KAZAKHMYS PLC

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Company registered in England and Wales
Company Number: 5180783

26 March 2013

KAZAKHMYS PLC AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2012

This preliminary results announcement includes the audited consolidated financial results of the Kazakhmys Group for the year ended 31 December 2012, including the Group's proportionate share of the unaudited earnings of ENRC PLC (ENRC), in which the Group has a 26% shareholding, on an equity accounted basis.

2012 FINANCIAL HIGHLIGHTS

- Group EBITDA (excluding special items) of $1,912 million impacted by lower commodity prices, rising industry costs and lower sales volumes of copper products
  - $1,364 million from own operations, joint venture and discontinued operations
  - $548 million contribution from ENRC
- Net unit cost of 174 USc/lb
  - Within the range set at the start of 2012
  - Cost management from copper operations a key focus in 2013
- Underlying Profit for the year of $492 million
  - Impacted by charge for disability benefits obligation of $207 million
  - Includes $127 million contribution from ENRC
  - EPS of $0.94 based on Underlying Profit
- Impairment charge of $2,223 million on holding in ENRC
  - Carrying value reduced to $2,027 million, equivalent to 375 pence per share
  - Holding has a market value of $1,367 million as at 25 March 2013
- Net debt of $707 million
  - Net debt increasing with development of major projects
  - Long-term funding of $4.2 billion in place for delivery of major projects
  - New corporate debt facility in place to provide reserve liquidity during development phase of major projects

- Dividend reduced to reflect lower profitability in keeping with flexible dividend policy
  - Final dividend already declared of 8.0 US cents per share
  - Full year dividend of 11.0 US cents per share
  - Total returns to shareholders since Listing of $1,776 million

$ million (unless otherwise stated)	**2012**	2011
Revenues [1]	**3,353**	3,563
Earnings [2]:		
Group EBITDA (excluding special items) [3]	**1,912**	2,925
(Loss)/profit before taxation	**(2,204)**	1,623
Underlying Profit	**492**	1,498
EPS [2]:		
Basic and diluted ($)	**(4.33)**	1.75
Based on Underlying Profit [4] ($)	**0.94**	2.80
Free Cash Flow [5]	**85**	824
Cash cost of copper after by-product credits [6] (USc/lb)	**174**	114

1 From continuing operations only.
2 Includes ENRC's published unaudited results.
3 Reconciliation of Group EBITDA (excluding special items) to operating profit is found in note 3(a)(ii). In 2012, EBITDA (excluding special items) was redefined; for the definition of EBITDA (excluding special items) please refer to the Financial Review.
4 Reconciliation of EPS based on Underlying Profit is found in note 8(b).
5 Net cash flow from operating activities before capital expenditure and non-current VAT associated with expansionary and new projects less sustaining capital expenditure on tangible and intangible assets.
6 Kazakhmys Mining cash operating costs excluding purchased concentrate and mineral extraction tax less by-product revenues, divided by the volume of copper cathode equivalent sales.

Matthew Hird, Chief Financial Officer commented: "Debt will increase in the next couple of years as we invest in our new projects, but with $4.2 billion of secured long-term funding, we are in an excellent position to continue the delivery of our growth projects. Cost management will be a key focus in 2013 as we seek to improve cash flow from our core business and reduce the impact of rising industry costs."

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NOTES TO EDITORS

Kazakhmys PLC is a leading international natural resources group with significant interests in copper, gold, zinc, silver and power generation.

It is the largest copper producer in Kazakhstan and one of the top worldwide with 16 operating mines, 10 concentrators and 2 copper smelters. Kazakhmys Mining's operations are fully integrated from mining ore through to the production of finished copper cathode and rod. Total copper cathode equivalent produced in 2012 from own ore was 292 kt. Production is backed by a captive power supply and significant rail infrastructure.

Kazakhmys Mining produces significant volumes of other metals, including zinc, silver and gold. In 2012, it produced 152 kt of zinc in concentrate. The Group is amongst the largest silver producers in the world with 12.6 Moz produced in 2012.

Kazakhmys Power has a 50% interest in the coal fired Ekibastuz GRES-1 plant, the largest in Kazakhstan. The plant is undergoing a modernisation programme to take current capacity of 3,000 MW to its nameplate capacity of 4,000 MW. Kazakhmys Power also operates the captive power stations which supply electricity to Kazakhmys Mining.

The Group is listed on the London Stock Exchange, the Kazakhstan Stock Exchange (KASE) and the Hong Kong Stock Exchange (HKSE). It had revenues from continuing operations of $3.4 billion in 2012 with Group EBITDA of $1.9 billion. The Group employs around 60,000 people, principally in Kazakhstan. The Group's strategic aim is to optimise its current operations, deliver its major growth projects and to diversify and participate in the development of the significant natural resource opportunities in Central Asia.

FORWARD-LOOKING STATEMENT

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

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

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

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 should be sent to the Company's registrar, Computershare Investor Services PLC, so as to arrive by 3.00pm on Monday 29 April 2013.

For those shareholders who hold their shares on the Hong Kong Stock Exchange the default currency for receipt of their dividends is Hong Kong dollars although they can elect to receive their dividends in US dollars. For those shareholders who wish to receive their dividends in US dollars, currency election forms should be sent to the Company's registrar, Computershare Hong Kong Investor Services Limited, so as to arrive by Tuesday 14 May 2013.

Subject to the approval of shareholders at the Annual General Meeting, the final dividend in US dollars and UK pounds sterling will be paid on Tuesday 21 May 2013 to shareholders who hold their shares on the London Stock Exchange ('UK register of members') at the close of business on Friday 26 April 2013 (the 'UK record date'). The final dividend in US dollars and Hong Kong dollars will be paid on Tuesday 21 May 2013 to shareholders who hold their shares on the Hong Kong Stock Exchange ('Hong Kong register of members') at the opening of business on Friday 26 April 2013 (the 'Hong Kong record date'). For those shareholders who hold their shares on either the UK register of members at the UK record date or the Hong Kong register of members at the Hong Kong record date, the ex-dividend date is Wednesday 24 April 2013.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting will be held at 12.15pm on Friday 17 May 2013 at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED, United Kingdom.

The 2012 Annual Report and Accounts and details of the business to be conducted at the Annual General Meeting will be mailed to shareholders and posted on the Company's website (www.kazakhmys.com) in mid-April 2013.

CHIEF FINANCIAL OFFICER'S REVIEW

On 28 February 2013, Kazakhmys PLC issued a trading update which covered the production and selected unaudited financial results of the Kazakhmys Group's subsidiary and joint venture businesses for the year ended 31 December 2012. The trading update excluded the contribution from ENRC PLC ('ENRC'), in which the Group has a 26% shareholding.

This preliminary results announcement presents the audited consolidated financial results of the Kazakhmys Group for the year ended 31 December 2012, including the Group's proportionate share of ENRC's unaudited earnings, on an equity accounting basis.

In 2012, the copper market moved to a small supply surplus as the slowdown of economic growth rates in China, the United States and particularly in Europe, led to the increase in supply outstripping demand. This factor, together with weaker investor sentiment in general during 2012 resulted in the average LME copper price being 10% lower than in the prior year. Copper sales volumes were 4% lower than in 2011 with not all production recognised as sales in the year. The combination of lower pricing and sales volumes led to copper revenues declining by 11%. In March 2012, gold sales resumed following the lifting of the temporary export restriction on precious metals sales which prevented gold sales in the second half of 2011. 69 koz of gold produced in 2011 was sold in March 2012 to Kazakhstan's National Bank. Gold sales have continued monthly thereafter.

Segmental EBITDA was 30% below the prior year as revenues fell by 6% and a combination of salary inflation, higher transportation costs and greater volumes of material processed resulted in cash operating costs rising by 26% at the Mining Division. Demand for skilled and mobile labour in Kazakhstan remained strong throughout 2012, driven by the oil sector in particular, along with pressure on wage rates to remain competitive within the wider natural resource sector in the CIS.

The gross cash cost of copper rose to 333 US cents per pound in 2012, up from 249 US cents per pound in 2011 reflecting the increase in ore extraction volumes, along with higher operating costs and lower copper cathode sales volumes. The net cash cost increased to 174 US cents per pound as the impact of higher gross cash costs on reduced copper sales volumes was only partially offset by improved by-product credits in 2012.

Included within Group EBITDA, the Group's share of EBITDA arising from its 26% holding in ENRC fell by $418 million. In 2012, ENRC experienced sharp declines in pricing for its major products, iron ore and ferrochrome.

In accordance with legislation, the Group has a disability benefits obligation to current and former employees. The salaries rises awarded in 2012 led to an increase in the disability benefits obligation and the recognition of a charge of $207 million. The increase in the provision reflects an enhanced level of disability payments in future years.

During the year, the Group recognised impairments against its investment in ENRC and the Bozymchak project of $2,223 million and $162 million respectively. The market value of ENRC declined in 2012 and at the year end, the market value of the Group's shareholding in ENRC was significantly below its carrying value. Both of these impairments have been treated as special items and excluded from Underlying Profit.

EPS based on Underlying Profit was $0.94 per share, impacted by the reduction in EBITDA and the increased disability provision. In addition, in 2012 the Group's all-in effective tax rate, which includes the impact of MET but excludes special items, increased from 38.0% to 68.6%, as the relative impact of MET was more pronounced on the lower profits of the Group. The Group's overall tax charge was below the prior year due to lower profits and a $60 million refund of EPT received in 2012 following a favourable court ruling.

Free Cash Flow available to the Group was $85 million as reduced profits, higher sustaining capital expenditure and interest payments were only partially offset by a reduction in MET and income tax payments.

Capital expenditure on the major projects increased in the year as Bozshakol was under construction and long lead items were ordered for Aktogay. The Group has secured a total of $4.2 billion secured in two longdated facilities from the CDB. Of the $4.2 billion, under the first $2.7 billion facility, $2.5 billion was drawn by the year end, and the second facility of $1.5 billion was undrawn.

During 2012, the pre-export finance facility signed in 2008 was repaid in full and a new five year facility was arranged of $1.0 billion which shall be used for general corporate purposes and to provide liquidity during the development of the two major projects. The liquid funds available to the Group amounted to $1.8 billion compared to $1.9 billion at 31 December 2011, and are mainly held in the UK.

The Group made returns to shareholders of $209 million in 2012, through a combination of dividends and buybacks. With increased development capital expenditure on the major projects, the Group's net debt at 31 December 2012 was $707 million compared to a net funds position of $19 million at 31 December 2011. As with 2011, for the 2012 financial year the Group maintains a 12% dividend payout ratio based on underlying post-tax cash earnings.

Kazakhmys enters 2013 with a strong balance sheet and committed debt facilities. The Group is well positioned to finance the delivery of its growth projects.

FINANCIAL REVIEW

Basis of preparation

The financial information has been prepared in accordance with IFRS as adopted by the EU using accounting policies consistent with those applied in the consolidated financial statements for the year ended 31 December 2011.

As explained in note 3 of the consolidated financial statements, MKM is a separate business line of the Group, which was classified as held for sale throughout the prior year and continued to be treated as a discontinued operation for the year ended 31 December 2012. MKM was the only asset held for sale during 2012. In the prior year, MKM, Kazakhmys Petroleum and the Maikuben West coal mine were assets held for sale and were included within discontinued operations.

During 2012, EBITDA (excluding special items), a key performance indicator of the Group, has been redefined. The Group considers EBITDA to be a proxy for cash earnings from current trading performance. Consequently, the actuarial remeasurement charge recognised in the income statement in respect of the Group's disability benefits obligation has been excluded from EBITDA and instead, the actual disability benefits payments disbursed during the year have been deducted in arriving at EBITDA. A change in legislation in 2011 significantly increased the level of payments the Group is required to make to disabled current and former employees, and consequently the corresponding provision for the disability benefits obligation also increased. As the disability benefits obligation is remeasured on an ongoing basis and is subject to potential volatility arising from changes to actuarial assumptions, including expectations of future payment levels and the discount rate applied, the actuarial remeasurement charge in any particular period can often be unrepresentative of the cash payable in respect of that period. For the year ended 31 December 2011, the impact of this change is considered insignificant in the context of EBITDA and the consolidated financial statements as a whole, and therefore 2011 has not been restated. For the year ended 31 December 2012, the actuarial remeasurement charge of $190 million has been excluded from EBITDA and cash disbursements of $41 million have been deducted in arriving at EBITDA, such that a net amount relating to the non-cash component of the disability benefits obligation of $149 million has been excluded from EBITDA.

