informed measure of the operational profitability given the nature of the tax as further explained in the 'Taxation' section. The Directors also believe that this measure closely reflects the operating cash generative capacity and trading performance of the business as a whole and is therefore considered relevant to users of the financial information. Special items are excluded to enhance the comparability of EBITDA (excluding special items) from period to period. A reconciliation of this measure to operating profit can also be found in note 4(a)(i) of the condensed consolidated financial statements.

Gross EBITDA (excluding special items) includes the EBITDA (excluding special items) earned by the Group's development assets in the period prior to commercial production, which was capitalised to property, plant and equipment.

A reconciliation to operating profit from EBITDA (excluding special items) is shown below and in note 4(a)(i) in the condensed consolidated financial statements by operating segment:

$ million	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Bozshakol	**277**	242
Aktogay	**271**	93
East Region and Bozymchak	**155**	180
Corporate services	**(13)**	(10)
Gross EBITDA (excluding special items)	**690**	505
Less: Capitalised pre-commercial production EBITDA	**–**	(76)
Bozshakol	**–**	(12)
Aktogay	**–**	(64)
EBITDA (excluding special items)	**690**	429
Less: depreciation, depletion and amortisation	**(128)**	(78)
Less: MET and royalties	**(98)**	(60)
Operating profit	**464**	291

Gross EBITDA (excluding special items) for the Group rose by 37% from $505 million to $690 million due to the ramp up of sales from the Aktogay sulphide and Bozshakol clay plants and from higher copper, zinc and gold prices. The Gross EBITDA (excluding special items) margin for the Group improved from 60% in the first half of 2017 to 63% in the first half of 2018 due to higher sales volumes and stronger commodity prices.

At Bozshakol, Gross EBITDA (excluding special items) increased from $242 million in the first half of 2017 to $277 million in the first half of 2018 due to higher commodity prices, while copper sales volumes of 49.8 kt were in line with the prior year comparative period.

Aktogay's Gross EBITDA (excluding special items) improved from $93 million in the first half of 2017 to $271 million in the first half of 2018, as the sulphide plant continued to ramp up. Accordingly, copper sales increased significantly from 27.8 kt in the first half of 2017 to 61.3 kt in the current period.

The East Region and Bozymchak's Gross EBITDA (excluding special items) of $155 million was $25 million below the first half of 2017 due to lower copper cathode and zinc sales volumes from decreased production at the East Region mines, partly offset by higher commodity prices. Cash operating costs in the first half of 2018 of $166 million increased from $160 million in the first half of 2017 despite lower production volumes, due to inflationary pressures.

The increase in EBITDA (excluding special items) from $429 million to $690 million in the first half of 2018 is due to the continued ramp up of the Aktogay sulphide and Bozshakol clay plants after they achieved commercial production in the second half of 2017 and the impact of higher commodity prices.

Please refer to the Operating Review for a detailed analysis of the Group's EBITDA (excluding special items) by operating segment.

Other items excluded from EBITDA (excluding special items)

MET and royalties

The MET and royalties charge in the income statement increased from $60 million in the first half of 2017 to $98 million in the first half of 2018. This reflected the increased metal in ore mined to support Aktogay sulphide operations following achievement of commercial production in the second half of 2017 and higher commodity prices, partly offset by lower grade ore and reduced ore volumes mined at Bozshakol. MET incurred on the ore mined ahead of commercial production at both the Aktogay sulphide and Bozshakol clay plants was capitalised to property, plant and equipment in the period to 30 June 2017.

At Bozshakol the total MET incurred in the current period was $39 million, which was lower than the $49 million reported in the prior year comparative period due to reduced stockpiling of clay material and a lower sulphide ore grade, partly offset by higher LME copper and LBMA gold prices. The $3 million difference to the income statement charge of $36 million (see note 4(a)(i)) reflects MET in inventory at 30 June 2018. Of the $49 million MET incurred in the prior year comparative period, $23 million related to long-term stockpiled clay ore, included in the cost of non-current inventory at Bozshakol, while a further $3 million related to clay material processed and capitalised to the cost of property, plant and equipment.

At Aktogay, MET incurred for the first half of 2018 was $37 million, higher than the $23 million reported in the prior year comparative period as increased ore was mined to support the ramp up of the sulphide plant, combined with higher LME copper prices. In the prior year comparative period, $11 million of the $23 million MET incurred on the sulphide ore was capitalised to property, plant and equipment ahead of commercial production. There is a $3 million difference to the income statement charge of $34 million in the current period (see note 4(a)(i)), due to MET incurred on increased inventory (30 June 2017: $6 million).

The MET and royalties charge at the East Region and Bozymchak operations of $28 million for the first half of 2018 was below the $31 million recorded in the prior year comparative period, reflecting the impact of lower copper and zinc mined ore grades, partly offset by higher metal prices.

Depreciation, depletion and amortisation

Depreciation, depletion and amortisation of $128 million for the current period was $50 million higher than the $78 million charge in the first half of 2017 as depreciation of the Aktogay sulphide and Bozshakol clay assets only commenced during the second half of 2017, upon achievement of commercial production.

Net finance costs

Net finance costs include:

$ million	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Interest income	**14**	7
Interest on borrowings	**(118)**	(109)
PXF fees	**–**	(10)
Unwinding of discount on NFC deferral	**(1)**	(8)
Total interest expense	**(119)**	(127)
Interest capitalised	**–**	61
Interest expense	**(119)**	(66)
Interest on employee obligations and unwinding of discounts	**(3)**	(3)
Fair value (losses)/gains on debt related derivative financial instruments	**(1)**	8
Net interest expense	**(109)**	(54)
Net foreign exchange gains	**–**	3
Net finance costs	**(109)**	(51)

Net finance costs were $109 million compared to $51 million in the first half of 2017.

The interest cost on borrowings amounted to $118 million and was $9 million higher than the $109 million incurred in the first half of 2017. The increase is attributed to higher US dollar LIBOR rates in the first half of 2018, partly offset by the repayment of debt facilities. The PXF fees of $10 million incurred in the first half of 2017 relate to the amendment cost for the refinancing of that facility, classified as a special item and excluded from Underlying Profit. The decrease in the unwinding of discount on the NFC deferral (see note 11) to $1 million compared to $8 million in the first half of 2017 is due to the settlement of $250 million in respect of this contract, paid in January 2018.

The interest expense recognised in the income statement of $119 million is higher than the $66 million incurred in the first half of 2017 as all interest incurred on the borrowings to finance the Aktogay and Bozshakol operations is now being expensed following the achievement of commercial production of the respective sulphide and clay plants in the second half of 2017. The interest capitalised in the first half of 2017 relates to the borrowings incurred on those plants.

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 and royalties and removes the effect of special items on the Group's tax charge.

$ million (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Profit before taxation	**355**	240
Add: MET and royalties	**98**	60
Add: special items – PXF fees	**–**	10
Adjusted profit before taxation	**453**	310
Income tax expense	**79**	55
Add: MET and royalties	**98**	60
Adjusted tax expense	**177**	115
Effective tax rate (%)	**22**	23
All-in effective tax rate[1] (%)	**39**	37

1 The all-in effective tax rate, a non-IFRS measure, 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 to arrive at adjusted profit before taxation. Adjusted profit before taxation is a non-IFRS measure. The all-in effective tax rate is considered to be a representative tax rate on the recurring profits of the Group.

Effective tax rate

The effective tax rate was 22%, which was marginally lower than the prior year comparative period mainly due to a reduction in non-deductible expenses in the Group's Kazakhstan operations.

All-in effective tax rate

The all-in effective tax rate of 39% increased by 2% versus the prior year comparative period, mainly due to a higher MET and royalties charge as a share of adjusted profit, as a larger proportion of MET was expensed in the current period compared to the first half of 2017 when MET associated with the pre-commercial Aktogay sulphide and Bozshakol clay plants was capitalised.

Future tax rates

Future tax rates are materially affected by the application of CIT and MET and royalties. The CIT rate in Kazakhstan is 20% whilst MET and royalties are revenue-based and dependent on commodity prices. The CIT rate in the UK is 19% and is due to reduce to 17% from 2020. 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.

Net profit attributable to the equity holders of the Company and Underlying Profit

Underlying Profit is a non-IFRS measure and is the profit for the period after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant tax and non-controlling interest effects. The reconciliation of net profit attributable to equity holders of the Company to Underlying Profit is set out below:

$ million (unless otherwise stated)	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Net profit attributable to equity holders of the Company	**276**	185
Special items within profit before taxation – PXF fees	**–**	10
Underlying Profit	**276**	195
Weighted average number of shares in issue (million)	**447**	447
Ordinary EPS – basic and diluted ($)	**0.62**	0.41
EPS based on Underlying Profit – basic and diluted ($)	**0.62**	0.44

The Group's net profit attributable to equity holders of the Company was $276 million in the first half of 2018 compared to $185 million for the first half of 2017. This was primarily due to the increased operating profit partially offset by interest costs on project borrowings being expensed in the current period, while being partly capitalised in the prior year comparative period.

