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FOR IMMEDIATE RELEASE

9 December 2013

Kazakhmys PLC ("Kazakhmys" or the "Company")

Proposed sale of remaining 50 per cent. of the issued share capital of Ekibastuz LLP and 100 per cent. of the issued share capital of Kazhydro to Samruk-Energo

Kazakhmys announces that it has entered into an agreement to sell to Samruk-Energo the Group's remaining 50 per cent. interest in Ekibastuz LLP and 100 per cent. of the issued share capital of Kazhydro for gross consideration of U.S.$1,300 million in cash, subject to certain consents, approvals and conditions. Samruk-Energo is a wholly-owned subsidiary of Samruk-Kazyna, which is ultimately beneficially owned by the Government. The principal asset in the transaction is Ekibastuz GRES-1, which is the largest power station in Kazakhstan.

SUMMARY

- Based on the terms of the Transaction, Kazakhmys will receive net proceeds of approximately U.S.$1,249 million in cash, which will substantially strengthen the Group's financial position during the development phase of the Group's major copper growth projects, Bozshakol and Aktogay;

- The Board believes that the Transaction provides the Group with an opportunity to realise an attractive return on its investments in Ekibastuz and Kazhydro, and is in line with the Group's previously announced strategy of focusing on its core copper business;

- The Transaction will be conditional upon, *inter alia*, the approval of a majority of independent Shareholders and on the approval of the relevant governmental authorities in Kazakhstan.

Simon Heale, Chairman of Kazakhmys, said:

"Ekibastuz GRES-1 is a key asset in Kazakhstan and we are proud of the role Kazakhmys has played since 2008 in its restoration. We believe that this disposal realises an attractive return on the Group's original investment and will allow the Group to focus on the development of its large scale, long life, low-cost copper growth projects.

The Board is confident in the future prospects of Kazakhmys, and in the fundamentals of the copper industry, and believes the reinvestment of the cash proceeds from the Group's holding in Ekibastuz into its core business and the strengthening of the Group's financial position will create greater value for all stakeholders."

1. BACKGROUND TO AND REASONS FOR THE TRANSACTION

Since 2009, reflecting market conditions, the Board has increasingly focused on its core mining activities, with the aim of optimising the existing assets and delivering the major copper growth projects, Bozshakol and Aktogay.

To this end, the Group is taking action to cut costs and reduce discretionary capital expenditure, and is undertaking a review of its current operations.

It is the Board's intention to manage the Group's existing core copper operations to generate sustainable positive cash flow, by placing an emphasis on profitable production rather than volume targets. This will provide a more stable base as the Group continues to develop the two major copper growth projects. In line with its strategy to focus on its core copper business, the Group will continue to consider future business opportunities, whether projects, joint ventures, disposals or acquisitions.

As part of the review of its non-core assets to support further investment in the core business, the Group disposed of its 26 per cent. interest in ENRC pursuant to the ENRC Takeover Offer, which was declared wholly unconditional on 25 October 2013. In addition, the Board has now agreed to dispose of the Group's interest in Ekibastuz LLP and Kazhydro.

Benefits to Kazakhmys under the Transaction

Based on the terms of the Transaction, Kazakhmys will receive gross proceeds of approximately U.S.$1,300 million in cash.

After taking into account the U.S.$1,264 million paid for 100 per cent. of Ekibastuz and the Maikuben West coal mine in 2008, and the subsequent sale of 50 per cent. of Ekibastuz LLP to Samruk-Kazyna in 2010 for U.S.$681 million and 100 per cent. of the Maikuben West coal mine to Mineral Resources B.V.B.A. in 2011 for U.S.$3 million, the effective cost to the Group of acquiring its current 50 per cent. holding in Ekibastuz LLP is U.S.$580 million. The Group's 35 per cent. indirect interest in Kazhydro is held at a cost of U.S.$14 million. Following the purchase of the additional 65 per cent. indirect interest in Kazhydro not already owned, the total cost of the investment in Kazhydro disposed of under the Transaction is U.S.$63 million, bringing the total combined cost of these assets to $643 million. Therefore, the Board believes that the proposed disposal of the Sale Shares for U.S.$1,300 million represents an attractive return on investment.