Income statement

A summary of the consolidated income statement is shown below:

$ million (unless otherwise stated)	2012	2011
Continuing operations		
Revenues	**3,353**	3,563
Operating costs (excluding non-cash component of disability benefits obligation, depreciation, depletion, amortisation, MET and special items)	**(2,226)**	(1,791)
EBITDA from subsidiaries (excluding special items)	**1,127**	1,772
EBITDA from joint venture (excluding special items)	**189**	154
Segmental EBITDA (excluding special items) from continuing operations	**1,316**	1,926
Less: interest and taxes of joint venture	**(29)**	(26)
Special items:		
Less: disability benefits obligation charge	**–**	(146)
Less: impairment charge against property, plant and equipment	**(110)**	(11)
Less: impairment (charge)/reversal against mining assets	**(82)**	7
Add: provisions released against inventories	**–**	19
Less: loss on disposal of subsidiary	**(8)**	–
Less: MET	**(260)**	(280)
Less: non-cash component of the disability benefits obligation	**(149)**	–
Less: depreciation, depletion and amortisation	**(310)**	(264)
Operating profit	**368**	1,225
Results from associate	**(2,481)**	466
Share of (losses)/profits from associate	**(258)**	466
Less: impairment charge against investment in associate	**(2,223)**	–
(Loss)/profit before finance items and taxation	**(2,113)**	1,691
Net finance expenses	**(91)**	(68)
(Loss)/profit before taxation	**(2,204)**	1,623
Income tax expense	**(86)**	(221)
(Loss)/profit for the year from continuing operations	**(2,290)**	1,402
Discontinued operations		
Profit/(loss) for the year from discontinued operations	**20**	(472)
(Loss)/profit for the year	**(2,270)**	930
Non-controlling interests	**(1)**	–
(Loss)/profit attributable to equity holders of the Company	**(2,271)**	930
EPS – basic and diluted ($)		
From continuing operations	**(4.37)**	2.63
From discontinued operations	**0.04**	(0.88)
	(4.33)	1.75
EPS based on Underlying Profit ($)		
From continuing operations	**0.85**	2.76
From discontinued operations	**0.09**	0.04
	0.94	2.80

Revenues

The Group's revenues of $3,353 million are 6% lower than the $3,563 million achieved in the year ended 31 December 2011, following a decline in the realised price and sales volumes of copper cathode at Kazakhmys Mining. The lower cathode sales volumes were attributable to the decline in production volumes and an increase in finished goods inventory across the year. The fall in copper revenues, the Group's principal product, was partially offset by an increase in by-product revenues, particularly gold, which benefitted from the sale of inventory accumulated in the second half of 2011.

EBITDA (excluding special items) by operating segment

EBITDA (excluding special items) has been chosen as the key measure in assessing the underlying trading performance of the Group. This performance measure removes the non-cash component of the disability benefits obligation, depreciation, depletion, amortisation, MET and those items which are non-recurring or variable in nature and which do not impact the underlying trading performance of the Group.

The Directors believe that the exclusion of MET provides a more informed measure of the operational profitability of the Group given the nature of the tax as further explained in the 'Taxation' section.

Following the sale of Kazakhmys Petroleum in December 2011, the Group is now managed in three separate business units: Kazakhmys Mining, Kazakhmys Power and MKM.

A reconciliation of Group EBITDA (excluding special items) by operating segment is shown below:

$ million	2012	2011
Continuing operations		
Kazakhmys Mining	**1,160**	1,808
Kazakhmys Power [1]	**208**	168
Corporate Services	**(52)**	(50)
Total continuing operations	**1,316**	1,926
Discontinued operations		
MKM	**48**	26
Kazakhmys Power [2]	**–**	8
Kazakhmys Petroleum	**–**	(1)
Total discontinued operations	**48**	33
Segmental EBITDA (excluding special items)	**1,364**	1,959
Share of EBITDA of associate [3]	**548**	966
Group EBITDA (excluding special items)	**1,912**	2,925

[1] Kazakhmys Power includes the Group's share of EBITDA (excluding special items) of the joint venture, Ekibastuz GRES-1, and the Group's captive power stations.
[2] In the year ended 31 December 2011, Kazakhmys Power included the EBITDA (excluding special items) of the Maikuben West coal mine for the period to 17 May 2011, the date on which it was sold.
[3] The share of EBITDA (excluding special items) of associate excludes MET of the associate.

Segmental EBITDA (excluding special items) of $1,364 million was 30% lower than the prior year, principally as a decline in revenues and higher costs led to a fall in the EBITDA contribution from Kazakhmys Mining which was $1,160 million in 2012 compared to $1,808 million in the prior year.

The EBITDA contribution of Kazakhmys Power from continuing operations increased to $208 million from $168 million in 2011, due to the growth in revenues, which benefited from higher ceiling tariffs and demand, partially offset by rising input costs at the segment's largest asset, the Ekibastuz GRES-1 coal fired power station.

EBITDA (excluding special items) from discontinued operations increased compared to the prior year, which included the Maikuben West coal mine until 17 May 2011. MKM's contribution improved from $26 million in 2011 to $48 million in 2012, as the results of the business were impacted by a positive IFRS inventory adjustment of $10 million which reflects the movement in copper prices through the year compared with a negative inventory adjustment of $14 million in 2011.

Group EBITDA (excluding special items) for the year was $1,912 million and $2,925 million in 2011. Included in Group EBITDA is the Group's share of EBITDA (excluding special items) of ENRC of $548 million based on its published unaudited results for the year ended 31 December 2012, a decrease from the $966 million recognised in the prior year.

Special items

Special items are non-recurring or variable in nature and do not impact the underlying trading of the Group. The principal special items recognised within continuing operations are:

Operating profit related special items:

2012

- The following impairment charges were recognised in 2012:
  - a charge of $162 million was recognised in respect of the Bozymchak gold/copper project in Kyrgyzstan. As a result of operational challenges experienced in Kyrgyzstan, the project is now expected to commence production later than envisaged, capital costs have been revised upwards and the risks associated with the project's execution have been reassessed. Following the impairment charge, which consists of $71 million against mining assets and $91 million against property, plant and equipment, the Bozymchak project has been recognised at its recoverable amount of $106 million as at 31 December 2012. Of the total Bozymchak impairment, $19 million relates to the impairment of capitalised borrowing costs;

- within mining assets, a charge of $7 million was recognised relating to the write-down of the assets attributable to the Nikolayevsky mine which was suspended in August 2012 as it was no longer considered economically viable to operate this mine; and
- a charge of $11 million has been recognised against property, plant and equipment relating to transportation infrastructure owned by the Group following a change in the intended use of the assets and a reassessment of their future cash flows.

- In early 2012, Kazakhmys Mining disposed of its captive insurance company in Kazakhstan and recognised a loss on the sale of this subsidiary of $8 million.

2011

- The Government of Kazakhstan enacted new legislation which significantly increased the entitlements payable to current and former employees who suffer a work-related injury. Based on a reassessment of the potential future costs associated with meeting this additional disability benefits obligation, Kazakhmys Mining recognised a charge of $172 million in 2011, of which $146 million related solely to the impact of the changes in the legislation and was treated as a special item; and

- The following impairment charges were recognised in 2011:
  - a charge of $11 million which primarily related to the impairment of administrative land and buildings within Kazakhmys Mining which were not in use;
  - a credit of $7 million which mainly related to a reversal of impairment provisions held against mining assets previously considered uneconomic in prior years and which have since been actively prepared for future extraction due to higher commodity prices; and
  - a $19 million release of an impairment provision held against minor by-product inventories within Kazakhmys Mining to reflect improved market conditions for those by-products.

Tax related special items:

2012

- In 2012, following the Supreme Court's ruling relating to Kazakhmys Mining's status as an EPT payer, the tax authorities have reimbursed $60 million of past EPT payments in respect of the period from 2006 to 2008, inclusive. The reimbursement has been set-off against the income tax and MET liabilities for the 2012 financial year. EPT is a tax on profits and was originally recognised as a tax charge during those periods, consequently the reimbursement has also been recognised as a credit in the tax charge, as a special item; and

- As the impairment of the Bozymchak asset was treated as a special item, the related tax impact of this impairment, a deferred tax credit of $13 million, has also been treated as a special item. The deferred tax credit has been recognised at 10%, being the statutory rate in Kyrgyzstan.

2011

- The additional disability benefits obligation recognised in the year of $172 million, of which $146 million was treated as a special item, is deductible against taxable profits in the future when the disability payments are made. As a result, a deferred tax asset was recognised in respect of the obligation, with $29 million in respect of the $146 million charge treated as a special item; and

- In 2011, the Group determined that the cost of delivering the major social projects in Kazakhstan will be deductible against taxable profits in the future, resulting in the recognition of a $26 million deferred tax asset at 31 December 2011. As the cost of these projects was considered a special item in 2010, the related tax credit was also treated as a special item.

Total special items within operating profit for continuing operations in 2012 amounted to $200 million compared to $131 million in 2011. Special items within operating profit in respect of discontinued operations of $30 million (2011: $497 million) principally relate to the impairment charge recognised to reduce MKM's carrying value to the net expected proceeds arising from a prospective sale and the final completion adjustment in respect of the disposal of Kazakhmys Petroleum. In 2011, along with the impairment of MKM, the special items in respect of discontinued operations also included the disposal of Kazakhmys Petroleum and the Maikuben West coal mine, part of Kazakhmys Power. These special items are discussed within the 'Discontinued Operations' section below.

Associate

The share of earnings from the Group's associate, ENRC, recognised in the consolidated income statement for the year ended 31 December 2012, net of tax, is $258 million based on the unaudited results of ENRC for the year which were published on 20 March 2013. The share of earnings from ENRC fell following lower commodity prices for ENRC's major product lines in the year and the impairment charges recognised by ENRC of $1,216 million to reflect the recoverable amount of certain of their assets. In addition, the Group also recognised an impairment charge against the investment in ENRC of $2,223 million.

At 31 December 2012, the Group's 26% ENRC shareholding had a market value of $1,546 million (2011: $3,289 million) based on the public price quotation on the London Stock Exchange. The market value of the ENRC shareholding at the year end was significantly below the carrying value on the Group's balance sheet and consequently an impairment review of the investment was undertaken at 31 December 2012. Whilst the market value of the Group's investment in ENRC was below its carrying value at 31 December 2011 and 30 June 2012, the impairment reviews performed at those dates did not result in any impairment charges being recognised. However, since the impairment review performed at 30 June 2012, the price expectations and outlook for ENRC's key products has weakened, ENRC has announced a revised capital expenditure programme and in addition, ENRC's gearing levels have increased significantly. As a result, taking these developments into account, the impairment review performed in accordance with IAS 36 'Impairment of assets', concluded that an impairment charge of $2,223 million should be recognised at 31 December 2012. The impairment charge represents an impairment against the equity accounted value of the investment, which equated to £7.86 per share, and not the historic cost of the investment. Following this impairment charge, the Group's investment in ENRC is carried at £3.75 per share compared to the average cost price paid in the Group's stepped acquisitions of the shareholding of £5.75 per share.

Dividends received from ENRC of $59 million during 2012 (2011: $113 million) have not been recognised in the consolidated income statement, but are instead netted off against the carrying value of the investment in associate in the consolidated balance sheet, in accordance with equity accounting principles.

Net finance expenses

Finance expenses from continuing operations for the year, excluding foreign exchange movements, interest on employee obligations and the discount on the unwinding of long-term provisions, were $118 million compared to $70 million in the prior year. The increase in the finance expense reflects a larger outstanding principal balance under the CDB/Samruk-Kazyna financing facilities which carry interest at US$ LIBOR plus 4.80%. The pre-export debt facility, which attracted interest at US$ LIBOR plus 1.25%, was fully repaid during the year with final repayment in December 2012.

For the year ended 31 December 2012, $39 million of the total $118 million interest charged under the CDB/Samruk-Kazyna financing facilities was capitalised to the development projects, Bozshakol and Bozymchak, an increase of $11 million over the costs capitalised in 2011.

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 removes the effect of special items and non-recurring items on the Group's tax charge. The all-in effective tax rate excludes the effect of equity accounted earnings as these are derived from businesses that are not controlled by the Group and which are included in the consolidated income statement on a post-tax basis.

$ million (unless otherwise stated)	2012	2011
(Loss)/profit before taxation from continuing operations	**(2,204)**	1,623
Add: MET	**260**	280
Add: special items	**2,423**	131
Less: share of profits from joint venture	**(126)**	(100)
Less: share of losses/(profits) from associate	**258**	(466)
Adjusted profit before taxation from continuing operations	**611**	1,468
Income tax expense	**86**	221
Add: MET	**260**	280
Add: refund of previous EPT payments	**60**	–
Add: deferred tax asset on impairment of Bozymchak	**13**	–
Add: deferred tax asset on additional disability benefits obligation	**–**	29
Add: deferred tax asset on major social projects	**–**	26
Add: tax effect of special items	**–**	2
Adjusted tax expense from continuing operations	**419**	558
Effective tax rate (%)	**(3.9)**	13.6
All-in effective tax rate [1] (%)	**68.6**	38.0

[1] All-in effective tax rate is calculated as the income tax expense plus MET less the tax effect of special items and other non-recurring items, divided by profit before taxation which is adjusted for MET, special items, other non-recurring items and the share of profits/(losses) from the joint venture and associate.