The Underlying Profit for the six months ended 30 June 2018 was $276 million compared to $195 million in the first half of 2017, in line with the increase in the net profit attributable to equity holders, partly offset by the $10 million of non-recurring PXF fees for the refinancing of that facility which were added back to net profit in the prior year comparative period.

Earnings per share

Basic earnings per share of $0.62 increased from $0.41 reported in the first half of 2017 and earnings per share, based on Underlying Profit, also rose to $0.62 from $0.44 reflecting the Group's improved profitability.

Dividends

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.

Marking the delivery of the cash generative Bozshakol and Aktogay operations, the Board has declared an interim dividend of 6.0 US cents per share which equates to a total payment of $27 million. The financing requirements of the Baimskaya project construction, including the assessment of partnering options, will be reviewed during the feasibility study after which the Group's allocation of capital will be further reviewed by the Board.

Cash flows

The summary of cash flows shown below is prepared on a basis consistent with internal management reporting. The key non-IFRS measure of Free Cash Flow is defined as the net cash flow from operating activities before capital expenditure and non-current VAT associated with major projects, less sustaining capital expenditure. This measure is used by the Directors to monitor the Group's ability to reduce debt, fund returns to shareholders and invest in the future growth and development of the business and is therefore considered relevant to users of the financial information.

$ million	Six months ended 30 June 2018	Six months ended 30 June 2017
EBITDA (excluding special items)[1]	**690**	429
Change in inventories[2]	**(65)**	(4)
Change in prepayments and other current assets[2]	**(9)**	(20)
Change in trade and other receivables[2]	**(12)**	(22)
Change in trade and other payables and provisions[2]	**29**	15
Interest paid	**(112)**	(114)
MET and royalties paid[2]	**(111)**	(66)
Income tax paid	**(60)**	(47)
Foreign exchange and other movements	**(3)**	7
Net cash flows from operating activities before capital expenditure and non-current VAT associated with major projects[3]	**347**	178
Sustaining capital expenditure	**(39)**	(23)
Free Cash Flow	**308**	155
Expansionary and new project capital expenditure	**(325)**	(85)
Net non-current VAT received associated with major projects	**3**	159
Interest received	**14**	7
Other movements	**(1)**	(1)
Cash flow movement in net debt	**(1)**	235

1 EBITDA (excluding special items) is defined as profit before interest, taxation, depreciation, depletion, amortisation, MET and royalties. Please refer to note 4(a)(i) of the condensed consolidated financial statements.
2 Excludes working capital and MET movements arising from pre-commercial production activities at the Bozshakol and Aktogay operations.
3 The difference between 'net cash flows from operating activities before capital expenditure and non-current VAT associated with major projects' and 'net cash from operating activities' as reflected on the Group cash flow statement, is the net VAT received on the construction of the major projects.

Summary

Net cash flows from operating activities before capital expenditure and non-current VAT associated with major projects improved due to enhanced profitability, partly offset by additional working capital requirements and higher MET payments due to the increase in commodity prices and a greater volume of ore mined. The MET paid in the prior year comparative period excludes $33 million capitalised to property, plant and equipment ahead of commercial production.

Working capital

The working capital movements in the table above exclude the period of pre-commercial production in the first half of 2017 which are included within expansionary and new project capital expenditure.

- inventory levels increased by $65 million following higher consumables purchased at Bozshakol and Aktogay to support ramp up to design capacity and planned maintenance activities at the concentrators, in addition to a larger finished goods inventory at Bozshakol and East Region and Bozymchak due to the timing of sales. The $80 million increase in inventory as reflected in the IFRS based cash flow statement (see note 12(a)) includes MET and depreciation which are excluded from the cash flow above as MET is reflected separately and EBITDA (excluding special items) is stated before depreciation and amortisation;
- prepayments and other current assets increased by $9 million due to a net build-up of operating VAT receivable at the Aktogay operations, an increase in advances paid for raw materials to support production at the new operations and advances paid for smelting services at the East Region and Bozymchak operations. During the period, $46 million of VAT was refunded to the East Region, Bozshakol and Aktogay operations;
- trade and other receivables increased by $12 million from increased sales volumes at Aktogay partly offset by lower revenues from the East Region. Further details on the Group's customers are given in note 4(b) to the condensed consolidated financial statements; and
- trade and other payables rose by $29 million due to increased credit purchases of raw materials to support the ramp up to design capacity at the new operations and includes $10 million higher advance payments received for inventory delivered to customers. The $27 million increase in trade and other payables reflected in the IFRS based cash flow statement (see note 12(a)) includes the accruals relating to MET and royalties. The cash flow shown above reflects MET and royalty payments separately.

There were no pre-commercial production working capital cash flows reflected within expansionary capital expenditure in the first half of 2018. In the first half of 2017, the Aktogay sulphide and Bozshakol clay plants had not reached commercial production, therefore working capital movements were reflected within expansionary capital expenditure. These included cash outflows of $24 million for consumables and inventory at Aktogay and $35 million for clay ore stockpiled at Bozshakol, in addition to an $18 million increase in trade and other receivables at both operations, partly offset by increased accounts payable of $4 million and MET payable of $6 million.

In the first half of 2017, inventory levels rose by $4 million due to higher consumables at Bozshakol and Aktogay and an increase in oxide ore on the leach pads at Aktogay. Trade and other receivables increased by $22 million due to increased volumes at Bozshakol and Aktogay, while prepayments and other current assets increased by $20 million primarily due to a build-up of operating VAT receivable at the Bozshakol and Aktogay operations. Trade and other payables increased by $15 million due to higher operational spending at the Bozshakol and Aktogay operations and from the timing of payments received for inventory delivered to customers.

Interest cash flows

Interest paid during the first half of 2018 was $112 million compared with $114 million paid in the first half of 2017, which included PXF fees paid of $10 million. Interest paid is broadly consistent with the borrowing costs incurred during the period of $118 million (H1 2017: $119 million). Interest payments are made semi-annually under the CDB Bozshakol/Bozymchak, CDB Aktogay US dollar and DBK US dollar facilities, quarterly under the CDB Aktogay RMB facility and monthly under the PXF facility.

Income taxes and MET

Income tax payments of $60 million include $33 million (H1 2017: $25 million) of withholding tax on interest accrued in previous periods for financing the major projects. Excluding withholding tax payments, taxes paid were below the income statement charge due to capital allowances and accumulated tax losses available from the new operations. At 30 June 2018, the Group’s net income tax receivable was $5 million, compared to $2 million payable at 31 December 2017.

MET and royalty payments increased to $111 million reflecting the higher charge at the Aktogay and Bozshakol operations. In the first half of 2017, prior to commercial production at the Aktogay sulphide and Bozshakol clay plants, $33 million was reflected within expansionary capital expenditure. Once adjusted for the impact of capitalised MET paid in the first half of 2017, the increased MET is attributed to a greater volume of ore mined and higher commodity prices. At 30 June 2018, the MET and royalties payable was $50 million compared to $55 million at 31 December 2017.

Free Cash Flow

The Group’s Free Cash Flow before interest payments on borrowings was $420 million compared to $269 million in the first half of 2017 due to the improved profitability of the Group, in particular the sales contributions from Aktogay and improved commodity prices. After interest payments, Free Cash Flow was $308 million compared to $155 million in the prior year comparative period.

Capital expenditure

Sustaining capital expenditure increased to $39 million in the first half of 2018 from $23 million in the prior year comparative period, primarily from higher spending at the Bozshakol and Aktogay operations ($21 million) partly offset by lower expenditure at the East Region and Bozymchak.

Expansionary and new project expenditure of $325 million in the first half of 2018 includes $250 million paid in January 2018 in respect of the $300 million NFC deferral, $62 million invested at Aktogay, mainly on the expansion project and $9 million on the Artemyevsky mine extension. This compares to the $85 million of expansionary capital expenditure in the first half of 2017, which was net of $45 million in operating cash inflows capitalised ahead of commercial production at the Aktogay sulphide and Bozshakol clay plants and included $113 million spent on construction at the respective projects, of which $59 million related to consumables and the stockpiling of clay ore at Bozshakol. Please refer to the Operating Review for an analysis of the Group’s capital expenditure by operating segment.

Non-current VAT

The net non-current VAT received of $3 million relates to VAT previously incurred during the construction of Aktogay and Bozshakol.

Other investing and financing cash flows

In the first half of 2018, other investing cash flows relate to interest received on cash and cash equivalents and deposits of $14 million (30 June 2017: $7 million).

Balance sheet

The Group's capital employed position is shown below:

$ million	At 30 June 2018	At 31 December 2017
Equity attributable to owners of the Company	**1,196**	995
Non-controlling interests	**2**	3
Borrowings	**3,705**	3,877
Capital employed	**4,903**	4,875

Summary of movements

The Group's attributable comprehensive income for the period of $200 million led to the increase in the equity attributable to owners of the Company.

Net debt

Net debt consists of cash and cash equivalents and borrowings. A summary of the Group's net debt position is shown below:

$ million	At 30 June 2018	At 31 December 2017
Cash and cash equivalents	**1,653**	1,821
Borrowings	**(3,705)**	(3,877)
Net debt	**(2,052)**	(2,056)

Cash and cash equivalents at 30 June 2018 totalled $1,653 million, which was below the $1,821 million at 31 December 2017 mainly due to the settlement of $250 million of the $300 million NFC deferral, spending on the Aktogay expansion project and repayment of the Group's debt of $173 million. This was partly offset by increased Free Cash Flow.