In addition, as at 30 September 2013, the Group had net debt, on a pro forma basis after receipt of the ENRC proceeds in November 2013, of U.S.$562 million and this figure is expected to rise again in the next financial year in line with the capital expenditure profile of the Group's copper growth projects, Bozshakol and Aktogay. The Board believes that without the proceeds of the Transaction, in light of the intensity of the planned investment and the sensitivity of the Group's profits and cash flows to adverse movements in the price of the Group's key commodities, which include copper, silver, gold and zinc, it is possible that the Group may breach the covenant for its PXF Facility and for its undrawn RCF when they are tested within the next 12 months if commodity prices were to remain at or below current levels. However, the Group has a range of options and mitigating actions available to it to avoid such a breach, including repaying the PXF Facility and cancelling the RCF.

In this context, the Board believes it is in the interests of Shareholders to support the Transaction, as the net cash proceeds of approximately U.S.$1,249 million (net of transaction expenses and the cost of acquiring the 65 per cent. indirect interest in Kazhydro) will provide sufficient headroom to repay the relevant facilities, if required, and further enable the Group to focus its activities on its core business, as well as substantially strengthening its financial position during the development phase of the Group's major copper growth projects, Bozshakol and Aktogay.

The Board has also considered the following factors as part of its decision to dispose of the Sale Shares:

- Kazakhmys notes that the cash flows generated by Ekibastuz have been reinvested into the refurbishment of the plant and Kazakhmys has received one dividend of U.S.$28 million in June 2012 from Ekibastuz since the original acquisition in 2008. Dividends are likely to remain at best modest until the refurbishment of Ekibastuz back to its nameplate capacity of 4,000 MW is completed, which is currently expected to occur late in 2016.

- The Government is expected to begin an industry-wide review of energy tariffs in Kazakhstan (which are due to expire in 2015). The outcome of this review is uncertain and may impact the value of Ekibastuz. Due to this inherent uncertainty, the Board considers that it is in the interests of Shareholders to realise value now rather than await the outcome of the review of tariffs.

- Kazakhmys understands that the Government has budgeted funds available to satisfy the U.S.$1,300 million cash consideration for the Transaction. If the Transaction was not to proceed at this time then it is possible that the Government may re-allocate the funds or pursue an alternative opportunity.

- Kazakhmys understands that the Government views Ekibastuz as having strategic importance and may place it on the list of strategic assets for Kazakhstan. If it does so, any sale to a third party would require the consent of the Government, which may not be forthcoming.

- Kazakhmys will hand over the management of Ekibastuz to Samruk-Kazyna in May 2015 for five years under the terms of the joint venture agreement and Kazakhmys may have less influence over the operations of the power station during the period of Samruk-Kazyna's management.

2. FURTHER INFORMATION ON KAZAKHMYS SHAREHOLDER APPROVALS

The Transaction constitutes a related party transaction for the purposes of the Listing Rules, due to the Government and its associates' previous holding in Kazakhmys. In addition, due to the size of the Group's interest in Ekibastuz LLP relative to the size of the Company, the Transaction constitutes a Class 1 transaction under the Listing Rules. Under the Listing Rules, both a related party transaction and a Class 1 transaction require the approval of Kazakhmys Shareholders, which will be by way of an ordinary resolution.

If Shareholder approval is not obtained and the conditions are not satisfied, the Transaction will not complete and the acquisition of the remaining 65 per cent. indirect interest in Kazhydro will unwind, with the result that the Group will continue to own 50 per cent. of Ekibastuz LLP and a 35 per cent. indirect interest in Kazhydro.

A circular setting out further details of the Transaction, together with the notice to convene a General Meeting and the form of proxy for use at the General Meeting, will be posted to Kazakhmys Shareholders in due course.

3. FURTHER INFORMATION ON EKIBASTUZ LLP AND KAZHYDRO

Ekibastuz LLP

In 2008, the Group acquired the Ekibastuz coal fired power station and the Maikuben West coal mine located in Kazakhstan from The AES Corporation, a US-based developer of independent power plants. The total acquisition cost paid to The AES Corporation in connection with the acquisition of Ekibastuz and the Maikuben West coal mine was U.S.$1,264 million. The acquisition was an opportunity for the Group to diversify its activities, with a view to providing energy to both the domestic market in Kazakhstan and potentially into Russia. The Group sold its investment in the Maikuben West coal mine on 17 May 2011.