Effective and all-in effective tax rate

Following the impairment charge recognised against the ENRC investment of $2,223 million, the Group made a loss before taxation of $2,204 million for the year compared to a profit of $1,623 million in 2011. The effective tax rate was (3.9)% compared to 13.6% in 2011. As there is no tax relief available on the ENRC impairment charge, the impairment has put the Group into a loss making position without a corresponding tax credit, thereby raising the Group's effective tax rate. Other items that negatively impact the effective tax rate include non-deductible items, such as other asset impairment losses, and an increased proportion of non-deductible business expenses, the write-off of certain deferred tax assets relating to brought forward tax losses, and the transfer pricing provision recognised for the current and prior years. The upward pressure on the effective tax rate from the non-deductible and other items was offset by a refund of EPT of $60 million received during the year and the contribution from Ekibastuz GRES-1, whose earnings are included in the consolidated income statement on a post-tax basis.

Excluding the special items and the contribution from the equity accounted joint venture and associate, the Group's adjusted profit before taxation was 58.4% lower than the prior year, whilst the adjusted tax expense, including MET, was only 24.9% below the prior year. As a result, the all-in effective tax rate, which is a more representative tax rate on the recurring profits of the Group's subsidiary businesses, increased from 38.0% in 2011 to 68.6%, principally due to the MET charge. MET is determined independently of the profitability of the operations, so whilst profits decreased significantly, the MET charge only fell by 7.1% over the year. The MET charge represents a much higher proportion of profit before tax and adjusted profits before tax, thereby placing upward pressure on the all-in effective tax rate.

Mineral extraction tax

MET is similar to a revenue based tax and is derived from the volume and metal content of extracted ore and global commodity prices. During 2012, the impact of lower commodity prices was partially offset by an increase in the quantity of metal extracted at Kazakhmys Mining leading to a decrease in the MET expense, within cost of sales, from $280 million in 2011 to $260 million, a decrease of 7.1%.

Excess profits taxation

In 2012, following a favourable ruling by the Supreme Court, the Group lodged a claim with the Ministry of Finance to seek reimbursement of past EPT payments amounting to $108 million for the periods up to and including 2008. In the second half of 2012, the Ministry of Finance partially accepted the Group's claim and $60 million has been set-off against the income tax and MET liabilities in respect of the 2012 financial year. Of the total claim of $108 million, the tax authorities are challenging the remaining $48 million which they believe relates to periods beyond the statute of limitations in Kazakhstan. The Group is taking legal action to recover the outstanding balance, however, sufficient uncertainty exists such that the $48 million has not been recognised as an asset in the consolidated financial statements.

Transfer pricing

A provision of $6 million has been recognised as at 31 December 2012 (2011: $26 million) for transfer pricing exposures, principally where external and intercompany sales contracts entered into during the year resulted in certain of the Group's profits being taxed twice in the UK and Kazakhstan due to inconsistencies between the transfer pricing legislation of both jurisdictions. Additionally, further, transfer pricing exposures exist on certain sales contracts entered into with European and Russian customers which include trading terms that are not fully acceptable under Kazakhstan transfer pricing legislation.

Non-deductible items

The tax impact of non-deductible items was $53 million in 2012 (2011: $38 million) primarily relating to ongoing non-deductible business expenses and impairment losses at Kazakhmys Mining. These non-deductible items were partially offset by the non-taxable reversal of the provision for environmental pollution charges of $38 million which was released during the year.

Equity accounted earnings

The Group's interests in the earnings of ENRC and Ekibastuz GRES-1 are included, net of tax, in the consolidated income statement in arriving at profit before taxation.

Future tax rates

Future tax rates are materially affected by the application of CIT and MET, and the relative contribution to Group's profits from the equity accounted earnings from ENRC and Ekibastuz GRES-1 which are recognised on a post-tax basis. The CIT rate in Kazakhstan is 20% however, the Group's all-in effective tax rate will be dependent on copper prices in the future given the revenue based nature of MET.

Discontinued operations

$ million	**2012**	2011
MKM		
Profit before tax excluding impairment losses	**44**	18
Taxation credit	**7**	3
Impairment losses	**(18)**	(9)
Profit for the year	**33**	12
Kazakhmys Petroleum		
Loss before tax excluding impairment losses and loss on disposal	**–**	(4)
Loss on disposal	**(13)**	(24)
Taxation credit	**–**	1
Impairment loss on remeasurement to fair value	**–**	(444)
Loss for the year	**(13)**	(471)
Kazakhmys Power		
Profit before tax excluding impairment losses and loss on disposal	**–**	8
Loss on disposal	**–**	(20)
Taxation charge	**–**	(1)
Loss for the year	**–**	(13)
Profit/(loss) for the year from discontinued operations	**20**	(472)

The discontinued operations of the Group for the year ended 31 December 2012 include the post-tax results of MKM for the full year, whilst the comparative year also includes Kazakhmys Petroleum which was sold on 23 December 2011, and the Maikuben West coal mine for the period to 17 May 2011, the date on which the business was sold.

Discontinued operations contributed a post-tax profit of $20 million, comprising MKM's profit for the period of $33 million and a $13 million loss representing the final completion price adjustment arising from the disposal of Kazakhmys Petroleum. The prior year post-tax loss of $472 million included the loss recognised on the sale of the Maikuben West coal mine of $20 million, the loss on disposal of Kazakhmys Petroleum of $24 million and the impairment loss of $444 million recognised to remeasure Kazakhmys Petroleum to fair value.

MKM's contribution to the profit for the year from discontinued operations has increased from $12 million in 2011 to $33 million for the year ended 31 December 2012. The improved profit for the year from MKM is principally due to the positive IFRS inventory adjustment of $10 million (2011: negative $14 million) as well as the reversal of an historic tax provision of $9 million relating to the restructuring of the business within the Group in 2007. The provision is no longer considered necessary following the results of the recent tax audits completed for the period 2006 to 2008, inclusive.

Underlying Profit

The reconciliation of Underlying Profit from profit attributable to equity holders of the Company is set out below.

$ million	**2012**	2011
Net (loss)/profit attributable to equity holders of the Company from continuing operations	**(2,291)**	1,402
Special items:		
Subsidiary businesses		
Disability benefits obligation charge	**–**	146
Impairment charge against property, plant and equipment	**110**	11
Impairment charge/(reversal) against mining assets	**82**	(7)
Provisions released against inventories	**–**	(19)
Loss on disposal of subsidiary	**8**	–
Impairment charge against investment in associate	**2,223**	–
Associate		
Impairment charge recognised by associate	**316**	–
Onerous contract provision	**85**	–
Net gain arising from business combinations	**(23)**	–
Acquisition related transaction costs/(credit)	**7**	(1)
Tax effect of non-recurring items		
Subsidiary businesses	**–**	(2)
Change in current and deferred tax liabilities		
Refund of previous EPT payments	**(60)**	–
Recognition of a deferred tax asset resulting from the impairment of Bozymchak	**(13)**	–
Deferred tax asset on disability benefits obligation	**–**	(29)
Deferred tax asset on major social projects	**–**	(26)
Underlying Profit from continuing operations	**444**	1,475
Net profit/(loss) attributable to equity holders of the Company from discontinued operations	**20**	(472)
Special items:		
Impairment charge against intangible assets – Kazakhmys Petroleum	**–**	444
Impairment charge against property, plant and equipment – MKM	**3**	1
Provisions against inventories – MKM	**14**	8
Loss on disposal of subsidiaries	**13**	44
Release of deferred tax liabilities resulting from impairment charges	**(2)**	(2)
Underlying Profit from discontinued operations	**48**	23
Total Underlying Profit	**492**	1,498

The Group's net loss attributable to equity holders of the Company from continuing operations was $2,291 million for the year ended 31 December 2012, down from a profit of $1,402 million in the prior year, principally due to the impairment recognised against the carrying value of the Group's investment in ENRC of $2,223 million. Excluding impairment charges and other special items, Underlying Profit for the year was $444 million from continuing operations and $48 million from discontinued operations, with the total Underlying Profit being $492 million.

Earnings per share

$ million (unless otherwise stated)	**2012**	2011
Net (loss)/profit attributable to equity holders of the Company	**(2,271)**	930
Total Underlying Profit	**492**	1,498
Weighted average number of shares in issue (million)	**524**	534
EPS – basic and diluted ($)	**(4.33)**	1.75
EPS based on Underlying Profit ($)	**0.94**	2.80

Basic earnings per share from continuing and discontinued operations was a loss of $4.33 per share taking into account the impairment of ENRC, compared to a profit of $1.75 in the prior year. Earnings per share based on Underlying Profit decreased to $0.94 for the year ended 31 December 2012 from $2.80 in the prior year.

The share buy-back programme which commenced in September 2011 and completed in May 2012 led to a decrease in the weighted average number of shares in issue in 2012.

Key financial indicators

The definitions of our key financial indicators are shown in the Glossary and these measures, on a total Group basis including continuing and discontinued operations, are set out below:

	2012	2011
Group EBITDA (excluding special items) ($ million)	**1,912**	2,925
EPS based on Underlying Profit ($)	**0.94**	2.80
Free Cash Flow ($ million)	**85**	824
Net cash cost of copper after by-product credits excluding purchased concentrate (USc/lb)	**174**	114

Dividends

The policy established at the time of Listing was for the Company to maintain a dividend policy which took into account the profitability of the business and underlying growth in earnings of the Group, as well as its cash flows and growth requirements. The Directors would also ensure that dividend cover is prudently maintained. Interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively. Share buy-backs and special dividends have been used in addition to the ordinary dividend to return surplus funds to shareholders.

In the second half of 2011, the Directors announced a share buy-back programme of up to $250 million, the completion of which was subject to market conditions. In 2011, 5.6 million shares were purchased, with a further 6.1 million purchased in 2012, at a total cost of $166 million, representing 2.2% of the Company's shares in issue at the commencement of the programme. The Company's authority for this share buy-back programme expired in May 2012 and the Company did not seek its renewal.

The Directors recommend a final dividend for 2012 of 8.0 US cents per share, which together with the interim ordinary dividend of 3.0 US cents per share, gives a total full year dividend of 11.0 US cents per share (2011: 28.0 US cents per share), based on the earnings for 2012. The total dividend reflects an approximate 12% payout ratio of the Group's full year Underlying Profits as adjusted for the removal of ENRC's and Ekibastuz GRES-1's equity accounted earnings but including dividends received from these businesses during the year. The decrease in the dividend from the prior year reflects the lower underlying profits of the Group and also acknowledges that in the near future the gearing of the Group is likely to increase given the development of the Group's major projects. The 2011 dividend also included an additional 5.0 US cents per share ($26.5 million) to the 12% payout ratio.

Subject to the approval of the shareholders at the Annual General Meeting to be held on 17 May 2013, the final dividend shall be paid on 21 May 2013.

Cash flows

A summary of cash flows is shown below:

$ million	2012	**2011**
Segmental EBITDA before joint venture and associate	**945**	1,221
Impairment losses	**220**	462
Non-cash component of the disability benefits obligation	**(149)**	–
Loss on disposal of assets	**23**	–
Dividends received from associate and joint venture	**87**	113
Working capital movements [1]	**64**	154
Interest paid	**(85)**	(66)
MET paid	**(199)**	(264)
Income tax paid	**(142)**	(341)
Foreign exchange and other movements	**(17)**	(35)
Net cash flows from operating activities before capital expenditure	**747**	1,244
Sustaining capital expenditure	**(662)**	(420)
Free Cash Flow	**85**	824
Expansionary and new project capital expenditure	**(567)**	(259)
Non-current VAT receivable associated with major projects	**(55)**	–
Major social projects	**(12)**	(36)
Interest received	**15**	9
Proceeds from disposal of property, plant and equipment	**51**	16
Proceeds from disposal of subsidiaries, net of cash disposed	**3**	111
Dividends paid	**(121)**	(129)
Purchase of own shares under the Group's share buy-back programme	**(88)**	(78)
Other movements	**(22)**	(21)
Cash flow movement in net (debt)/funds	**(711)**	437

[1] Working capital movements exclude any accruals relating to MET and the movement in non-current VAT receivable incurred on capital expenditure relating to the major projects.

Summary of the year

Net cash flows from operating activities declined following the lower profitability of the Group coupled with higher interest payments and lower dividends received, which were partially offset by lower tax payments and a reduction in working capital requirements over the year.

Dividends received

In 2012 the Group received dividends of $59 million from ENRC and $28 million from the Ekibastuz GRES-1 joint venture compared to $113 million of dividends received from ENRC in 2011. The dividend received from ENRC in 2012 represents the 2011 final dividend and the 2012 interim dividend.