In June 2017, the Group completed an amendment and extension of the PXF facility. The new facility extended the maturity profile by two and a half years from December 2018 until June 2021. Under the revised repayment profile, principal repayments commenced in July 2018 and continue in equal monthly instalments over a three year period until final maturity in June 2021. The facility amount was increased to $600 million and was fully drawn at 31 December 2017.

In order to manage counterparty and liquidity risk, surplus funds within the Group are held predominantly in the UK and funds remaining in Kazakhstan are utilised mainly for working capital purposes. The funds within the UK are held primarily with major European and US financial institutions and triple-'A' rated liquidity funds. At 30 June 2018, $1,628 million of cash and cash equivalents were held in the UK and Europe and $25 million in Kazakhstan and Kyrgyzstan.

At 30 June 2018, borrowings (net of amortised fees) were $3,705 million, a decrease of $172 million from 31 December 2017 reflecting $91 million in principal repayments of the CDB Bozshakol/Bozymchak finance facility, $6 million paid under the CDB Aktogay RMB facility, $54 million paid under the CDB Aktogay USD facility and $21 million paid in respect of the DBK Aktogay loan. The borrowings (net of unamortised fees) consisted of $1,435 million under the CDB Bozshakol/Bozymchak facilities, $1,394 million under the CDB Aktogay finance facilities, $276 million under the DBK facility and $600 million under the PXF debt facility.

Full details of the terms of the Group's borrowings are included in note 10 of the condensed consolidated financial statements.

Investments

On 8 June 2018, the Group announced an agreement for the investment of $70 million in the Koksay project by NFC. Following the $70 million investment, which is subject to certain conditions precedent including regulatory approvals in Kazakhstan and China, NFC will hold a 19.4% equity stake in the Koksay project.

The $70 million will be ring-fenced for the development of Koksay, including a feasibility study which will determine the detailed design for mining and processing operations and the associated capital budget. The Board will then review the results of the feasibility study to assess how and when to proceed with the project.

On 2 August 2018, the Group announced the acquisition of the Baimskaya copper project in the Chukotka region of Russia, subject to certain conditions precedent including regulatory approvals. The transaction is expected to complete in the first half of 2019. The initial consideration is $675 million for a 75% equity stake consisting of $436 million in cash and 22.3 million new KAZ Minerals shares, valued at $239 million. The KAZ Minerals shares are subject to a three year lock-in. The deferred consideration of $225 million, for the remaining interest, is payable in up to 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 and therefore not settled in shares, the deferred consideration will be settled in cash on 31 March 2029.

Hong Kong listing

On 1 August 2018, the Group delisted from the Hong Kong Stock Exchange. The Group retains its primary listings on the London and Kazakhstan Stock Exchanges.

Going concern

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

The Board has considered the Group's cash flow forecasts for the period to 30 September 2019, the outlook for commodity prices, production levels from the Group's operations, its future capital requirements, including the acquisition and limited expenditure to commence feasibility study work of the Baimskaya copper project and the principal repayments due under the Group's debt facilities. The Board considers that under the Group's base case assumptions there is sufficient available liquidity to meet the Group's requirements for the foreseeable future. However, in the event of a sustained fall in commodity prices coupled with lower than expected production from Bozshakol and Aktogay, a relatively modest amount of additional liquidity would be required towards the end of the going concern period. The Board believes that such additional liquidity could be achieved through a combination of new sources of finance and/or a refinance of existing debt facilities and deferral of uncommitted capital investment. Accordingly, the Board is satisfied that it is appropriate to adopt the going concern basis of accounting in the preparation of these 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 and are set out in the 2017 Annual Report and Accounts (available at www.kazminerals.com) along with their potential impact and the mitigating actions being taken by management.

In the view of the Board, the principal risks set out in the 2017 Annual Report and Accounts reflect the significant risks and uncertainties for the Group for the remaining six months of 2018. Certain principal risks have been impacted by the agreement to acquire Baimskaya and have therefore been updated below, specifically political, new projects and commissioning, liquidity, legal and regulatory and acquisitions and divestments.

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.

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 result in production disruptions and increases in operating costs. Wage negotiations could be impacted by higher commodity prices, higher domestic inflation or weakness of domestic exchange rates.

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 increases this challenge.

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 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.

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 and other natural phenomena; damage to or failure of equipment and infrastructure; loss or interruption to key inputs such as electricity and water; and the availability of key supplies and services, including the Balkhash smelter. Any disruption could impact production, may require the Group to incur unplanned expenditure and negatively impact cash flows.

New project construction 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. The Group recently announced the acquisition of the Baimskaya project, a large-scale investment with an estimated capital expenditure requirement of $5.5 billion. The project is located in the Far East of Russia, a country in which the Group has not previously operated. Due to its remote location, project success is partly dependent on securing access to infrastructure including road and power, mobilising appropriate contractors to site and managing the project logistics.

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 restatement of 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 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. The Baimskaya project is located in Russia and represents a new jurisdiction for the Group and therefore a new source of political risk. This includes the general risks of business in a new location, government support for the project and the risk of international sanctions.

Legal and regulatory compliance

The Group is required to comply with various laws and regulations including subsoil use laws, bribery and corruption laws, sanctions and the UK Listing Rules including rules regarding related parties. In Kazakhstan and Kyrgyzstan all subsoil reserves belong to the State and subsoil usage rights must be renewed. Legislation, including subsoil use laws and taxation have been in force for a relatively short period of time and may be subject to change and uncertainty of interpretation, application and enforcement. Non-compliance with legislation could result in regulatory challenges, fines, litigation and ultimately the loss of operating licences. Substantial payments of tax could arise for the Group, or tax receivable balances may not be recovered as expected. The completion of the Baimskaya acquisition is dependent, amongst other factors, on clearance from the Russian regulatory authorities. The completion of this transaction will result in the Group owning a material asset in the Far East of Russia and the Group will therefore be required to comply with the legal and regulatory requirements of that jurisdiction.

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 world supply and demand and investor sentiment. Following a strong performance during the first half of 2018, commodity prices reduced from July due partly to concerns over barriers to international trade.

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 $3.0 billion at 31 December 2017. In addition, the Group uses contractors, services and materials from China.

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 which could give rise to liabilities for KAZ Minerals. The Baimskaya acquisition represents a material transaction for the Group. Whilst an assessment of the project has been performed using internal and external expertise, there can be no guarantee that the project will achieve the expected value to the Group.

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. The Group would need to access significant additional sources of finance at appropriate cost to successfully develop the Baimskaya project which would increase the debt levels of the Group. Failure to access appropriate financing could require the deferral of capital investment. Non-compliance with financial covenants could result in borrowing facilities becoming uncommitted and repayable. 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/her knowledge that this condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and that the half-yearly report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year, and their impact on this condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- 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 2017 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
15 August 2018

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 2018 which comprises 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.

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 2018 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
15 August 2018

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME (UNAUDITED)

Six months ended 30 June 2018

$ million (unless otherwise stated)	Notes	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Revenues	4(b)	**1,098**	721
Cost of sales		**(533)**	(344)
Gross profit		**565**	377
Selling and distribution expenses		**(45)**	(37)
Administrative expenses		**(58)**	(53)
Net other operating income		**2**	5
Impairment losses		**–**	(1)
Operating profit		**464**	291
Interest income		**14**	7
Finance costs	5	**(123)**	(61)
Foreign exchange gain, net		**–**	3
Profit before taxation		**355**	240
Income tax expense	6	**(79)**	(55)
Profit for the period		**276**	**185**
Analysed as:			
Underlying Profit	7	**276**	195
Special items – PXF fees	5	**–**	(10)
Attributable to:			
Equity holders of the Company		**276**	185
Non-controlling interests		**–**	–
		276	185
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		**(77)**	117
Other comprehensive (expense)/income for the period		**(77)**	117
Total comprehensive income for the period		**199**	302
Attributable to:			
Equity holders of the Company		**200**	302
Non-controlling interests		**(1)**	–
		199	302
Earnings per share attributable to equity shareholders of the Company			
Ordinary EPS – basic and diluted ($)	7	**0.62**	0.41
EPS based on Underlying Profit – basic and diluted ($)	7	**0.62**	0.44

CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2018

$ million	Notes	At 30 June 2018	At 31 December 2017	At 30 June 2017
Assets				
Non-current assets				
Intangible assets		**7**	7	7
Property, plant and equipment		**2,394**	2,535	2,786
Mining assets		**446**	438	431
Other non-current assets	8	**216**	170	242
Deferred tax asset		**62**	65	74
		3,125	3,215	3,540
Current assets				
Inventories		**421**	359	280
Prepayments and other current assets		**89**	82	73
Income taxes receivable		**17**	13	5
Trade and other receivables		**143**	132	138
Cash and cash equivalents	12(b)	**1,653**	1,821	1,223
		2,323	2,407	1,719
Total assets		**5,448**	5,622	5,259
Equity and liabilities				
Equity				
Share capital	9(a)	**171**	171	171
Share premium		**2,650**	2,650	2,650
Capital reserves		**(2,105)**	(2,029)	(1,920)
Retained earnings		**480**	203	(64)
Attributable to equity holders of the Company		**1,196**	995	837
Non-controlling interests		**2**	3	3
Total equity		**1,198**	998	840
Non-current liabilities				
Borrowings	10	**3,187**	3,459	3,399
Deferred tax liability		**92**	70	65
Employee benefits		**13**	14	15
Provisions		**64**	67	62
Other non-current liabilities	11	**7**	7	57
		3,363	3,617	3,598
Current liabilities				
Trade and other payables		**304**	272	299
Borrowings	10	**518**	418	266
Income taxes payable		**12**	15	10
Employee benefits		**2**	2	2
Other current liabilities	11	**51**	300	244
		887	1,007	821
Total liabilities		**4,250**	4,624	4,419
Total equity and liabilities		**5,448**	5,622	5,259

These condensed consolidated financial statements were approved by the Board of Directors on 15 August 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Six months ended 30 June 2018

$ million	Notes	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Operating activities			
Cash receipts from customers		**1,099**	679
Net proceeds on non-current VAT		**3**	159
Cash payments to employees, suppliers and taxes other than non-current VAT and income tax		**(580)**	(340)
Cash flows from operations before interest and income taxes	12(a)	**522**	498
Interest and financing charges paid		**(112)**	(114)
Income taxes paid		**(60)**	(47)
Net cash flows from operating activities		**350**	337
Investing activities			
Interest received		**14**	7
Purchase of intangible assets		**(1)**	(1)
Purchase of property, plant and equipment		**(340)**	(89)
Investments in mining assets		**(23)**	(18)
Licence payments for subsoil contracts		**(1)**	(1)
Net cash flows used in investing activities		**(351)**	(102)
Financing activities			
Proceeds from borrowings	12(c)	**–**	76
Repayment of borrowings	12(c)	**(173)**	(196)
Net cash flows used in financing activities		**(173)**	(120)
Net (decrease)/increase in cash and cash equivalents	12(c)	**(174)**	115
Cash and cash equivalents at the beginning of the period		**1,821**	1,108
Effect of exchange rate changes on cash and cash equivalents	12(c)	**6**	–
Cash and cash equivalents at the end of the period	12(b)	**1,653**	1,223

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 June 2018

$ million	Attributable to equity holders of the Company: Share capital	Share premium	Capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2018	**171**	**2,650**	**(2,029)**	**203**	**995**	**3**	**998**
Profit for the period	**–**	**–**	**–**	**276**	**276**	**–**	**276**
Exchange differences on retranslation of foreign operations	**–**	**–**	**(76)**	**–**	**(76)**	**(1)**	**(77)**
Total comprehensive income/(expense) for the period	**–**	**–**	**(76)**	**276**	**200**	**(1)**	**199**
Share-based payments	**–**	**–**	**–**	**1**	**1**	**–**	**1**
At 30 June 2018	**171**	**2,650**	**(2,105)**	**480**	**1,196**	**2**	**1,198**
At 1 January 2017	171	2,650	(2,037)	(251)	533	3	536
Profit for the period	–	–	–	185	185	–	185
Exchange differences on retranslation of foreign operations	–	–	117	–	117	–	117
Total comprehensive income for the period	–	–	117	185	302	–	302
Share-based payments	–	–	–	2	2	–	2
At 30 June 2017	171	2,650	(1,920)	(64)	837	3	840

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 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 2018 were:

Operating division	Principal activity	Primary country of operations
Bozshakol	Mining and processing of copper and other metals	Kazakhstan
Aktogay	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 and processing facilities	Kazakhstan

1 The 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 2018 were authorised for issue in accordance with a resolution of the Board on 15 August 2018. 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 2017 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 2017, 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

(a) Condensed consolidated financial statements

The unaudited condensed consolidated financial statements for the six month period ended 30 June 2018 have been prepared in accordance with IAS 34 *'Interim Financial Reporting'* and the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority 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 Disclosure and Transparency Rules issued by the Financial Conduct Authority. 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 2017.

(b) Significant accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make 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. 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 2017.

Consistent with the year end, 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 impairment reversal, has arisen requires considerable judgement and takes account of future operational and financial plans, commodity prices, market demand and the competitive environment. For exploration and evaluation assets held by the Group, indicators of impairment can include the following factors: the right to explore in a specific area has expired and is not expected to be renewed; significant expenditure for further exploration or evaluation activities is not being planned; exploration and evaluation of mineral resources have not led to the discovery or confirmation of commercially viable resource; or 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 generally determined on the basis of discounted future cash flows.

The preparation of discounted future cash flows includes management estimates of commodity prices, market demand and supply, future operating costs, economic and regulatory climates, capital expenditure requirements, long-term mine plans and other factors.

Any subsequent changes to cash flows due to changes in the factors listed above could impact the recoverable amount of the assets.

An assessment of the key internal and external factors, including changes to medium and long-term commodity price expectations, exchange rates, cash costs and production expectations affecting the Group and its CGUs at 30 June 2018 did not identify any indicators of impairment, or impairment reversal. The Group's CGUs are aligned to the operating divisions as described in note 1. In assessing commodity prices for indicators of impairment, consideration was given to a range of equity analyst long-term copper price expectations with a median price of around $6,500/t.

(c) Going concern

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group's financial position, cash flows, future capital expenditure (as set out in the Operating Review) and required debt repayments.

At 30 June 2018, the Group's net debt was $2,052 million with total debt of $3,705 million and gross liquid funds of $1,653 million. The gross debt consisted of:

- $1,435 million of the CDB-Bozshakol and Bozymchak facilities which amortises over the period to 2025;
- $1,394 million of the $1.5 billion Aktogay loan facility with CDB, which amortises over the period to 2029, with repayments increasing from March 2018;
- $600 million for the fully drawn amended PXF facility which amortises over the period from July 2018 to June 2021;
- $276 million of the DBK facility, which amortises during the period from June 2018 to June 2025.

These condensed consolidated financial statements have been prepared on a going concern basis. In making the assessment that the Group is a going concern, the Board has considered the Group's cash flow forecasts for the period to 30 September 2019, the outlook for commodity prices, production levels from the Group's operations, its future capital requirements, including the acquisition and limited expenditure to commence feasibility study work of the Baimskaya copper project and the principal repayments due under the Group's debt facilities. The Board considers that under the Group's base case assumptions there is sufficient available liquidity to meet the Group's requirements for the foreseeable future. However, in the event of a sustained fall in commodity prices coupled with lower than expected production from Bozshakol and Aktogay, a relatively modest amount of additional liquidity would be required towards the end of the going concern period. The Board believes that such additional liquidity could be achieved through a combination of new sources of finance and/or a refinance of existing debt facilities and deferral of uncommitted capital investment. Accordingly, the Board is satisfied that it is appropriate to adopt the going concern basis of accounting in the preparation of these condensed consolidated financial statements.

3. Summary of significant accounting policies

(a) 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.

None of the amendments to standards and interpretations applicable during the period have had an 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.

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 2017, with the exception of accounting policies affecting revenue and financial instruments which have been updated for the application of new accounting standards as described below. 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 2018.

Revenue

On 1 January 2018, the Group adopted IFRS 15 'Revenue from Contracts with Customers' using the 'modified retrospective approach', which did not result in a classification or measurement adjustment to retained earnings on transition or a restatement of comparative information.

In applying the transition requirements and provisions of the new standard, the Group reviewed its sales contracts and assessed the nature of its performance obligations. Certain sales contracts, in particular those relating to copper concentrate, reflect Carriage Insurance Paid delivery terms (Incoterms) which require the Group to deliver the material to a named customer location. Whilst the sale and delivery of the material are regarded as two separate performance obligations for which revenue should be recognised, the delivery performance obligation was found to be wholly immaterial compared to the sales performance obligation and therefore no change to prior period revenue recognition was required. The Group also considered the variable consideration constraint on revenue recognition imposed by the new standard in relation to post sale volume adjustments on metal concentrates. Historically, such final volume adjustments on metal concentrates have been minimal and therefore there was no constraint imposed on revenue recognition.

Financial instruments

On 1 January 2018, the Group adopted IFRS 9 'Financial Instruments' which replaced IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard has been applied retrospectively but did not result in a change to the Group's accounting policies or a restatement of prior period financial assets and liabilities.

As a result of the application of IFRS 9, any trade receivables subject to provisional pricing are required to be classified and presented at fair value through profit or loss. Most of the Group's sales contracts are based on provisional pricing which are marked to market at each period end using appropriate quoted market forward prices, with any adjustment included within revenue. The standard also outlines a new 'expected credit loss' model, used to estimate the risk to the Group's financial assets measured at amortised cost. The impact of this model was evaluated and found to be immaterial, given the nature of the Group's financial assets and its credit risk management policies and procedures which minimise the risk of loss.

Leases

IFRS 16 'Leases' becomes effective in the EU on 1 January 2019. The Group is assessing the full impact of the standard on its financial position and reporting of performance. IFRS 16 requires that all leases, where material, be recognised on the balance sheet as a 'right-of-use' asset with a corresponding liability. The new standard does not apply to leases for the exploration or use of natural resources.