On 26 February 2010, Kazakhmys completed the sale of 50 per cent. of the Group's interest in Ekibastuz LLP to Samruk-Kazyna for a total of U.S.$681 million. As a result, Kazakhmys, through its subsidiary Ekibastuz Holdings, currently owns 50 per cent. of Ekibastuz LLP. Samruk-Kazyna subsequently transferred its 50 per cent. holding in Ekibastuz LLP to Samruk-Energo, its wholly-owned subsidiary.

The power station is undergoing a modernisation programme to return it to its original nameplate capacity of 4,000 MW, compared to a capacity of 2,500 MW at the time of acquisition. The refurbishment has largely been funded by the cash flows generated by Ekibastuz since the original acquisition from AES in 2008. The power station currently has an installed capacity of 3,000 MW.

The majority of the electricity generated by Ekibastuz is sold to third parties based in Kazakhstan, with the remaining output exported to Russia.

Ekibastuz's net power generation volumes fell by 9 per cent. in the first nine months of 2013 when compared to the same period in the prior year due to lower commercial demand in the Kazakhstan domestic market. In the first nine months of 2013, domestic sales were 889 GWh lower than in the first nine months of 2012, with sales to Russia 1,467 GWh higher as electricity volumes were redirected to the export market.

The net power generated by Ekibastuz is expected to reach 13,000 GWh in 2013.

The average sales tariff realised by Ekibastuz in the first nine months of 2013 increased by 8 per cent. when compared to the first nine months of 2012. The rise in tariffs was supported by the increase in the ceiling tariff at the start of 2013 from 6.50 KZT/kWh to 7.30 KZT/kWh. While demand was lower, Ekibastuz was able to increase the average tariffs charged for domestic sales to close to the applicable ceiling tariff.

As at 31 December 2012, Ekibastuz had gross assets of U.S.$1,410 million. Ekibastuz's total profit for the financial year ended 31 December 2012 was U.S.$252 million.

The key individuals at Ekibastuz LLP are the following:

Supervisory Board members:

Kuanysh Bektemirov	(Chairman) (nominee of Samruk-Energo)
Almassadam Satkaliyev	(nominee of Samruk-Energo)
Nikolay Korobovsky	(nominee of Kazakhmys)
Nikolay Klimov	(nominee of Kazakhmys)

Senior management:

Ryskan Svambayev	(General Director)
Mikhail Tsulukidze	(Financial Director)

Kazhydro

Kazhydro is a company established to develop seven small hydropower plants in Kazakhstan with aggregate capacity of 108MW. Kazhydro is a wholly-owned subsidiary of GE Projects. Prior to 5 December 2013 the Group held a 35 per cent. indirect interest in Kazhydro, with the remaining 65 per cent. interest held by Myrtus. The Group acquired the remaining 65 per cent. indirect interest in Kazhydro from Myrtus on 5 December 2013 at a total cost of U.S.$49 million in cash, which is deferred and payable no later than 1 July 2014. If the Transaction terminates or does not complete on or before 1 July 2014, the acquisition of the remaining 65 per cent. indirect interest in Kazhydro will unwind and the Group will be obliged to pay a break fee of U.S.$2.25 million to Myrtus.

As at 31 December 2012, Kazhydro had gross assets of U.S.$10 million. Kazhydro's total loss for the financial year ended 31 December 2012 was U.S.$2 million.

The key individuals at Kazhydro are the following:

Boguslavskiy Evgeniy	(General Manager)
Adilov Yerzhan	(Executive Manager)
Tokhtarov Daryn	(Financial Manager)

4. FINANCIAL EFFECTS OF THE TRANSACTION AND USE OF PROCEEDS

The Group's investment in Ekibastuz LLP is equity accounted as a joint venture of Kazakhmys in the Group's consolidated financial statements and is included on the Group's consolidated balance sheet at a carrying value of U.S.$927 million as at 31 December 2012, and of U.S.$974 million as at 30 June 2013. The increase in the carrying value from 31 December 2012 to 30 June 2013 represents the Group's share of the post-tax profits of Ekibastuz LLP of U.S.$51 million which was partially offset by the Group's share of losses recognised in equity of U.S.$4 million. The share of profits from Ekibastuz LLP recognised in the Group's consolidated income statement for the six months ended 30 June 2013 was U.S.$51 million, for the year ended 31 December 2012 was U.S.$126 million, for the year ended 31 December 2011 was U.S.$100 million, and for the year ended 31 December 2010 was U.S.$38 million. The Group's indirect investment in Kazhydro is treated as a non-current investment. The Transaction is expected to be dilutive to the earnings of the Group in the next full financial year, although given the low level of dividends, the Transaction is likely to have a limited impact on cash earnings.