Working capital

The significant working capital movements over the year are explained below:

- overall inventory levels increased by $40 million as a decrease in the level of inventory at Kazakhmys Mining was offset by a rise in inventory levels at Kazakhmys Power and MKM. Lower finished goods at Kazakhmys Mining principally reflect the sale of 69 koz of gold bar inventory built up in the second half of 2011. All other finished goods, including copper cathode, reported higher inventory levels as production exceeded sales for the year. The finished goods movement was offset by larger raw material inventories which were impacted by higher input prices at Kazakhmys Mining and Kazakhmys Power. MKM’s inventory levels reflect larger quantities on hand and the higher copper price compared to the prior year;

- prepayments and other current assets were $177 million higher in 2012, principally due to a $89 million increase in VAT receivable balances. The major reason for the increase is the delayed VAT refund from the Government due to various technical reasons and also there is a build-up of VAT receivable on the internal restructuring of assets within the Group;

- receivables decreased at Kazakhmys Mining by $52 million reflecting lower revenues and the timing of receipts; and

- trade and other payables and employee benefits increased by $278 million in 2012, mainly relating to Kazakhmys Mining. Of this increase, $168 million related to the disability benefits obligation that was reassessed following pay awards granted during the year and $110 million was due to trade and other payables resulting principally from higher payables for auxiliary services and equipment purchases.

In the prior year, the working capital movement at Kazakhmys Mining related to an increase in inventory as there was a build-up of gold bar due to no sales taking place in the second half of the year following the restriction on exports imposed by the National Bank in July 2011, the increase in copper finished goods across the year and the impact of inflation on input prices of raw materials. There was also an increase in prepayments and advances paid due to the continued expenditure on the Group's development projects. Lower receivables reflecting the timing of sales and a significant increase in the disability benefits obligation offset the negative impact of the higher inventory, and prepayments and advances paid within Kazakhmys Mining. At MKM, a decrease in inventory levels and trade receivables driven by the lower copper prices experienced in the year were partially offset by lower accounts payable.

Interest cash flows

Interest paid during the year was $85 million, $19 million above the interest paid in 2011 of $66 million, primarily due to the higher average effective interest rate of 4.84% compared to 3.32% in 2011, on an increased level of debt outstanding during the period.

Income taxes and mineral extraction tax

Income tax payments of $142 million were lower than the prior year reflecting the fall in the Group's profitability. The income tax payments were lower than the income statement charge for current tax of $178 million. At 31 December 2012, the Group's net tax receivable position was $29 million compared to $64 million as at 31 December 2011 as the Group utilised part of the prior year's prepayment against the current year income tax charge.

MET payments of $199 million are lower than the income statement charge of $260 million as a result of past EPT payments of $56 million which the tax authorities agreed to set-off against MET liabilities for the 2012 financial year. At 31 December 2012, the MET payable balance of $71 million was comparable to the balance as at 31 December 2011.

Free Cash Flow

Lower MET and income tax payments and reduced working capital requirements partially offset the impact of lower earnings, higher sustaining capital expenditure and increased interest payments, which resulted in Free Cash Flow of $85 million, a decline from $824 million in the prior year.

Capital expenditure

Capital expenditure on sustaining the current business operations rose to $662 million from $420 million and expansionary expenditure rose by $308 million as the Group invested in Bozshakol, Aktogay and the mid-sized projects. Total capital expenditure incurred in the year was $1,229 million, compared to $679 million for the year ended 31 December 2011.

Major social projects

In 2012, the Group spent $12 million (2011: $36 million) as part of the Group's social development programme on major projects in Kazakhstan.

Investing cash flows

The most significant investing cash flows during 2012 related to the Group's share buy-back programme which commenced in September 2011 and completed in May 2012 and the payment of the Group's final dividend for 2011 and interim dividend for 2012. In addition, during the year the Group disposed of a number of assets for proceeds of $51 million, principally relating to the sale of two corporate aeroplanes for a total of $30 million.

During 2011, proceeds were received from the disposal of non-core businesses, Kazakhmys Petroleum and the Maikuben West coal mine, of $119 million and $3 million respectively. The net proceeds received were $111 million as the cash disposed within these businesses amounted to $11 million.

Balance sheet

Summary of movements

The Group’s attributable loss for the year, returns to shareholders during the year, including the share buy-back programme, and a non-cash loss of $92 million mainly recognised in the foreign currency translation reserve, have led to a $2,566 million decrease in equity attributable to holders of the Company to $6,259 million at 31 December 2012.

The Group’s capital employed position at 31 December 2012 is shown below:

$ million	**2012**	2011
Equity attributable to owners of the Company	**6,259**	8,825
Non-controlling interests	**6**	7
Borrowings	**2,468**	1,893
Capital employed	**8,733**	10,725

ENRC

The Group’s 26% investment in ENRC had a carrying value of $2,027 million at 31 December 2012 compared to $4,600 million at 31 December 2011. The decline in the carrying value has arisen due to the impairment charge recognised by the Group of $2,223 million and a decrease in the Group’s share of ENRC’s earnings as ENRC’s profits fell following depressed commodity prices and impairment charges recognised by ENRC of $1,216 million. In addition, also recognised against the carrying value are the Group’s share of earnings of ENRC recognised directly in equity of $33 million and the $59 million dividend received from ENRC. The Group’s carrying value of ENRC equates to £3.75 per share which compares to the ENRC share price at 25 March 2013 of £2.68 per share.

Ekibastuz GRES-1 (Kazakhmys Power)

The investment in the Ekibastuz GRES-1 joint venture is included on the Group’s consolidated balance sheet at a carrying value of $927 million at 31 December 2012. The increase in the carrying value from 31 December 2011 represents the Group’s share of the post-tax profits of $126 million which was offset by a dividend received in June 2012 of $28 million and the Group’s share of losses recognised in equity of $9 million.

Net debt

Net debt consists of cash and cash equivalents, current investments and borrowings. A summary of the net debt position of continuing operations is shown below:

$ million	**2012**	2011
Cash and cash equivalents	**1,246**	1,102
Current investments	**515**	810
Borrowings	**(2,468)**	(1,893)
Net (debt)/liquid funds[1]	**(707)**	19

1 Excludes MKM and Ekibastuz GRES-1.

Cash and short-term deposits of the Group’s continuing businesses as at 31 December 2012 were $1,246 million, an increase over the $1,102 million as at 31 December 2011 principally due to the additional draw downs under the CDB/Samruk-Kazyna financing facilities partially being offset by repayments of the principal under the pre-export debt finance facility. Of the cash and cash equivalents and current investments, approximately $1,545 million has been drawn under the CDB/Samruk-Kazyna financing facilities and is intended to be used for the development of the Group’s projects under the terms of the individual facility agreements. Current investments are cash deposits with a three to six month maturity profile.

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 31 December 2012, $1,636 million of cash and short-term deposits were held in the UK, with $125 million being held in Kazakhstan.

Gross borrowings of the Group’s continuing operations increased from $1,893 million at 31 December 2011 to $2,468 million at 31 December 2012, following the repayment of the pre-export debt finance facility in full of $614 million being offset by $1,200 million drawn down under the CDB/Samruk-Kazyna financing facilities, less arrangement fees of $18 million. The Group was in a net debt position of $707 million at 31 December 2012 compared to a net funds position of $19 million at 31 December 2011.

Borrowings under the CDB/Samruk-Kazyna financing facilities were $2,468 million compared to $1,281 million at 31 December 2011. Of the $2,500 million, excluding amortised fees, drawn down under the CDB/Samruk-Kazyna financing facilities, $2,000 million is intended for the development of the Bozshakol copper project, $300 million is intended for the development of the Bozymchak deposit in Kyrgyzstan, with $200 million intended for use on certain of the Group’s mid-sized development projects. A further $200 million under these financing facilities was drawn down in January 2013, following which the full facility has been drawn down.

As at 31 December 2012, the Group had $300 million of revolving credit facilities available for standby liquidity and general corporate purposes. These facilities have remained undrawn since inception. In addition, in December 2012 the Group signed a five year pre-export finance facility for $1,000 million to be used for general corporate purposes. This facility was undrawn at 31 December 2012 and has an availability period of 12 months. Repayments commence in January 2015 and continue over 36 months. The interest rate for this facility is US$ LIBOR plus 2.80%.

PRINCIPAL RISKS

The significant risks identified by Kazakhmys are those that could materially affect the Group's financial condition, performance, strategy and prospects. These should be carefully considered in conjunction with the cautionary statement set out above. There may be other risks unknown, or currently believed immaterial, by the Group which might become material.

Operational risks

Health and safety

Risk description

Mining is a hazardous industry and failure to adopt and embed health and safety management systems could result in harm to Kazakhmys' employees as well as fines and penalties and damage to the Group's reputation. Fatality levels within the Group are higher than at comparable internationally listed mining companies with 19 fatalities recorded for 2012 (2011: 24).

Impact

Health and safety incidents could lead to a number of adverse consequences, including harm to people, as well as production disruption, reputational damage and financial loss. The Group has a defined benefits obligation of $373 million (2011: $211 million), the majority of which is in respect of long-term disability allowances payable to current and former employees who suffered workplace injuries. The level of disability payments are indexed to current pay rates within the Group.

Action

Kazakhmys recognises that the highest standards of health and safety practices are vital to its success and are a key responsibility of all employees. The Group's policies and procedures in these areas are designed to identify relevant risks and opportunities and provide a clear framework for conducting business. Further details on the measures being taken to improve health and safety practices, including the work of the Group's HSE function, are set out in the Corporate Responsibility Report in the Annual Report and Accounts.

Business interruption

Risk description

The business of mining, smelting and refining metals and the production of power is resource intensive, and involves a number of risks, including, but not limited to, geological and technological challenges, weather and other natural phenomena such as floods and earthquakes, fires, explosions, equipment failures, delays in supplies and loss of key inputs including electricity, water and coal, which can cause prolonged mine or plant shutdowns or periods of reduced production.

Impact

Any disruption to operational activities could have a negative impact on the Group's profitability and cash flows, and may require the Group to make large unplanned capital expenditures. In addition to revenue losses, long-term business interruption could result in a loss of customers and reputational damage.

Action

Work is being undertaken across the Group, with the support of appropriate in-house and third-party specialists, to address operational risk issues. The Group has a number of initiatives underway to improve equipment availability and reduce outages. The Group is partially protected from the loss of key assets by the availability of geographically diversified mining and concentrating operations, two smelting complexes, the option of selling concentrate to customers and access to multiple power sources. A combined property damage and business interruption catastrophic insurance programme is in place which can provide protection from some of the financial impact of a major incident at the Group's main concentrating, smelting and refining facilities, and power stations.

Assets controlled by third parties and joint ventures

Risk description

Kazakhmys holds a 26% investment in ENRC PLC. The business and financial performance of this investment is not controlled by the Group. Furthermore, the Group is party to a joint venture arrangement in respect of the ownership and management of the Ekibastuz GRES-1 power station. Kazakhmys has also engaged outsourcing companies to manage certain Group assets, principally engaged in the transportation of production materials by road and rail.

Impact

Decisions made by the board of ENRC could have a material impact on the reported earnings of Kazakhmys. The board of ENRC may take actions which are inconsistent with the Group's values and strategies. Furthermore, changes in market or macroeconomic conditions could impact ENRC's cash flows and the valuation of Kazakhmys' investment in ENRC. During 2012, the market value of the investment in ENRC fell by 53% and at 31 December 2012 an impairment charge has been recognised to reduce the carrying value of the investment to the equivalent of £3.75 per share, below the average acquisition cost of £5.75 per share.

The Group's partner in the Ekibastuz GRES-1 joint venture may have business interests inconsistent with those of the Group and may exercise its right to block certain actions. The partner may take actions which are inconsistent with the Group's policies or standards. Outsourcing companies may take actions which are inconsistent with the Group's objectives or operating procedures, including the failure to adequately maintain Kazakhmys' assets.

Action

Kazakhmys monitors the business and financial performance of its 26% investment in ENRC. The Group has the ability to exercise its rights as the single largest shareholder of ENRC and maintains an active dialogue with members of ENRC's board, senior management and major shareholders. The Board continues to monitor strategic options in respect of the Group's investment in ENRC, with the objective of maximising value for all shareholders. Kazakhmys seeks to ensure that the appropriate governance structures are in place to manage the Ekibastuz GRES-1 joint venture in accordance with the Group's business interests and that they are consistent with the Group's policies and standards. Under the terms of the joint venture arrangement, Kazakhmys is entitled to appoint the operational management of the power plant until 2015, overseen by a supervisory board consisting of representatives of both joint venture partners. Kazakhmys actively monitors the performance of its outsourcing companies to ensure they fulfil their contractual obligations.

New projects

Risk description

The development of new projects involves many risks including geological, engineering, procurement, financing and regulatory risks. If the Group fails to adopt an appropriate procurement and project management strategy, it may experience delays to project schedules and an increase in costs. Regulatory risks include failures to obtain and maintain applicable permits, licences or approvals from the relevant authorities to perform certain development work.

Impact

Projects may fail to achieve the desired economic returns due to an inability to recover mineral reserves as planned and higher than expected capital and operating costs. Projects may also fail to complete or suffer delays which may reduce future production volumes and result in a financial loss to the Group. A reduction in future production volumes would also increase the cash cost on a per unit basis. A lack of available funding may prevent projects being completed.