(b) 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 2018		31 December 2017		30 June 2017	
	Spot	**Average**	Spot	Average	Spot	Average
Kazakhstan tenge	**341.08**	**326.49**	332.33	326.00	321.46	318.59
Kyrgyzstan som	**68.18**	**68.50**	68.84	68.94	69.14	68.84
UK pounds sterling	**0.76**	**0.73**	0.74	0.78	0.77	0.79

In the six months to 30 June 2018, the depreciation of the tenge resulted in a non-cash foreign exchange loss of $77 million (30 June 2017: non-cash foreign exchange gain of $117 million) recognised directly within reserves arising from the translation on consolidation of the Group's Kazakhstan based subsidiaries whose functional currency is the tenge.

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'*. On grounds of materiality, the East Region and Bozymchak segments are presented on a combined basis.

The Group's operating segments are:

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 concentrator, which sells copper concentrate with gold content as a by-product, was commissioned in February 2016 and achieved commercial production on 27 October 2016 with its revenues and costs being recognised in the income statement from that date. The clay plant, which was commissioned in the fourth quarter of 2016 and which achieved commercial production on 1 July 2017, 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. The clay plant's pre-commercial revenues and costs were recorded against property, plant and equipment until it achieved commercial production, after which depreciation of the asset base commenced and interest associated with borrowings used to finance the construction of the plant was expensed.

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 and achieved commercial production on 1 October 2017 with its revenues and costs being recognised in the income statement from that date. Until commercial production was achieved, the revenues and operating costs of the sulphide concentrator were recorded against property, plant and equipment. The oxide operation, which sells copper cathodes, reached commercial production on 1 July 2016 with its revenues and costs being recognised in the income statement from that date. 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.

East Region and Bozymchak

The East Region and Bozymchak operations are reflected as one operating segment and consists 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 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 does not currently satisfy the quantitative requirements of IFRS 8 '*Operating Segments*' for disclosure as a separate segment and is combined with the East Region operations, given their similar economic characteristics, similar 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 consists of companies responsible for the assessment and greenfield development of metal deposits and processing facilities. The segment includes the Koksay mineral deposit.

Managing and measuring operating segments

The key performance measure of the operating segments is EBITDA (excluding special items), which is defined as earnings before interest, taxation, depreciation, depletion, amortisation, mineral extraction tax and royalties, as adjusted for special items. Special items are those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business. EBITDA (excluding special items) 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 also believe that this measure closely reflects the operating cash generative capacity and trading performance of the business as a whole and is therefore considered relevant to users of the financial information. Special items are excluded to enhance comparability of EBITDA (excluding special items) from period to period.

The Group's Treasury department manages the Group's borrowings and monitors finance costs at the Group level on a net basis rather than on a gross basis at an operating segment level. Segmental information is also provided in respect of revenues, by destination and by product.

(a) Operating segments

(i) Income statement information

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Corporate Services	Total
					Six months ended 30 June 2018
Revenues					
Gross Revenues	**388**	**389**	**321**	**–**	**1,098**
Revenues – income statement	**388**	**389**	**321**	**–**	**1,098**
Gross EBITDA (excluding special items)	**277**	**271**	**155**	**(13)**	**690**
EBITDA (excluding special items)	**277**	**271**	**155**	**(13)**	**690**
Less: depreciation, depletion and amortisation[1]	**(44)**	**(60)**	**(23)**	**(1)**	**(128)**
Less: mineral extraction tax and royalties[1,2]	**(36)**	**(34)**	**(28)**	**–**	**(98)**
Operating profit/(loss)	**197**	**177**	**104**	**(14)**	**464**
Net finance costs and foreign exchange gain					**(109)**
Income tax expense					**(79)**
Profit for the period					**276**

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Corporate Services	Total
					Six months ended 30 June 2017
Revenues					
Gross Revenues	344	153	340	–	837
Pre-commercial production revenues capitalised to property, plant and equipment[3]	(21)	(95)	–	–	(116)
Revenues – income statement	323	58	340	–	721
Gross EBITDA (excluding special items)	242	93	180	(10)	505
Pre-commercial production EBITDA capitalised to property, plant and equipment[2,3]	(12)	(64)	–	–	(76)
EBITDA (excluding special items)	230	29	180	(10)	429
Less: depreciation, depletion and amortisation[1]	(43)	(11)	(23)	(1)	(78)
Less: mineral extraction tax and royalties[1,2]	(23)	(6)	(31)	–	(60)
Operating profit/(loss)	164	12	126	(11)	291
Net finance costs and foreign exchange gain					(51)
Income tax expense					(55)
Profit for the period					185

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 (excluding special items). The Directors believe that MET and royalties are a substitute for a tax on profits, hence their exclusion provides a more informed measure of the operational performance of the Group. In the comparative six months ended 30 June 2017, the MET incurred at Aktogay (sulphide) and Bozshakol (clay) during pre-commercial production of $11 million and $3 million respectively was capitalised to property, plant and equipment.
3 During pre-commercial production, revenues and operating costs were capitalised to property, plant and equipment.

(ii) Balance sheet information

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Mining Projects	Corporate Services	Total
						At 30 June 2018
Assets						
Property, plant and equipment, mining assets and intangible assets[1]	**1,146**	**1,125**	**334**	**240**	**2**	**2,847**
Intragroup investments	**–**	**–**	**–**	**–**	**5,324**	**5,324**
Other non-current assets	**136**	**49**	**30**	**1**	**–**	**216**
Inter-segment loans	**–**	**–**	**–**	**–**	**1,717**	**1,717**
Operating assets[2]	**229**	**255**	**185**	**–**	**172**	**841**
Cash and cash equivalents	**4**	**40**	**10**	**1**	**1,598**	**1,653**
Segment assets	**1,515**	**1,469**	**559**	**242**	**8,813**	**12,598**
Deferred tax asset						**62**
Income taxes receivable						**17**
Elimination						**(7,229)**
Total assets						**5,448**
Liabilities						
Employee benefits and provisions	**7**	**3**	**69**	**–**	**–**	**79**
Inter-segment borrowings	**997**	**660**	**60**	**–**	**–**	**1,717**
Operating liabilities[3]	**161**	**148**	**148**	**3**	**90**	**550**
Segment liabilities	**1,165**	**811**	**277**	**3**	**90**	**2,346**
Borrowings						**3,705**
Deferred tax liability						**92**
Income taxes payable						**12**
Elimination						**(1,905)**
Total liabilities						**4,250**

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Mining Projects	Corporate Services	Total
						At 31 December 2017
Assets						
Property, plant and equipment, mining assets and intangible assets[1]	1,211	1,191	334	242	2	2,980
Intragroup investments	–	–	–	–	5,305	5,305
Other non-current assets	131	9	29	1	–	170
Inter-segment loans	–	–	–	–	1,871	1,871
Operating assets[2]	191	188	198	–	6	583
Cash and cash equivalents	87	354	176	2	1,202	1,821
Segment assets	1,620	1,742	737	245	8,386	12,730
Deferred tax asset						65
Income taxes receivable						13
Elimination						(7,186)
Total assets						5,622
Liabilities						
Employee benefits and provisions	8	4	71	–	–	83
Inter-segment borrowings	1,031	694	146	–	–	1,871
Operating liabilities[3]	87	358	52	4	88	589
Segment liabilities	1,126	1,056	269	4	88	2,543
Borrowings						3,877
Deferred tax liability						70
Income taxes payable						15
Elimination						(1,881)
Total liabilities						4,624

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Mining Projects	Corporate Services	Total
						At 30 June 2017
Assets						
Property, plant and equipment, mining assets and intangible assets[1]	1,308	1,339	325	250	2	3,224
Intragroup investments	–	–	–	–	5,294	5,294
Other non-current assets	157	58	26	1	–	242
Inter-segment loans	–	–	–	–	1,874	1,874
Operating assets[2]	163	145	205	–	361	874
Cash and cash equivalents	20	275	71	2	855	1,223
Segment assets	1,648	1,817	627	253	8,386	12,731
Deferred tax asset						74
Income taxes receivable						5
Elimination						(7,551)
Total assets						5,259
Liabilities						
Employee benefits and provisions	7	3	69	–	–	79
Inter-segment borrowings	1,058	700	116	–	–	1,874
Operating liabilities[3]	267	458	165	5	88	983
Segment liabilities	1,332	1,161	350	5	88	2,936
Borrowings						3,665
Deferred tax liability						65
Income taxes payable						10
Elimination						(2,257)
Total liabilities						4,419

1 Property, plant and equipment, mining assets and intangible assets are located in the principal country of operations of each operating segment. Bozshakol, Aktogay and Mining Projects segments principally operate in Kazakhstan. The East Region and Bozymchak segment includes $272 million of the East Region assets located in Kazakhstan and $62 million of Bozymchak assets located in Kyrgyzstan (31 December 2017: $273 million and $61 million; 30 June 2017: $267 million and $58 million respectively).
2 Operating assets comprise inventories, prepayments and other current assets and trade and other receivables, including intragroup non-financing related receivables.
3 Operating liabilities comprise trade and other payables, including intragroup non-financing related payables, other non-current and current liabilities.