Following the Transaction: (i) the Group will no longer have an interest in Ekibastuz LLP, and Ekibastuz LLP will no longer be treated as a joint venture of Kazakhmys. Equity accounting in the Group's consolidated financial statements will cease in December 2013; and (ii) the Group will no longer have an interest in Kazhydro, and Kazhydro will no longer be treated as a non-current investment from December 2013.

Pursuant to the Transaction, the Group will receive net cash proceeds of approximately U.S.$1,249 million of which the Directors intend to use approximately U.S.$950 million for the potential repayment of the PXF Facility and to reduce future borrowing requirements; and the balance of approximately U.S.$299 million for general corporate purposes which may include expenditure on other projects.

5. DEFINITIONS

For the purposes of this announcement, the following definitions will apply:

Ekibastuz	Ekibastuz GRES-1 power station located in Pavlodar Oblast, in the north-eastern region of Kazakhstan, with a nameplate capacity of 4,000 MW
Ekibastuz Holdings	Ekibastuz Holdings B.V., a private limited liability company ultimately owned and controlled by Kazakhmys and incorporated under the laws of the Netherlands with registered number 34137073 and registered office at Strawinskylaan 453, 1077XX Amsterdam, the Netherlands
Ekibastuz LLP	Ekibastuz GRES-1 Limited Liability Partnership, the owner and operator of Ekibastuz, incorporated in Kazakhstan with registered number 358-1945-16-TOO(IU) and registered office at Ekibastuz, Pavlodar Oblast, 141200, Republic of Kazakhstan
GE Projects	GE Projects Holding B.V., a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) incorporated under the laws of the Netherlands and registered with the trade register of the Chambers of Commerce under file number 34392527, which is the sole owner of Kazhydro
Government	the Government of the Republic of Kazakhstan, including acting through The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan
Group	the Company and its subsidiary undertakings from time to time
Kazhydro	Kazhydrotechenergo LLP, a limited liability partnership registered and existing under the laws of Kazakhstan, with BIN 080940018801
Myrtus	Myrtus Investments Ltd., a company with limited liability governed by the laws of Cyprus, registered with the Ministry of Commerce, Industry and Tourism department of Registrar of Companies and Official Receiver under number C 221354
PXF Facility	the five-year pre-export finance facility entered into by Kazakhmys Finance PLC, a wholly-owned subsidiary of the Company, with a syndicate of banks for U.S.$1.0 billion to be used for general corporate purposes
RCF	a U.S.$100 million revolving credit facility entered into by Kazakhmys Finance with the Bank of China Limited for general corporate purposes and to provide standby liquidity. The RCF, which is presently undrawn, has a final maturity in March 2015.

Sale Shares	50 per cent. of the issued share capital of Ekibastuz LLP and 100 per cent. of the issued share capital of Kazhydro
Samruk-Energo	Joint Stock Company "Samruk-Energo", a joint stock company registered and existing under the laws of Kazakhstan, with BIN 070540008194, an entity wholly owned and controlled by Samruk-Kazyna, and therefore, the Government
Samruk-Kazyna	Joint Stock Company National Welfare Fund "Samruk-Kazyna", an entity wholly owned and controlled by the Government
Transaction	the proposed sale of the Sale Shares to Samruk-Energo for cash consideration of U.S.$1,300 million

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Forward looking statements

This announcement includes forward-looking statements with respect to the business, strategy and plans of Kazakhmys and its current goals, assumptions and expectations relating to its future financial condition, performance and results. By their nature, forward-looking statements involve known and unknown risks, assumptions and uncertainties and other factors which may cause actual results, performance or achievements of Kazakhmys to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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

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