Action

Prior to an investment decision being made, certain evaluation activities are performed including, where appropriate, feasibility and other technical studies. Significant projects are subject to the Group's capital appraisal process, including Board review and approval as they progress. There are also a number of planning and monitoring procedures in place addressing the management of capital expenditure. The Group ensures that sufficient expertise, from both in-house and third-party specialists, is utilised on projects throughout their life cycle. For the major projects currently underway, Bozshakol and Aktogay, Kazakhmys has appointed an experienced EPC contractor to manage the construction of the processing plants. The Projects Assurance Committee regularly assesses the operational and financial status of these projects to identify any material risks to their successful commissioning and start-up. In respect of project funding, Kazakhmys has committed financing in place for Bozshakol and Aktogay.

Labour, mining equipment and supplies

Risk description

Commodity price fluctuations can have an impact on industry demand for labour, mining equipment and supplies. In periods of elevated commodity prices competition for skilled personnel intensifies, both internationally and within Kazakhstan, and availability of mining equipment and supplies can be subject to long lead times and cost inflation. The remote location of some of the Group's operations also makes the attraction and retention of skilled staff at these sites more challenging.

Impact

Kazakhmys may suffer shortages of skilled workers and delays in obtaining mining equipment and supplies which limit the Group's ability to operate effectively. Coupled with a decline in grades at the Group's mature mines, inflation of employee costs, mining equipment and supplies increase operating and capital costs which affect the Group's financial performance, and these factors together may impact the economic viability of certain mines and projects. In 2012, the total cash operating costs of Kazakhmys Mining rose by 26%.

Action

The Group actively monitors the market for labour and mining equipment and supplies to remain competitive in the hiring of staff and procurement of mining equipment and supplies. Kazakhmys has an extensive social programme for its employees and their dependents and invests in training facilities and staff development to raise skill levels. To mitigate inflationary pressures the Group has a number of operational efficiency initiatives underway.

Labour and community relations

Risk description

Many of the Group's employees are represented by labour unions under various collective labour agreements. Negotiations of wages may become more difficult in times of higher commodity prices and consequently higher profits in the mining industry, as labour unions may seek wage increases and other forms of additional compensation. In addition, the Group's employees may seek wage increases outside of the collective labour agreements and labour agreements may not prevent a strike or work stoppage.

The Group operates in locations where it is the major employer and may also provide a range of services to the local community such as heat and power. Community expectations are typically complex with the potential for multiple inconsistent stakeholder views that may be difficult to resolve.

Impact

Poor employee relations influenced by internal and external factors could result in an unstable workforce that disrupts operations or seeks above inflation wage increases and other forms of compensation, having a material adverse effect on the Group's financial performance. In 2012, labour costs at Kazakhmys Mining rose by 34% and the future disability benefits obligation within the employee benefits provision, which is linked to current wage rates, has increased by $162 million.

The dependence of certain communities on the Group for employment and the provision of services may impose restrictions on the Group's flexibility in taking certain operating decisions which could have a material adverse effect on the Group's financial position. Services provided to communities may also be loss making and require capital investment thereby adversely impacting the Group's cash flows. Further details of the Group's social programme are set out in the Corporate Responsibility Report in the Annual Report and Accounts.

Action

A full engagement strategy with community representatives, unions and employees operates within the Group which aims to address concerns raised by different stakeholders. The Group also has an extensive social programme for its employees and their dependents. The Group is reviewing the services it provides to communities with the objective of raising tariffs where applicable to market rates. The Group works closely with the Government on social matters, which may in the future include the transfer of certain social assets to Government ownership and management.

Political risk

Risk description

Most of the Group's mining and power operations are in Kazakhstan. Accordingly, the Group is substantially dependent on the social, political, economic, legal and fiscal conditions prevailing in Kazakhstan.

Impact

Changes to Kazakhstan's foreign trade (export and import), foreign investments, property, tax, environmental and subsoil use regimes or social responsibility expectations or other changes that affect the supportive business environment in Kazakhstan could negatively affect the Group's business, financial position and performance and decisions on future investments.

Action

The Government of Kazakhstan has actively pursued a programme of economic reform, helping to make it one of the most politically stable and economically developed countries in Central Asia. The Government of Kazakhstan has representation on the Board of Kazakhmys and is a significant shareholder in the Group. The Board continues to view the political, social and economic environment within Kazakhstan favourably, and looking forward, remains optimistic about the conditions for business in the region. Kazakhmys maintains a proactive dialogue with the Government of Kazakhstan across a range of issues, including subsoil use regulations, taxation, the environment and social responsibility and community relations.

Reserves and resources

Risk description

Kazakhmys' ore reserves for operating mines and development projects are largely based on the estimation method for reserves and resources established by the former Soviet Union. There are numerous uncertainties inherent in estimating ore reserves, and geological, technical and economic assumptions that were valid at the time of estimation may change significantly when new information becomes available.

Impact

Changes in reserves could adversely impact mine plans and the economic viability of projects resulting in economic losses, negatively impacting the Group's financial position and performance.

Action

The Group's ore reserves and mineral resources are published in accordance with the criteria of the JORC Code and can be found in the Reserves and Resources section of the Annual Report and Accounts. Kazakhmys engages the services of independent technical experts to annually convert reserve and resource calculations for operating mines and development projects from the in-house method established by the former Soviet Union to the method prescribed by the JORC Code. The Group's reserves and resources were last audited in 2010 by an independent technical expert. A project is ongoing to digitise selected mines' reserves which will be used in the future for determining estimates of reserves and resources and to support improved estimation of ore grades and mine planning.

Compliance risks

Subsoil use rights

Risk description

In Kazakhstan and certain other countries in which the Group operates, all subsoil reserves belong to the State. Subsoil use rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. Rights may be terminated if the Group does not satisfy its licensing or contractual obligations, which may include financial commitments to State authorities and the satisfaction of mining, development, environmental, social, health and safety requirements. In recent years, legislation relating to subsoil use rights has come into force in Kazakhstan, which sets out stricter requirements on the performance of licence obligations, technical documentation, work programmes and the level of goods and services sourced from Kazakhstan. The authorities have also increased their monitoring of compliance with legislation and subsoil use contract requirements.

Impact

As many of Kazakhstan's subsoil use laws have been adopted relatively recently and remain untested in the country's judicial system, the legal consequences of a given breach may not be predictable. However, non-compliance with the requirements of subsoil use contracts could potentially lead to regulatory challenges and subsequently to fines and litigation, and ultimately to the loss of operating licences. The loss of any of the Group's subsoil use rights could have a material adverse effect on its mining operations.

Action

The Group's management makes every effort to engage with the relevant regulatory authorities and ensure compliance with all relevant legislation and subsoil use contracts. The Group's procedures to ensure compliance with the terms of subsoil contracts have been updated to reflect the requirements of the new legislation, including more active procurement of goods and services from Kazakhstan. In 2012, 63% of goods and services used by the Mining Division were sourced from Kazakhstan. A specialist department is also tasked with monitoring compliance with the terms of the subsoil use contracts.

Environmental compliance

Risk description

The Group operates in an industry that is subject to numerous environmental laws and regulations. As regulatory standards and requirements continually develop, the Group may be exposed to increased compliance costs and environmental emission charges. Policies and measures at a national and international level to tackle climate change will increasingly affect the business, thereby presenting greater environmental and regulatory risks.

Impact

A violation of environmental laws, or failure to comply with the instructions of the relevant authorities, could lead to the suspension of operating licences, challenges to subsoil use mining rights, fines and penalties, the imposition of costly compliance procedures, reputational damage and financial loss. New or amended environmental legislation or regulations may result in increased operating costs, additional capital investment or, in the event of the Group's non-compliance, the possibility of fines, penalties or other actions which may adversely affect the Group's financial performance and reputation. Emissions charges in Kazakhstan have been increased over recent years and the authorities are adopting an increasingly robust stance on compliance with environmental standards.

Action

The Group has policies and procedures in place which set out the required operating standards for all employees. Kazakhmys monitors its emissions and in recent years has invested in reducing its environmental emissions. The Group liaises with the relevant governmental bodies on environmental matters, including the development of new legislation. Further details of the environmental measures being taken by the Group are set out in the Corporate Responsibility Report in the Annual Report and Accounts.

Financial risks

Commodity prices

Risk description

The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international global metal exchanges. The Group's financial results are strongly influenced by commodity prices which are dependent on a number of factors, including world supply and demand and investor sentiment. In particular, Kazakhmys is exposed to demand from China as described below, a major consumer of the metals which the Group produces. Due to these factors, commodity prices may be subject to significant fluctuations, which could have a positive or negative impact on the Group's financial results.

Impact

Commodity prices can fluctuate widely and could have a material impact on the Group's asset values, revenues, earnings, cash flows and growth prospects.

Action

The Group keeps under regular review its sensitivity to fluctuations in commodity prices. The Group does not as a matter of course hedge commodity prices, but may enter into a hedge programme for certain commodities where the Board determines it is in the Group's interest to provide greater certainty over future cash flows. The Group adopts a prudent approach in its financial planning and investment appraisal, reflecting the volatility in commodity prices.

Exposure to China

Risk description

In addition to the impact of Chinese demand on the pricing of Kazakhmys' major products, as noted under the Commodity Prices risk above, the Group makes significant physical sales to a limited number of customers in China. Over the past five years, sales to China have represented an average of 45% of Kazakhmys Mining's revenues. The proportion of sales into China is likely to increase in the future when production commences from the two major growth projects, Bozshakol and Aktogay. China is also an important source of financing to the Group with long-term debt facilities secured totalling $4.2 billion, primarily for the development of Bozshakol and Aktogay.

Impact
Changes to China's fiscal or regulatory regimes or lower Chinese copper consumption could reduce demand in China for the Group's major products, leading the Group to direct a greater volume of sales to its other major market, Europe. Changes to Chinese government policy on credit or cross border lending may affect the availability of Chinese bank lending to the Group.

Action
The Group continues to sell a significant volume of its copper production into Europe, where it maintains long-term customer relationships, as well as into China, thereby taking advantage of its geographic position which provides access to both major markets. In the event that demand reduced in China for the Group's products, Kazakhmys would continue to allocate its sales between the two markets to obtain the best commercial terms. The financing line for Bozshakol has been drawn and the Aktogay loan agreement is a committed loan facility, thereby providing greater certainty over the funding of the Group's growth projects. Kazakhmys also maintains relationships with a number of international lending banks, having secured a $1 billion pre-export finance facility in December 2012, and has the flexibility to consider other sources of capital such as the bond or equity markets, if so required.

Acquisitions and divestments

Risk description
In the course of delivering its strategy, the Group may acquire or dispose of assets or businesses. Corporate transactions may however fail to achieve the expected benefit or value to the Group.

Impact
Changing market conditions, incorrect assumptions or deficiencies in due diligence processes could result in acquisitions failing to deliver the expected benefit or value to the Group, leading to adverse financial performance and failure to meet expectations. Acquisitions could also lead to the Group assuming liability for the past acts of acquired businesses, without recourse to other parties. The disposal of assets or businesses may not achieve the expected proceeds due to changing market conditions or deficiencies in the sales process.

Action
Specialised staff are assigned to manage corporate transactions, supported where appropriate by external advisors. Due diligence processes are undertaken on acquisitions and material transactions are subject to Board review and approval, including ensuring the transaction is aligned with the Group's strategy, consideration of the key assumptions being applied and the risks identified.

Liquidity risk

Risk description
The Group is exposed to liquidity risks, including the risk that borrowing facilities are not available to meet cash requirements, and the risk that financial assets cannot readily be converted to cash without the loss of value.

Impact
Failure to manage financing risks could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes.

Action
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 and future capital commitments. Kazakhmys adopts a prudent approach in managing its liquidity risk, reflecting the volatility in commodity prices. The Group has secured committed funding for Bozshakol and Aktogay. A $1 billion pre-export finance facility was secured in December 2012 for general corporate purposes and to provide additional liquidity during the development of the major projects. Further details are set out in the Financial Review in the Annual Report and Accounts.

Taxation

Risk description

As the tax legislation in Kazakhstan has been in force for a relatively short period of time, tax risks in Kazakhstan are substantially greater than typically found in countries with more established tax systems. Tax law is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

Impact

The uncertainty of interpretation, application and the evolution of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's cash flows, financial performance and position.

Action

The Group makes every effort to comply with existing tax legislation, and works closely with the Government and tax authorities in the review of proposed amendments to tax legislation and regulation. Further details of the Group's tax strategy and risk management are set out in the Financial Review in the Annual Report and Accounts.