(iii) Capital expenditure[1]

$ million	**Bozshakol**	**Aktogay**	**East Region and Bozymchak**	**Mining Projects**	**Total**
					Six months ended 30 June 2018
Property, plant and equipment[2]	**12**	**320**	**8**	**–**	**340**
Mining assets[2]	**3**	**–**	**20**	**–**	**23**
Intangible assets	**–**	**1**	**–**	**–**	**1**
Capital expenditure	**15**	**321**	**28**	**–**	**364**

$ million	Bozshakol[3,4]	Aktogay[4]	East Region and Bozymchak	Mining Projects	Total
					Six months ended 30 June 2017
Property, plant and equipment[2]	55	12	16	6	89
Mining assets[2]	–	–	18	–	18
Intangible assets	1	–	–	–	1
Capital expenditure	56	12	34	6	108

1 The capital expenditure presented by operating segment reflects cash paid and is aligned with the Group's internal capital expenditure reporting.
2 Capital expenditure includes non-current advances paid for items of property, plant and equipment and mining assets.
3 Of the $56 million capital expenditure at Bozshakol for the first half of 2017, $35 million related to clay ore stockpiled ahead of commercial production.
4 In the first half of 2017, cash capital expenditure for Aktogay and Bozshakol includes $27 million inflows and $7 million outflows respectively of net operating cash flows incurred during the period ahead of commercial production.

(b) Segmental information in respect of revenues

$ million	Six months ended 30 June 2018 Bozshakol	Aktogay	East Region and Bozymchak	Total
Copper cathodes	**31**	**105**	**206**	**342**
Copper in concentrate	**279**	**281**	**–**	**560**
Zinc in concentrate	**–**	**–**	**60**	**60**
Gold	**–**	**–**	**33**	**33**
Gold in concentrate	**72**	**–**	**–**	**72**
Silver	**1**	**1**	**17**	**19**
Silver in concentrate	**5**	**2**	**–**	**7**
Other revenue	**–**	**–**	**5**	**5**
Revenues – income statement	**388**	**389**	**321**	**1,098**

$ million	Six months ended 30 June 2017 Bozshakol	Aktogay	East Region and Bozymchak	Total
Copper cathodes	22	72	207	301
Copper in concentrate	242	80	9	331
Zinc in concentrate	–	–	59	59
Gold	–	–	31	31
Gold in concentrate	74	–	1	75
Silver	–	–	27	27
Silver in concentrate	6	1	1	8
Other revenue	–	–	5	5
	344	153	340	837
Less pre-commercial production revenues capitalised to property, plant and equipment	(21)	(95)	–	(116)
Revenues – income statement	323	58	340	721

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 silver), 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 for its largest products were as follows:

	At 30 June 2018		At 30 June 2017	
	Provisionally priced volumes	**Weighted average provisional price**	Provisionally priced volumes	Weighted average provisional price
Copper cathodes	**1 kt**	**6,864 $/t**	4 kt	5,602 $/t
Copper in concentrate[1]	**29 kt**	**6,284 $/t**	27 kt	4,749 $/t
Zinc in concentrate[1]	**4 kt**	**2,334 $/t**	6 kt	1,570 $/t
Gold in concentrate[1]	**13 koz**	**1,320 $/oz**	26 koz	1,194 $/oz
Silver in concentrate[1]	**63 koz**	**17 $/oz**	–	–

1 Payable metal in concentrate.

The final prices for the provisionally priced volumes shown above will be determined during the quarter after the period end. At 30 June 2018, 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). The adjustment decreased revenue by $9 million (30 June 2017: $9 million increase in Gross revenues).

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

$ million	Six months ended 30 June 2018 Bozshakol	Aktogay	East Region and Bozymchak	Total
China	**280**	**303**	**140**	**723**
Europe	**108**	**86**	**116**	**310**
Kazakhstan and Central Asia	**–**	**–**	**65**	**65**
Revenues – income statement	**388**	**389**	**321**	**1,098**

$ million	Bozshakol	Aktogay	East Region and Bozymchak	Total
	Six months ended 30 June 2017			
China	342	96	200	638
Europe	2	57	65	124
Kazakhstan and Central Asia	–	–	75	75
	344	153	340	837
Less pre-commercial production revenues capitalised to property plant and equipment	(21)	(95)	–	(116)
Revenues – income statement	323	58	340	721

The Group's copper concentrate sales and certain cathode and zinc sales have been contracted to a trader, Advaita Trade Private Ltd ('Advaita'). Advaita is part of an independent metals trading group founded in 2014 by former employees of the Group with significant experience in marketing metals the Group produces into Europe and China. Sales from all the Group's segments to Advaita comprise 85% ($938 million) of Revenues (30 June 2017: 69% or $575 million of Gross Revenues). 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 2018**	Six months ended 30 June 2017
Interest expense	**119**	66
Total interest expense[1]	**119**	127
Less: amounts capitalised to the cost of qualifying assets[2]	**–**	(61)
Interest on employee obligations	**1**	1
Unwinding of discount on provisions	**2**	2
Fair value losses/(gains) on debt related derivative financial instruments[3]	**1**	(8)
	123	61

1 Total interest expense includes $118 million (30 June 2017: $109 million) of interest incurred on borrowings and $1 million (30 June 2017: $8 million) relating to the unwinding of the discount on the NFC deferral (see note 11). The prior year comparative period included $10 million in PXF fees that were treated as a special item.

2 During the first half of 2017, the Group capitalised to the cost of qualifying assets $9 million of borrowing costs incurred on the outstanding debt during the period on the CDB-Bozshakol and Bozymchak facilities at an average rate of interest (net of interest income) of 5.8%, $36 million on the CDB-Aktogay US$ and CNY facilities at an average rate of interest of 5.55% and 4.54% respectively and $8 million on the $300 million Development Bank of Kazakhstan loan at an average rate of interest of 5.82%. Interest capitalised during the first half of 2017 includes $8 million of unwinding of interest on the deferred NFC payable.

3 Fair value gains of $8 million were previously reflected within foreign exchange gains, net in the income statement in the prior year comparative period.

6. Income taxes

The major components of income tax expense are:

$ million	**Six months ended 30 June 2018**	Six months ended 30 June 2017
Current income tax		
Corporate income tax – current period (UK)	**2**	–
Corporate income tax – current period (overseas)	**50**	45
Corporate income tax – prior periods (overseas)	**1**	2
	53	47
Deferred income tax		
Corporate income tax – current period temporary differences	**21**	9
Corporate income tax – prior period temporary differences	**5**	(1)
	26	8
	79	55

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 2018**	Six months ended 30 June 2017
Profit before tax	**355**	240
At UK statutory income tax rate of 19.0% (30 June 2017: 19.25%)[1]	**67**	46
Current income tax – prior periods	**1**	2
Deferred income tax – prior periods	**5**	(1)
Unrecognised tax losses	**5**	3
Non-deductible items:		
Transfer pricing	**–**	1
Non-deductible expenses	**1**	4
Total income tax expense	**79**	55

1 For the comparative period ended 30 June 2017, the UK statutory rate for January to March 2017 was 20.0% and for April to December 2017 was 19.0%, giving a weighted average full year rate of 19.25%.

Corporate income tax is calculated at 19.0% (30 June 2017: 19.25%) of the assessable profit for the period for the Company and its UK subsidiaries, 20.0% for the operating subsidiaries in Kazakhstan (30 June 2017: 20.0%). In Kyrgyzstan, changes to legislation in November 2017 reduced CIT to 0%, replaced by a tax on gold revenues, which is reflected as royalties within selling expenses.

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 2018**	Six months ended 30 June 2017
Net profit attributable to equity holders of the Company	**276**	185
Special items within profit before taxation – PXF fees	**–**	10
Underlying Profit	**276**	195
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	**446,841,285**	446,540,123
Ordinary EPS – basic and diluted ($)	**0.62**	0.41
EPS based on Underlying Profit – basic and diluted ($)	**0.62**	0.44

(a) Basic and diluted EPS

Basic EPS is calculated by dividing 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. 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.

(b) EPS based on Underlying Profit

The Group's Underlying Profit is the net profit for the six months excluding special items and their tax and non-controlling interest effects, as shown in the table above. EPS based on Underlying Profit is calculated by dividing Underlying Profit attributable to equity holders of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the period. EPS based on Underlying Profit is a non-IFRS measure that the Directors believe provides a consistent measure for comparing the underlying trading performance of the Group.

8. Other non-current assets

$ million	At 30 June 2018	At 31 December 2017	At 30 June 2017
Advances paid for property, plant and equipment	**52**	8	8
Non-current VAT receivable[1]	**36**	38	108
Non-current inventories[2]	**127**	124	126
Long-term bank deposits[3]	**3**	2	2
Gross value of other non-current assets	**218**	172	244
Provision for impairment	**(2)**	(2)	(2)
	216	170	242

1 Comprises VAT incurred, principally at Bozymchak at 30 June 2018 and 31 December 2017 (30 June 2017: principally Bozshakol and Aktogay) 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.

2 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.

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.