RESPONSIBILITY STATEMENT

Each Director confirms to the best of his knowledge that:

- the Group and parent company accounts, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

$ million (unless otherwise stated)	Notes	2012	2011
Continuing operations			
Revenues	3(b)	**3,353**	3,563
Cost of sales		**(2,023)**	(1,619)
Gross profit		**1,330**	1,944
Selling and distribution expenses		**(64)**	(64)
Administrative expenses		**(805)**	(751)
Net operating (expense)/income		**(17)**	5
Impairment losses	5	**(202)**	(9)
Share of profits from joint venture	10	**126**	100
Operating profit		**368**	1,225
Results from associate		**(2,481)**	466
Share of (losses)/profits from associate	11	**(258)**	466
Less: impairment charge against investment in associate	11	**(2,223)**	–
(Loss)/profit before finance items and taxation		**(2,113)**	1,691
Analysed as:			
Profit before finance items and taxation (excluding special items)		**695**	1,823
Special items	4	**(2,808)**	(130)
Finance income	6	**64**	69
Finance costs	6	**(155)**	(137)
(Loss)/profit before taxation		**(2,204)**	1,623
Income tax expense	7	**(86)**	(221)
(Loss)/profit for the year from continuing operations		**(2,290)**	1,402
Discontinued operations			
Profit/(loss) for the year from discontinued operations		**20**	(472)
(Loss)/profit for the year		**(2,270)**	930
Attributable to:			
Equity holders of the Company		**(2,271)**	930
Non-controlling interests		**1**	–
		(2,270)	930
Earnings per share attributable to equity holders of the Company – basic and diluted			
From continuing operations ($)	8(a)	**(4.37)**	2.63
From discontinued operations ($)	8(a)	**0.04**	(0.88)
		(4.33)	1.75
EPS based on Underlying Profit – basic and diluted			
From continuing operations ($)	8(b)	**0.85**	2.76
From discontinued operations ($)	8(b)	**0.09**	0.04
		0.94	2.80

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2012

$ million	Notes	2012	2011
(Loss)/profit for the year		**(2,270)**	930
Other comprehensive (expense)/income for the year after tax:			
Exchange differences on retranslation of foreign operations		**(50)**	(21)
Recycling of exchange differences on disposal of subsidiary		**–**	33
Share of other comprehensive losses of joint venture	10	**(9)**	(4)
Share of other comprehensive losses of associate	11	**(33)**	(109)
Other comprehensive expense for the year		**(92)**	(101)
Total comprehensive (expense)/income for the year		**(2,362)**	829
Attributable to:			
Equity holders of the Company		**(2,363)**	829
Non-controlling interests		**1**	–
		(2,362)	829

CONSOLIDATED BALANCE SHEET

At 31 December 2012

$ million	Notes	2012	2011
Assets			
Non-current assets			
Intangible assets		**64**	53
Property, plant and equipment		**2,448**	2,163
Mining assets		**614**	537
Investment in joint venture	10	**927**	838
Investment in associate	11	**2,027**	4,600
Other non-current assets		**532**	103
Deferred tax asset		**87**	61
		6,699	8,355
Current assets			
Inventories		**750**	744
Prepayments and other current assets		**380**	227
Income taxes receivable		**30**	71
Trade and other receivables		**122**	190
Investments		**515**	810
Cash and cash equivalents		**1,246**	1,102
		3,043	3,144
Assets classified as held for sale		**251**	232
		3,294	3,376
Total assets		**9,993**	11,731
Equity and liabilities			
Equity			
Share capital	12(a)	**200**	200
Share premium		**2,650**	2,650
Capital reserves	12(c)	**(932)**	(840)
Retained earnings		**4,341**	6,815
Attributable to equity holders of the Company		**6,259**	8,825
Non-controlling interests		**6**	7
Total equity		**6,265**	8,832
Non-current liabilities			
Borrowings	13	**2,439**	1,368
Deferred tax liability		**1**	6
Employee benefits	14	**330**	188
Provisions		**100**	86
		2,870	1,648
Current liabilities			
Trade and other payables		**622**	499
Borrowings	13	**29**	525
Income taxes payable		**1**	7
Employee benefits	14	**43**	23
Provisions		**5**	43
		700	1,097
Liabilities directly associated with assets classified as held for sale		**158**	154
		858	1,251
Total liabilities		**3,728**	2,899
Total equity and liabilities		**9,993**	11,731

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

$ million	Notes	2012	2011
Cash flows from operating activities			
Cash inflow from operations before interest, income taxes and dividends from associate and joint venture	15	**832**	1,538
Interest paid		**(85)**	(66)
Income taxes paid		**(142)**	(341)
Dividends from associate and joint venture		**87**	113
Net cash inflow from operating activities		**692**	1,244
Cash flows from investing activities			
Interest received		**15**	9
Proceeds from disposal of tangible assets		**51**	16
Purchase of intangible assets		**(13)**	(8)
Purchase of property, plant and equipment		**(1,019)**	(589)
Investments in mining assets		**(209)**	(118)
Licence payments for subsoil contracts		**(5)**	(7)
Acquisition of non-current investments		**(15)**	(1)
Acquisition of non-controlling interest in subsidiary		**(2)**	(8)
Movement in short-term bank deposits	16	**282**	(454)
Cash received in relation to disposal of subsidiaries		**3**	111
Net cash flows used in investing activities		**(912)**	(1,049)
Cash flows from financing activities			
Purchase of own shares under the Group's employee share-based payment plans		**–**	(5)
Purchase of own shares under the Group's share buy-back programme		**(88)**	(78)
Proceeds from borrowings – net of arrangement fees paid of $18 million (2011: $8 million)		**1,183**	592
Repayment of borrowings		**(614)**	(595)
Dividends paid by the Company	9(a)	**(121)**	(129)
Net cash flows from/(used in) financing activities		**360**	(215)
Net increase/(decrease) in cash and cash equivalents	16	**140**	(20)
Cash and cash equivalents at the beginning of the year		**1,111**	1,126
Effect of exchange rate changes on cash and cash equivalents	16	**(1)**	5
Cash and cash equivalents at the end of the year		**1,250**	1,111

The consolidated statement of cash flows includes cash flows from both continuing and discontinued operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

		Attributable to equity holders of the Company						
$ million	Notes	Share capital	Share premium	Capital reserves [1]	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2011		200	2,648	(739)	6,097	8,206	13	8,219
Profit for the year		–	–	–	930	930	–	930
Exchange differences on retranslation of foreign operations		–	–	(21)	–	(21)	–	(21)
Recycling of exchange differences on disposal of subsidiary		–	–	33	–	33	–	33
Share of losses of joint venture recognised in other comprehensive income	10	–	–	(4)	–	(4)	–	(4)
Share of losses of associate recognised in other comprehensive income	11	–	–	(109)	–	(109)	–	(109)
Total comprehensive income for the year		–	–	(101)	930	829	–	829
Acquisition of non-controlling interest in subsidiary	12(a)	–	2	–	(4)	(2)	(6)	(8)
Share-based payment		–	–	–	4	4	–	4
Own shares acquired under the Group's share buy-back programme	12(b)	–	–	–	(78)	(78)	–	(78)
Own shares acquired under the Group's employee share-based payment plans		–	–	–	(5)	(5)	–	(5)
Dividends paid by the Company	9	–	–	–	(129)	(129)	–	(129)
At 31 December 2011		200	2,650	(840)	6,815	8,825	7	8,832
Loss for the year		**–**	**–**	**–**	**(2,271)**	**(2,271)**	**1**	**(2,270)**
Exchange differences on retranslation of foreign operations		**–**	**–**	**(50)**	**–**	**(50)**	**–**	**(50)**
Share of losses of joint venture recognised in other comprehensive income	10	**–**	**–**	**(9)**	**–**	**(9)**	**–**	**(9)**
Share of losses of associate recognised in other comprehensive income	11	**–**	**–**	**(33)**	**–**	**(33)**	**–**	**(33)**
Total comprehensive income for the year		**–**	**–**	**(92)**	**(2,271)**	**(2,363)**	**1**	**(2,362)**
Acquisition of non-controlling interest in subsidiary	12(a)	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Share-based payment		**–**	**–**	**–**	**6**	**6**	**–**	**6**
Own shares acquired under the Group's share buy-back programme	12(b)	**–**	**–**	**–**	**(88)**	**(88)**	**–**	**(88)**
Dividends paid by the Company	9	**–**	**–**	**–**	**(121)**	**(121)**	**–**	**(121)**
At 31 December 2012		**200**	**2,650**	**(932)**	**4,341**	**6,259**	**6**	**6,265**

[1] Refer to note 12(c) for an analysis of 'Capital reserves'.

1. Corporate information

Kazakhmys PLC (the 'Company') is a public limited company incorporated in the United Kingdom of Great Britain and Northern Ireland. The Company's registered address is 6th Floor, Cardinal Place, 100 Victoria Street, London SW1E 5JL, United Kingdom. The Group comprises the Company and its consolidated divisions as set out in note 3.

2. Basis of preparation

The financial information for the year ended 31 December 2012 does not constitute statutory accounts as defined in Sections 435(1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's annual general meeting convened for 17 May 2013. The auditor has reported on the 2012 accounts and the predecessor auditor has reported on the 2011 accounts; their reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

(a) Going concern

The Group's business activities, together with the factors likely to impact its future growth and operating performance are set out in the Operating Review section of the Annual Report and Accounts. The financial position of the Group, its cash flows, financial risk management policies and available debt facilities are described in the Financial Review section of the Annual Report and Accounts. In addition, the Group's objectives, policies and processes for managing its capital structure, liquidity position and financial risks arising from exposures to commodity prices, interest rates and foreign exchange are set out in the Notes to the Financial Statements in the Annual Report and Accounts.

The Group generated Free Cash Flow of $85 million for the year, and at 31 December 2012, following expenditure on the major projects, the Group's net debt was $707 million with total undrawn committed facilities of $3.0 billion. During 2012, the Group continued to draw down under its $2.7 billion borrowing facility for the funding of the Group's major development project at Bozshakol and the gold/copper project at Bozymchak such that of this facility, $2.5 billion was drawn as at 31 December 2012. In December 2012, the Group repaid the outstanding balance under the $2.1 billion pre-export finance facility which was due to be fully repaid by February 2013. The maturity profile of the Group's outstanding debt is long dated with the total drawn balance of $2.5 billion repayable in maturities extending out for 15 years.

In December 2012 the Group signed a five year pre-export finance facility for $1.0 billion to provide additional liquidity during the period of the development of the major development projects at Bozshakol and Aktogay and for general corporate purposes. This facility was undrawn at 31 December 2012 and has an availability period of 12 months. When drawn, the principal repayments will amortise over a three year period commencing in January 2015 until final maturity in December 2017. In addition, the Group has $300 million of revolving credit facilities available for standby liquidity and general corporate purposes. These facilities have remained undrawn since inception. Therefore, the Group has future funding and additional liquidity of $1.3 billion available in the short to medium term, in addition to the project specific funding for Aktogay of $1.5 billion which is not yet drawn.

The Directors have considered the Group's financial position, the available borrowing facilities, the planned capital expenditure programme and the outlook for the Group's products and major projects, and believe there is sufficient funding available to meet the Group's anticipated cash flow requirements.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(b) Basis of accounting

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

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2012 and the Group's financial performance for the year ended 31 December 2012.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This treatment may mean that amounts previously recognised in other comprehensive income are recycled through the income statement.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Non-controlling interests primarily represent the interests in Kazakhmys LLC not held by the Company. The Company treats transactions with non-controlling interests as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union (EU), and in accordance with the provisions of the Companies Act 2006.

3. 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 three separate business units (2011: four), as shown below, according to the nature of their operations, end-products and services rendered. Each of these business units represents an operating segment in accordance with IFRS 8 'Operating segments'. The operating segments of the Group are:

Kazakhmys Mining

The Kazakhmys Mining business is managed as one operating segment and comprises all entities and functions within the Group responsible for the exploration, evaluation, development, mining and processing of the Group's mineral resources and sale of the Group's metal products. The segment consists of:

- the Group's main operating entity, Kazakhmys LLC, whose principal activity is the mining and processing of copper and other metals which are produced as by-products;
- the Group's smelting operations, Kazakhmys Smelting LLC, whose principal activity is the refining of copper and other metals which are produced as by-products by Kazakhmys LLC;
- the Group's UK trading function, Kazakhmys Sales Limited, which is responsible for the purchase of exported products from Kazakhmys LLC and subsequently applies an appropriate mark-up prior to onward sale to third parties. The UK entity is a sales function on behalf of the Kazakhmys Mining business and consequently the assets and liabilities related to those trading operations, i.e. trade payables and trade receivables, are included within the Kazakhmys Mining operating segment;
- the Group's exploration companies which provide services for greenfield drilling on new projects and deposits, brownfield drilling on expansion projects and deposits at existing mines, and exploration work for potential new projects and deposits for the Mining segment;

- the Group's project companies, whose responsibility is the development of metal production related assets on behalf of the Mining segment including the evaluation and development of the Group's major mining projects; and
- the Group's technical and ancillary services which provide technical, logistics and other services principally to the Mining segment and which are managed as an extension of the Mining segment.

The financial and operating information used by the Board of Directors for the purpose of resource allocation of all these separate functions and entities are included within the Mining segment.

MKM

MKM operates in Germany, where it manufactures copper and copper alloy semi-finished products. MKM faces different risks to the Group's other businesses, and produces different products. It is therefore shown as a separate operating segment.

The Directors have decided to dispose of MKM. As a result, at 31 December 2012 and 2011, MKM has been classified as a disposal group held for sale and as a discontinued operation.

Kazakhmys Power

Kazakhmys Power operates in Kazakhstan, and consists of the Group's three captive power stations, the Ekibastuz GRES-1 coal-fired power station joint venture and the Maikuben West coal mine (up to the period ended 17 May 2011). The principal activity of the Kazakhmys Power operating segment is the sale of electricity and coal to external customers and internally to the Kazakhmys Mining segment. The captive power stations and the Group's 50% interest in the Ekibastuz GRES-1 coal-fired power station are managed by the same management team and produce discrete financial and operating information that is used by the Board of Directors for operational and resource allocation decisions.

Kazakhmys Petroleum

The Group disposed of Kazakhmys Petroleum in December 2011, and as a result, it has been classified as a discontinued operation for the year ended 31 December 2011.

Managing and measuring operating segments

The key performance measure of the operating segments is EBITDA (excluding special items). EBITDA (excluding special items) is defined as profit before interest, taxation, depreciation, depletion, amortisation, the non-cash component of the disability benefits obligation and mineral extraction tax, 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 (note 4). During 2012, EBITDA (excluding special items) has been re-defined to exclude the impact of the non-cash component of the disability benefits obligation. Consequently, the actuarial remeasurement charge recognised in the income statement in respect of the Group's disability benefits obligation has been excluded from EBITDA and instead, the actual disability benefits payments disbursed during the year have been deducted in arriving at EBITDA. The change in definition of EBITDA (excluding special items) is considered to more fairly represent EBITDA, a key performance indicator, which is a proxy for cash earnings from current trading performance.

The Group's Treasury department monitors finance income and finance costs at the Group level on a net basis rather than on a gross basis at an operating segment level.

Inter-segment sales include power sales from Kazakhmys Power to Kazakhmys Mining from the Group's captive power stations, and coal sales from Kazakhmys Mining to Kazakhmys Power from the Borly coal mines.

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

(a) Operating segments

(i) Income statement information

Year ended 31 December 2012

$ million	Kazakhmys Mining	MKM	Kazakhmys Power [1,2]	Corporate Services	Total	Continuing operations: Income statement	Continuing operations: Joint venture [2]	Discontinued operations [3]
Revenues								
Segment sales	**3,362**	**1,466**	**459**	**–**	**5,287**			
Inter-segment sales	**(77)**	**–**	**(101)**	**–**	**(178)**			
Sales to external customers	**3,285**	**1,466**	**358**	**–**	**5,109**	**3,353**	**290**	**1,466**
Gross profit	**1,316**	**107**	**191**	**–**	**1,614**	**1,330**	**177**	**107**
Operating costs	**(806)**	**(58)**	**(39)**	**(55)**	**(958)**	**(878)**	**(22)**	**(58)**
Impairment losses	**(202)**	**(18)**	**–**	**–**	**(220)**	**(202)**	**–**	**(18)**
Share of profits from joint venture [4]	**–**	**–**	**–**	**–**	**–**	**126**	**(126)**	**–**
Loss on disposal of subsidiary [5,6]	**(8)**	**–**	**–**	**(13)**	**(21)**	**(8)**	**–**	**(13)**
Segmental operating profit/(loss)	**300**	**31**	**152**	**(68)**	**415**	**368**	**29**	**18**
Share of losses from associate [4]					**(2,481)**	**(2,481)**	**–**	**–**
Net finance (costs)/income					**(93)**	**(91)**	**3**	**(5)**
Income tax expense					**(111)**	**(86)**	**(32)**	**7**
(Loss)/profit for the year					**(2,270)**	**(2,290)**	**–**	**20**

Year ended 31 December 2011

$ million	Kazakhmys Mining	MKM	Kazakhmys Power [1,2]	Kazakhmys Petroleum	Corporate Services	Total	Continuing operations: Income statement	Continuing operations: Joint venture [2]	Discontinued operations [3]
Revenues									
Segment sales	3,548	1,665	426	–	–	5,639			
Inter-segment sales	(49)	–	(104)	–	–	(153)			
Sales to external customers	3,499	1,665	322	–	–	5,486	3,563	233	1,690
Gross profit	1,929	86	178	–	–	2,193	1,944	142	107
Operating costs	(738)	(60)	(46)	(1)	(55)	(900)	(810)	(16)	(74)
Impairment losses	(9)	(9)	–	(444)	–	(462)	(9)	–	(453)
Share of profits from joint venture [4]	–	–	–	–	–	–	100	(100)	–
Loss on disposal of subsidiary [3]	–	–	(20)	(24)	–	(44)	–	–	(44)
Segmental operating profit/(loss)	1,182	17	112	(469)	(55)	787	1,225	26	(464)
Share of profits from associate [4]						466	466	–	–
Net finance costs						(79)	(68)	–	(11)
Income tax (expense)/credit						(244)	(221)	(26)	3
Profit/(loss) for the year						930	1,402	–	(472)

1 Kazakhmys Power includes the results of the Group's captive power stations and 50% of the results of Ekibastuz GRES-1 LLP as an equity accounted joint venture. In the year ended 31 December 2011, the segment also included the results of the Maikuben West coal mine for the period ended 17 May 2011 which was included within discontinued operations.

2 For segment reporting, the Group includes its 50% share of the income statement line items that relate to Ekibastuz GRES-1 LLP on a line-by-line basis, whereas in the Group's income statement, the financial results of Ekibastuz GRES-1 LLP are included within 'share of profits from joint venture'. Note 10 provides further detail on the financial results of the joint venture.

3 In the year ended 31 December 2012, MKM is included within discontinued operations as well as the impact of the reduced completion adjustment relating to the disposal of Kazakhmys Petroleum (see note 18(b)). For the year ended 31 December 2011, discontinued operations consisted of MKM for the full year, the Maikuben West coal mine (included within Kazakhmys Power) for the period up to its disposal on 17 May 2011 and Kazakhmys Petroleum for the period ended 23 December 2011, the date it was sold.

4 Share of profits/(losses) is net of tax.

5 In early 2012, the Group disposed of its captive insurance company in Kazakhstan, included within Kazakhmys Mining, for proceeds of $3 million which resulted in the recognition of a loss of $8 million on disposal (see note 18(a)).

6 In the year ended 31 December 2012, negotiations over the completion adjustment in respect of Kazakhmys Petroleum were concluded. As a result of these negotiations, the completion adjustment has been revised downwards resulting in the reduction of the consideration receivable by $13 million (see note 18(b)).

(ii) Earnings before interest, tax, the non-cash component of the disability benefits obligation, depreciation and amortisation (EBITDA) excluding special items

	Year ended 31 December 2012							
						Continuing operations		
$ million	Kazakhmys Mining	MKM	Kazakhmys Power [1,2]	Corporate Services	Total	Income statement	Joint venture [2]	Discontinued operations [3]
Operating profit/(loss) per income statement [2]	300	31	123	(68)	386	242	126	18
Interest and taxation of joint venture	–	–	29	–	29	–	29	–
Segmental operating profit/(loss) [2]	300	31	152	(68)	415	242	155	18
Add: depreciation, depletion and amortisation	251	–	56	3	310	276	34	–
Add: non-cash component of the disability benefits obligation [4]	149	–	–	–	149	149	–	–
Add: mineral extraction tax [5]	260	–	–	–	260	260	–	–
Segmental EBITDA	960	31	208	(65)	1,134	927	189	18
Special items – note 5:								
Add: impairment charges	192	17	–	–	209	192	–	17
Add: loss on disposal of subsidiaries	8	–	–	13	21	8	–	13
Segmental EBITDA (excluding special items)	1,160	48	208	(52)	1,364	1,127	189	48
Share of EBITDA of associate [6]	–	–	–	548	548	548	–	–
Group EBITDA (excluding special items)	1,160	48	208	496	1,912	1,675	189	48

	Year ended 31 December 2011								
							Continuing operations		
$ million	Kazakhmys Mining	MKM	Kazakhmys Power [1,2]	Kazakhmys Petroleum	Corporate Services	Total	Income statement	Joint venture [2]	Discontinued operations [3]
Operating profit/(loss) per income statement [2]	1,182	17	106	(445)	(55)	805	1,125	100	(420)
Interest and taxation of joint venture	–	–	26	–	–	26	–	26	–
Segmental operating profit/(loss) [2]	1,182	17	132	(445)	(55)	831	1,125	126	(420)
Add: depreciation, depletion and amortisation	215	–	44	–	5	264	236	28	–
Add: mineral extraction tax [5]	280	–	–	–	–	280	280	–	–
Segmental EBITDA	1,677	17	176	(445)	(50)	1,375	1,641	154	(420)
Special items – note 5:									
Add: additional disability benefits obligation charge	146	–	–	–	–	146	146	–	–
Add: impairment (reversals)/charges	(15)	9	–	444	–	438	(15)	–	453
Segmental EBITDA (excluding special items)	1,808	26	176	(1)	(50)	1,959	1,772	154	33
Share of EBITDA of associate [6]	–	–	–	–	966	966	966	–	–
Group EBITDA (excluding special items)	1,808	26	176	(1)	916	2,925	2,738	154	33

[1] Kazakhmys Power includes the results of the Group's captive power stations and 50% of the results of Ekibastuz GRES-1 LLP as an equity accounted joint venture. In the year ended 31 December 2011, the segment also included the results of the Maikuben West coal mine for the period ended 17 May 2011 which was included within discontinued operations.

[2] As the operating profit in the consolidated income statement includes the equity accounted profit from the joint venture, Ekibastuz GRES-1, on a post-interest and tax basis, the joint venture's interest and taxation expenses are added back to calculate the operating profit from continuing operations of the Group on a consistent pre-interest and tax basis.

[3] In the year ended 31 December 2012, MKM is included within discontinued operations as well as the impact of the reduced completion adjustment relating to the disposal of Kazakhmys Petroleum (see note 18(b)). For the year ended 31 December 2011, discontinued operations consisted of MKM for the full year, the Maikuben West coal mine (included within Kazakhmys Power) for the period up to its disposal on 17 May 2011 and Kazakhmys Petroleum for the period ended 23 December 2011, the date it was sold.

[4] The non-cash component of the Group's disability benefits obligation has been excluded from EBITDA as EBITDA, a key financial indicator, is a proxy for cash earnings from current trading performance. The non-cash component of the disability benefits obligation is determined as the actuarial remeasurement charge recognised in the income statement less the actual cash payments disbursed during the year in respect of the disability benefits obligation.

[5] Mineral extraction tax has been excluded from the key financial indicator of EBITDA as its exclusion provides a more informed measure of the operational performance of the Group as the Directors believe that MET is a substitute for a tax on profits.

[6] The share of EBITDA of the associate excludes MET and special items of the associate.

(iii) Balance sheet information

$ million	Kazakhmys Mining	MKM [1]	Kazakhmys Power [2]	Corporate Services	Total	Continuing operations	Discontinued operations [1]
					At 31 December 2012		
Assets							
Tangible and intangible assets [3]	**2,968**	**23**	**143**	**15**	**3,149**	**3,126**	**23**
Intragroup investments	**–**	**–**	**–**	**4,290**	**4,290**	**4,290**	**–**
Non-current investments and other assets [4]	**518**	**–**	**941**	**2,027**	**3,486**	**3,486**	**–**
Operating assets [5]	**1,216**	**224**	**68**	**164**	**1,672**	**1,448**	**224**
Current investments	**65**	**–**	**–**	**450**	**515**	**515**	**–**
Cash and cash equivalents	**147**	**4**	**20**	**1,079**	**1,250**	**1,246**	**4**
Segment assets	**4,914**	**251**	**1,172**	**8,025**	**14,362**	**14,111**	**251**
Deferred tax asset					**87**	**87**	**–**
Income taxes reclaimable					**30**	**30**	**–**
Assets classified as held for sale					**–**	**251**	**(251)**
Elimination					**(4,486)**	**(4,486)**	**–**
Total assets					**9,993**	**9,993**	**–**
Liabilities							
Employee benefits and provisions	**469**	**6**	**9**	**–**	**484**	**478**	**6**
Operating liabilities [6]	**605**	**25**	**112**	**101**	**843**	**818**	**25**
Segment liabilities	**1,074**	**31**	**121**	**101**	**1,327**	**1,296**	**31**
Borrowings					**2,593**	**2,468**	**125**
Deferred tax liability					**1**	**1**	**–**
Income taxes payable					**3**	**1**	**2**
Liabilities directly associated with assets classified as held for sale					**–**	**158**	**(158)**
Elimination					**(196)**	**(196)**	**–**
Total liabilities					**3,728**	**3,728**	**–**

$ million	Kazakhmys Mining	MKM [1]	Kazakhmys Power [2]	Kazakhmys Petroleum	Corporate Services	Total	Continuing operations	Discontinued operations [1]
						At 31 December 2011		
Assets								
Tangible and intangible assets [3]	2,598	14	121	–	34	2,767	2,753	14
Intragroup investments	–	–	–	–	4,027	4,027	4,027	–
Non-current investments and other assets [4]	103	–	838	–	4,600	5,541	5,541	–
Operating assets [5]	1,061	209	41	–	199	1,510	1,301	209
Current investments	60	–	–	–	750	810	810	–
Cash and cash equivalents	262	9	4	–	836	1,111	1,102	9
Segment assets	4,084	232	1,004	–	10,446	15,766	15,534	232
Deferred tax asset						61	61	–
Income taxes reclaimable						71	71	–
Assets classified as held for sale						–	232	(232)
Elimination						(4,167)	(4,167)	–
Total assets						11,731	11,731	–
Liabilities								
Employee benefits and provisions	339	6	1	–	–	346	340	6
Operating liabilities [6]	595	18	–	–	44	657	639	18
Segment liabilities	934	24	1	–	44	1,003	979	24
Borrowings						2,014	1,893	121
Deferred tax liability						6	6	–
Income taxes payable						16	7	9
Liabilities directly associated with assets classified as held for sale						–	154	(154)
Elimination						(140)	(140)	–
Total liabilities						2,899	2,899	–

1 MKM has been classified as an asset held for sale and is included within discontinued operations.
2 Kazakhmys Power represents the Group's captive power stations.
3 Tangible and intangible assets are located in the principal country of operations of each operating segment, i.e. (i) Kazakhstan – Kazakhmys Mining and Kazakhmys Power; (ii) Germany – MKM; and (iii) Kazakhmys Mining also includes $57 million (2011: $168 million) in Kyrgyzstan.
4 Non-current investments and other assets include other non-current investments, the Group's investment in Ekibastuz GRES-1 LLP and a Hydro power development project company in Kazakhstan within the Kazakhmys Power segment and the Group's investment in ENRC within Corporate Services.
5 Operating assets include inventories, prepayments and other current assets and trade and other receivables, including intragroup receivables.
6 Operating liabilities include trade and other payables, including intragroup payables.