9. Share capital and reserves

(a) Allotted share capital

At 30 June 2017, 31 December 2017 and 30 June 2018, allotted and called up share capital (ordinary shares of 20 pence each) amounted to 458,379,033 or $171 million (£92 million).

(b) Own shares purchased under the Group's share-based payment plans

The provision of shares to the Group's share-based payment plans is facilitated by an Employee Benefit Trust (the 'Trust'). The cost of shares purchased by the Trust is charged against retained earnings as treasury shares. The Trust has waived the right to receive dividends on these shares. In the six months ended 30 June 2018, nil shares (30 June 2017: 223,429) were transferred out of the Trust in settlement of share awards granted to employees that were exercised during the period. Following approval from shareholders, shares held in treasury were used to settle awards.

At 30 June 2018, the Group, through the Trust, owned 19,727 shares in the Company (31 December 2017: 19,727, 30 June 2017: 19,727) with a market value of $0.2 million (31 December 2017: $0.2 million, 30 June 2017: $0.1 million) and a cost of $0.1 million (31 December 2017 and 30 June 2017: $0.1 million). The shares held by the Trust represented less than 0.01% (31 December 2017 and 30 June 2017: 0.01%) of the issued share capital at 30 June 2018.

10. Borrowings

	Maturity	Average interest rate during the period	Currency of denomination	Current $ million	Non-current $ million	Total $ million
30 June 2018						
CDB-Bozshakol and Bozymchak – US$ LIBOR + 4.50%	2025	6.35%	US dollar	**180**	**1,255**	**1,435**
CDB-Aktogay facility – PBoC 5 year	2028	4.97%	CNY	**12**	**108**	**120**
CDB-Aktogay facility – US$ LIBOR + 4.20%	2029	6.20%	US dollar	**105**	**1,169**	**1,274**
Pre-export finance facility – US$ LIBOR + 3.00% - 4.50%	2021	4.76%	US dollar	**200**	**400**	**600**
Development Bank of Kazakhstan – US$ LIBOR + 4.50%	2025	6.33%	US dollar	**21**	**255**	**276**
				518	**3,187**	**3,705**
31 December 2017						
CDB-Bozshakol and Bozymchak – US$ LIBOR + 4.50%	2025	5.87%	US dollar	179	1,345	1,524
CDB-Aktogay facility – PBoC 5 year	2028	4.54%	CNY	12	116	128
CDB-Aktogay facility – US$ LIBOR + 4.20%	2029	5.60%	US dollar	105	1,222	1,327
Pre-export finance facility – US$ LIBOR + 3.00% - 4.50%	2021	5.04%	US dollar	100	500	600
Development Bank of Kazakhstan – US$ LIBOR + 4.50%	2025	5.89%	US dollar	22	276	298
				418	3,459	3,877
30 June 2017						
CDB-Bozshakol and Bozymchak – US$ LIBOR + 4.50%	2025	5.80%	US dollar	179	1,434	1,613
CDB-Aktogay facility – PBoC 5 year	2028	4.54%	CNY	12	117	129
CDB-Aktogay facility – US$ LIBOR + 4.20%	2029	5.55%	US dollar	54	1,272	1,326
Pre-export finance facility – US$ LIBOR + 3.00% - 4.50%	2021	5.38%	US dollar	–	300	300
Development Bank of Kazakhstan – US$ LIBOR + 4.50%	2025	5.82%	US dollar	21	276	297
				266	3,399	3,665

The fair value of the Group’s borrowings at 30 June 2018 was estimated at $3,675 million (31 December 2017: $3,934 million; 30 June 2017: $3,731 million) and classified as a level 3 fair value in the fair value hierarchy.

All debt facilities were fully drawn at 30 June 2018 and 31 December 2017 (30 June 2017: $300 million undrawn relating to the PXF and $40 million undrawn relating to the now fully repaid and cancelled CAT facility).

CDB-Bozshakol and Bozymchak facilities

As at 30 June 2018, $1.4 billion (31 December 2017: $1.5 billion; 30 June 2017: $1.6 billion) was drawn under the facility agreements. The facilities accrue interest at US$ LIBOR plus 4.50% and arrangement fees with an amortised cost at 30 June 2018 of $13 million (31 December 2017: $15 million; 30 June 2017: $17 million) have been netted off against these borrowings in accordance with IFRS 9. During the six month period, $91 million of the borrowings were repaid, with $180 million due to be paid within 12 months of the balance sheet date (including $2 million of unamortised debt costs). The facility is repayable in half-yearly instalments in January and July with final maturity in 2025. KAZ Minerals PLC acts as guarantor of the facilities.

CDB-Aktogay finance facility

The CDB-Aktogay facility consists of a CNY 1.0 billion facility and a $1.3 billion US dollar facility. The funds mature 15 years from the date of the first draw down. KAZ Minerals PLC acts as guarantor of the loans.

The CNY 1.0 billion facility was fully drawn at 31 December 2015. At 30 June 2018, the drawn US dollar equivalent amount was $120 million (31 December 2017: $128 million; 30 June 2017: $129 million). The facility accrues interest at the applicable benchmark lending rate published by the People's Bank of China. The facility is repayable in semi-annual instalments in March and September commencing from 2016. During the six-month period, $6 million was repaid on the CNY facility, with $12 million due to be paid within 12 months of the balance sheet date. In order to protect the Group from currency risks arising on the CNY denominated debt, the Group has entered into CNY/US$ 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 2018, included within payables, is $10 million (31 December 2017: $9 million; 30 June 2017: $13 million).

The US dollar facility accrues interest at US$ LIBOR plus 4.20%. At 30 June 2017, the $1.3 billion facility was fully drawn. Arrangement fees with an amortised cost of $12 million (31 December 2017: $13 million; 30 June 2017: $14 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 commencing from 2018. During the six month period, $54 million was repaid on the US dollar facility, with $105 million due to be paid within 12 months of the balance sheet date.

Pre-export finance facility (‘PXF’)

In June 2017, the Group completed an amendment and extension of the PXF. The new facility extended the maturity profile of the facility by two and a half years from December 2018 until June 2021. Under the revised repayment profile, principal repayments commenced in July 2018 and then continue in equal monthly instalments over a three-year period until final maturity in June 2021.

The facility amount is $600 million and was fully drawn at 31 December 2017. The interest basis of the facility is substantially the same as the previous facility with a variable margin of between 3.0% and 4.5% above US$ LIBOR, dependent on the ratio of net debt to EBITDA which will be tested semi-annually. KAZ Minerals PLC, Vostoktsvetmet LLC and KAZ Minerals Sales Limited act as guarantors of the facility.

At 30 June 2018, $600 million (31 December 2017: $600 million; 30 June 2017: $300 million) was drawn under the facility. $200 million is due to be paid within 12 months of the balance sheet date.

Development Bank of Kazakhstan (‘DBK’)

On 14 December 2016, the Group entered into a $300 million credit facility with DBK which was fully drawn by the end of the year. The facility extends for a term of eight and a half years and bears an interest rate of US$ LIBOR plus 4.5%. The facility is repayable in instalments with the first repayment made in June 2018, followed by semi-annual repayments in May and November of each year from 2019 until 2024 and a final repayment in June 2025. The facility was drawn by KAZ Minerals Aktogay LLC, a Kazakhstan wholly owned subsidiary. KAZ Minerals PLC acts as guarantor of the facility.

At 30 June 2018, $276 million was drawn under the facility (31 December 2017: $298 million; 30 June 2017: $297 million). Arrangement fees with an amortised cost of $2 million (31 December 2017: $2 million; 30 June 2017: $3 million) have been netted off against these borrowings in accordance with IFRS 9. During the six month period, $21 million of the borrowing was repaid, with $21 million due to be paid within 12 months of the balance sheet date.

11. Other liabilities

$ million	At 30 June 2018	At 31 December 2017	At 30 June 2017
Payables to NFC	**50**	299	291
Payments for licences	**8**	8	10
	58	307	301
Current	**51**	300	244
Non-current	**7**	7	57
	58	307	301

In November 2015, the Group reached an agreement with its principal construction contractor at Aktogay, NFC, to defer payment of $300 million. Under these terms, $300 million scheduled for payment in 2016 and 2017 was deferred for settlement to 2018. $250 million of the payable amount to NFC was settled in January 2018. On 8 June 2018, the Group reached an agreement with NFC to defer settlement of the remaining $50 million until the second half of 2018. The extended credit terms have been discounted using a rate of US$ LIBOR plus 4.20% on the estimated cost of services performed. The unwinding of the interest is charged to the income statement within finance costs (31 December 2017 and 30 June 2017: charged to property, plant and equipment as a borrowing cost until the date that the project reached commercial production on 1 October 2017).

12. Consolidated cash flow analysis

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

$ million	Six months ended 30 June 2018	Six months ended 30 June 2017
Profit before taxation	**355**	240
Interest income	**(14)**	(7)
Finance costs	**123**	61
Share-based payments	**1**	3
Depreciation, depletion and amortisation	**134**	83
Impairment losses	**–**	1
Unrealised foreign exchange gain	**(4)**	–
Other reimbursements	**–**	(1)
Operating cash flows before changes in working capital and provisions	**595**	380
Decrease in non-current VAT receivable	**3**	159
Increase in inventories	**(80)**	(12)
Increase in prepayments and other current assets	**(9)**	(20)
Increase in trade and other receivables	**(12)**	(22)
Decrease in employee benefits	**(2)**	–
Increase in trade and other payables	**27**	13
Cash flows from operations before interest and income taxes	**522**	498

(b) Cash and cash equivalents

$ million	At 30 June 2018	At 31 December 2017	At 30 June 2017
Cash deposits with short term initial maturities	**654**	1,543	1,086
Cash at bank	**999**	278	137
Cash and cash equivalents	**1,653**	1,821	1,223

(c) Movement in net debt

$ million	At 1 January 2018	Cash flow	Other movements[1]	At 30 June 2018
Cash and cash equivalents	1,821	**(174)**	**6**	**1,653**
Borrowings[2]	(3,877)	**173**	**(1)**	**(3,705)**
Net debt	(2,056)	**(1)**	**5**	**(2,052)**

$ million	At 1 January 2017	Cash flow	Other movements[1]	At 30 June 2017
Cash and cash equivalents	1,108	115	–	1,223
Borrowings[2]	(3,777)	120	(8)	(3,665)
Net debt	(2,669)	235	(8)	(2,442)

1 Other movements comprise net foreign exchange movements and non-cash amortisation of fees on borrowings. Other movements on cash and cash equivalents arise primarily from currency movements on non-US dollar cash and cash equivalents. For the period ended 30 June 2018, the $1 million (30 June 2017: $8 million) other movement on borrowings consists of $3 million (30 June 2017: $5 million) of amortisation of fees on the Group's financing facilities and a foreign currency gain of $2 million (30 June 2017: loss $3 million) on the CDB-Aktogay RMB facility.
2 The cash flows on borrowings reflect draw downs of $nil million (30 June 2017: $76 million) and repayments on existing facilities of $173 million (2017: $196 million).

13. Financial instruments

Classification

$ million	**At 30 June 2018**	At 31 December 2017	At 30 June 2017
Financial assets at amortised costs			
Long term deposits	**3**	2	2
Trade and other receivables not subject to provisional pricing	**8**	5	6
Cash and cash equivalents	**1,653**	1,821	1,223
	1,664	1,828	1,231
Financial assets at fair value through profit and loss			
Trade receivables subject to provisional pricing[1]	**135**	127	132
Financial liabilities at amortised costs			
Borrowings[2]	**(3,705)**	(3,877)	(3,665)
Other liabilities	**(58)**	(307)	(301)
Trade and other payables[3]	**(219)**	(190)	(206)
	(3,982)	(4,374)	(4,172)
Financial liabilities at fair value through profit and loss			
Derivative instrument[4]	**(10)**	(9)	(13)

1 Trade and other receivables includes a $9 million reduction in value (31 December 2017: $12 million - increase; 30 June 2017: $9 million - increase) arising from marked to market adjustments on provisionally priced contracts at the period end. These are measured according to quoted forward prices in a market that is not considered active, which is a level 2 valuation method within the fair value hierarchy.
2 The fair value of the Group's borrowings at 30 June 2018 was estimated at $3,675 million (31 December 2017: $3,934 million; 30 June 2017: $3,731 million) by discounting future cash flows using rates currently available for debt of similar maturities and are classified as level 3 fair values in the fair value hierarchy.
3 Trade and other payables exclude payments received in advance, other taxes payable and MET and royalties payable that are not regarded as financial instruments.
4 Derivative financial instruments, representing a cross currency swap and interest rate swap, 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.

14. 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 2018	**2**	**50**	**5**	**3**
30 June 2017	2	47	7	3

1 No provision is held against the amounts owed by related parties at 30 June 2018 and 2017. The bad debt expense in relation to related parties was $nil for the period (30 June 2017: $nil).

Kazakhmys Holding Group

The majority of the related party transactions and balances are 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) and provided under two Framework Service Agreements. These include the provision of smelting and refining of the Group's copper concentrate, electricity supply and certain maintenance functions.

Industrial Construction Group LLC

During the first half of 2018 the Group established a joint venture, ICG, with PSI, a Kazakhstan based entity, for the construction of the additional sulphide processing facility at Aktogay. The Group has a 49% ownership share in ICG, which it jointly controls. Mobilisation and commencement of activities at the Aktogay site is expected to ramp up in the second half of the year. The purpose of ICG is the construction of the second sulphide concentrator at Aktogay. There have been no material transactions with ICG in the first half of 2018.

(b) Terms and conditions of transactions with related parties

Prices for related party transactions are determined on an arm's length and ongoing basis by the parties depending on the nature of the transaction.

15. Investments

On 8 June 2018, the Group announced an agreement for the investment of $70 million in the Koksay project by NFC. Following the $70 million investment, which is subject to certain conditions precedent including regulatory approvals in Kazakhstan and China, NFC will hold a 19.4% equity stake in the Koksay project.

This $70 million will be ring-fenced for the development of Koksay, including a feasibility study which will determine the detailed design for mining and processing operations and the associated capital budget. The Board will review the results of the feasibility study to assess how and when to proceed with the project.

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 where they exist will not have a material adverse effect on the financial condition or results of operations of the Group. As of 30 June 2018, 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. Committed expenditure under the subsoil agreements typically relates to investments in community-related projects, and includes investments in social sphere assets, infrastructure and public utilities. The total commitments for property, plant and equipment as at 30 June 2018 amounted to $792 million (31 December 2017: $47 million, 30 June 2017: $77 million). The increase in the commitments relates largely to the Aktogay expansion project.

17. Subsequent events

(a) Investment in the Baimskaya copper project

On 2 August 2018, the Group announced the acquisition of the Baimskaya copper project in the Chukotka region of Russia, subject to certain conditions precedent including regulatory approvals. The transaction is expected to complete in the first half of 2019. The initial consideration is $675 million for a 75% equity stake consisting of $436 million in cash and 22.3 million new KAZ Minerals shares, valued at $239 million. The KAZ Minerals shares are subject to a three year lock-in. The deferred consideration of $225 million, for the remaining interest, is payable in up to 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 and therefore not settled in shares, the deferred consideration will be settled in cash on 31 March 2029.

(b) Dividends

The Directors have declared an interim ordinary dividend of $27 million for the half year ended 30 June 2018 being 6.0 US cents per share. The dividend shall be paid on 3 October 2018.

GLOSSARY

Baimskaya copper project
the mining licence covering the Peschanka copper deposit the Company has agreed to purchase in the Chukotka region of Russia

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

capital employed
the aggregate of equity attributable to owners of the Company, non-controlling interests and borrowings

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

CAT facility
revolving credit facility provided by Caterpillar Financial Services (UK) Limited

CIS
Commonwealth of Independent States, comprised of former Soviet Republics

CDB or China Development Bank
China Development Bank Corporation

CIT
corporate income tax

CNY
Chinese yuan, basic unit of renminbi

Company or KAZ Minerals
KAZ Minerals PLC

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

DBK
Development Bank of Kazakhstan

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

EBITDA
earnings before interest, taxation, depreciation, depletion, amortisation, mineral extraction tax and royalties. 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 for the year after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business, and their resulting taxation and non-controlling interest impact,

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

Free Cash Flow
net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and major projects less sustaining capital expenditure. A reconciliation is provided on page 20

g/t
grammes per metric tonne

gross cash cost
cash operating costs, including pre-commercial production costs, excluding purchased cathode plus TC/RC on concentrate sales, divided by the volume of own copper sales

Gross EBITDA
earnings, including pre-commercial earnings, before interest, taxation, depreciation, depletion, amortisation, mineral extraction tax and royalties. A reconciliation to operating profit is in note 4(a)(i) of the condensed consolidated financial statements

Gross Revenues
sales proceeds from all volumes sold, including pre-commercial production volume. A reconciliation to revenues is in note 4(a)(i) of the condensed consolidated financial statements

the Group
KAZ Minerals PLC and its subsidiary companies

IAS
International Accounting Standard

IASB
International Accounting Standards Board

ICG
Industrial Construction Group LLC

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standard

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
the entity to which the Disposal Assets were transferred (formerly Cuprum Netherlands Holding B.V.)

Kazakhstan
the Republic of Kazakhstan

koz
thousand ounces

kt
thousand metric tonnes

Kyrgyzstan
the Kyrgyz Republic

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

LME
London Metal Exchange

major growth projects
Bozshakol and Aktogay

MET
mineral extraction tax

Mt
million metric tonnes

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

net debt
the excess of current and non-current borrowings over cash and cash equivalents and current investments. A reconciliation of net debt is in note 12(c) to the condensed consolidated financial statements

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

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

PXF
pre-export finance debt facility

PSI
PSI Engineering LLC

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

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 Cuprum Netherlands Holding B.V. which was approved by shareholders at the General Meeting held on 15 August 2014 and completed on 31 October 2014

RMB
Renminbi, the official currency of the People's Republic of China

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 business.

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

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

tenge or KZT
the official currency of the Republic of Kazakhstan

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

UK
United Kingdom

Underlying Profit
profit for the period after adding back items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the business and their resultant 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