(iv) Net liquid funds/(debt)

$ million	Kazakhmys Mining	MKM[1]	Kazakhmys Power[2]	Corporate Services	Total	Continuing operations	Discontinued operations[1]
							At 31 December 2012
Cash and cash equivalents	**147**	**4**	**20**	**1,079**	**1,250**	**1,246**	**4**
Current investments	**65**	**–**	**–**	**450**	**515**	**515**	**–**
Borrowings[3]	**(854)**	**(125)**	**(73)**	**(2,468)**	**(3,520)**	**(3,395)**	**(125)**
Inter-segment borrowings[4]	**854**	**–**	**73**	**–**	**927**	**927**	**–**
Net liquid funds/(debt)	**212**	**(121)**	**20**	**(939)**	**(828)**	**(707)**	**(121)**

$ million	Kazakhmys Mining	MKM[1]	Kazakhmys Power[2]	Kazakhmys Petroleum	Corporate Services	Total	Continuing operations	Discontinued operations[1]
								At 31 December 2011
Cash and cash equivalents	262	9	4	–	836	1,111	1,102	9
Current investments	60	–	–	–	750	810	810	–
Borrowings[3]	(392)	(121)	–	–	(1,893)	(2,406)	(2,285)	(121)
Inter-segment borrowings[4]	392	–	–	–	–	392	392	–
Net liquid funds/(debt)	322	(112)	4	–	(307)	(93)	19	(112)

1 MKM has been classified as an asset held for sale and is included within discontinued operations.
2 Kazakhmys Power represents the Group's captive power stations.
3 Borrowings of Corporate Services are presented net of capitalised arrangement fees of $32 million (2011: $21 million).
4 Borrowings of Corporate Services include amounts lent to the Kazakhmys Mining and Kazakhmys Power segments.

(v) Capital expenditure

$ million	Kazakhmys Mining	MKM	Kazakhmys Power[1]	Corporate Services	Total	Continuing operations	Discontinued operations[2]
							Year ended 31 December 2012
Property, plant and equipment	**1,011**	**11**	**47**	**2**	**1,071**	**1,060**	**11**
Mining assets	**217**	**–**	**–**	**–**	**217**	**217**	**–**
Intangible assets	**18**	**–**	**–**	**–**	**18**	**18**	**–**
Capital expenditure[3]	**1,246**	**11**	**47**	**2**	**1,306**	**1,295**	**11**

$ million	Kazakhmys Mining	MKM	Kazakhmys Power[1]	Kazakhmys Petroleum	Corporate Services	Total	Continuing operations	Discontinued operations[2]
								Year ended 31 December 2011
Property, plant and equipment	550	16	40	20	1	627	588	39
Mining assets	121	–	–	–	–	121	121	–
Intangible assets	8	–	–	–	–	8	8	–
Capital expenditure[3]	679	16	40	20	1	756	717	39

1 Kazakhmys Power represents the Group's captive power stations. In the year ended 31 December 2011, the segment also included the capital expenditure of the Maikuben West coal mine for the period ended 17 May 2011 which was included within discontinued operations.
2 In the year ended 31 December 2012, only MKM is included within discontinued operations. For the year ended 31 December 2011, discontinued operations consisted of MKM for the full year, the Maikuben West coal mine (included within Kazakhmys Power) for the period up to its disposal on 17 May 2011 and Kazakhmys Petroleum for the period ended 23 December 2011, the date it was sold.
3 Capital expenditure within the Kazakhmys Mining segment includes capitalised depreciation of $7 million (2011: $6 million) and $5 million (2011: $3 million) for property, plant and equipment and mining assets, respectively. In addition during the year, Kazakhmys Mining capitalised borrowing costs of $36 million (2011: $28 million) and $3 million (2011: $nil) for property, plant and equipment and mining assets, respectively. Also during the year, the site restoration and clean up provisions and provisions for payments for licences within Kazakhmys Mining were reassessed and as a result, an additional $9 million (2011: $4 million) and $5 million (2011: a release of $6 million within Kazakhmys Petroleum) have been recognised with a corresponding adjustment to property, plant and equipment and intangible assets, respectively. These amounts are non-cash items and are recorded within site restoration and clean up provisions and provisions for payments for licences. Capital expenditure also includes non-current advances paid for items of property, plant and equipment.

(b) Segmental information in respect of revenues

Revenues by product are as follows:

$ million	2012	2011
Kazakhmys Mining		
Copper cathodes	**2,088**	2,318
Copper rods	**187**	252
Total copper products	**2,275**	2,570
Silver	**414**	479
Gold bullion	**300**	79
Gold doré	**22**	54
Zinc metal in concentrate	**154**	177
Other by-products	**61**	93
Other revenue	**59**	47
	3,285	3,499
MKM		
Wire	**490**	577
Sheets and strips	**635**	695
Tubes and bars	**309**	360
Metal trade	**32**	33
	1,466	1,665
Kazakhmys Power [1]		
Electricity generation	**358**	297
Coal	**–**	25
	358	322
Total revenues	**5,109**	5,486
Continuing operations	**3,353**	3,563
Discontinued operations	**1,466**	1,690
Share of joint venture's revenues – Kazakhmys Power	**290**	233
Total revenues	**5,109**	5,486

[1] Kazakhmys Power revenues include the revenues of the Maikuben West coal mine for the period up to its disposal on 17 May 2011. In addition, Kazakhmys Power revenues include 50% of the revenues of Ekibastuz GRES-1 LLP and the external revenues of the Group's captive power stations for the years ended 31 December 2012 and 2011.

Revenues by destination to third parties are as follows:

$ million	2012	2011
Continuing operations		
Europe	**665**	1,454
China	**1,769**	1,629
Kazakhstan	**769**	343
Other	**150**	137
	3,353	3,563
Discontinued operations		
Europe	**1,153**	1,325
China	**24**	16
Kazakhstan	**–**	25
Other	**289**	324
	1,466	1,690
Share of joint venture's revenues		
Kazakhstan	**279**	210
Other	**11**	23
	290	233
Total revenues	**5,109**	5,486

Year ended 31 December 2012

Four customers, three of which are collectively under common control, within the Kazakhmys Mining segment represent 37% of total Group revenue for the year from continuing operations. The total revenue from these customers is $1,245 million. The revenue from the three customers under common control of $999 million represents 30% of the total Group revenue from continuing operations. Revenues from the fourth major customer of $246 million represent 7% of total Group revenue from continuing operations.

Year ended 31 December 2011

Four customers, three of which are collectively under common control, within the Kazakhmys Mining segment represent 45% of total Group revenue for the year from continuing operations. The total revenue from these customers is $1,600 million. The revenue from the three customers under common control of $1,207 million represents 34% of the total Group revenue from continuing operations. Revenues from the fourth major customer of $393 million represent 11% of total Group revenue from continuing operations.

4. 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.

$ million	2012	2011
Continuing operations		
Special items within operating profit:		
Additional disability benefits obligation charge arising from new legislation enacted in Kazakhstan [1]	**–**	146
Impairment charges/(reversals) – note 5	**192**	(15)
Impairment charge against property, plant and equipment [2]	**110**	11
Impairment charge/(reversal) against mining assets [2]	**82**	(7)
Provisions released against inventories	**–**	(19)
Loss on disposal of subsidiary – note 18	**8**	–
	200	131
Special items within profit before taxation:		
Subsidiary businesses		
Impairment charge against investment in associate	**2,223**	–
Associate	**385**	(1)
Impairment charge recognised by associate	**316**	–
Onerous contract provision	**85**	–
Net gain arising from business combinations	**(23)**	–
Acquisition related transaction costs/(credit)	**7**	(1)
	2,808	130
Special items within profit for the year:		
Subsidiary businesses	**(73)**	(57)
Refund of previous EPT payments	**(60)**	–
Recognition of a deferred tax asset resulting from the impairment of Bozymchak	**(13)**	–
Recognition of a deferred tax asset on additional disability benefits obligation arising from new legislation enacted in Kazakhstan	**–**	(29)
Recognition of a deferred tax asset on major social projects	**–**	(26)
Tax effect of special items	**–**	(2)
	2,735	73
Discontinued operations		
Special items within operating profit		
Impairment charges – note 5	**17**	453
Impairment charge against intangible assets – Kazakhmys Petroleum	**–**	444
Impairment charge against property, plant and equipment – MKM	**3**	1
Provisions against inventories – MKM	**14**	8
Loss on disposal of subsidiaries – note 18	**13**	44
	30	497
Special items within profit for the year:		
Release of deferred tax liabilities resulting from the impairment of MKM	**(2)**	(2)
	28	495

[1] During 2011, new legislation was enacted in Kazakhstan which increased the level of disability benefits payable to former and current disabled employees of the Group. The enhancement in the level of disability benefits payable has resulted in an additional provision being recognised in the Group's defined benefit obligation.

[2] These impairment charges primarily relate to the Bozymchak project (see note 5).

5. Impairment losses

$ million	2012	2011
Impairment charge against property, plant and equipment – note 5(a) and note 5(d) [1]	**110**	11
Impairment charge/(reversal) against mining assets – note 5(a) and note 5(e) [1]	**82**	(7)
Provisions raised/(released) against inventories – note 5(b)	**(1)**	(1)
Provisions raised against prepayments and other current assets	**7**	–
Provisions raised against trade and other receivables – note 5(c)	**4**	6
Continuing operations	**202**	9
Discontinued operations – note 5(f) [1]	**18**	453
	220	462

[1] These impairments are considered to be special items for the purposes of determining the Group's key financial indicator of EBITDA (excluding special items) and Underlying Profit (see note 4).

Year ended 31 December 2012

(a) Kazakhmys Mining – impairment charge against mining assets and property plant and equipment

The Bozymchak gold/copper development project, included in the Kazakhmys Mining segment, has been subject to an impairment review due to difficulties experienced from operating in Kyrgyzstan. The impairment review has assumed a revised date for commercial production, additional capital costs and re-assessed the risks associated with the project's execution. As a result, the Group has recognised an impairment charge of $162 million against the mining assets and property, plant and equipment of the Bozymchak project. The impairment charge reduces the carrying value of the Bozymchak project to its recoverable amount of $106 million, determined as its value-in-use on a discounted cash flow basis, as at 31 December 2012. The charge of $162 million has been recorded against tangible assets (mining assets – $71 million and property, plant and equipment – $91 million) with an associated deferred tax credit of $13 million. The cash flow forecasts were discounted at a pre-tax rate of 16%.

The impairment charge against property, plant and equipment also includes $11 million relating to transportation infrastructure owned by the Group following a change in the intended use of the assets and a reassessment of their future cash flows.

In addition, during 2012 mining assets of $11 million were impaired which relate to the Kazakhmys Mining segment. Of this total, $7 million relates to the write-down of the assets attributable to the Nikolayevsky mine which was suspended in August 2012 as it was no longer considered economically viable to operate this mine.

(b) Kazakhmys Mining – inventories

Included within the provisions against inventories is the release of an impairment charge of $1 million (2011: charge of $18 million) relating to general slow moving and obsolete inventory. In 2011, the general and slow moving inventory impairment provision was offset by the reversal of a previous impairment provision of $19 million held against certain by-products for which sales contracts were agreed at prices greater than the previously recognised net realisable value. Only impairment charges or reversals recognised against ore and finished goods inventories are treated as special items (see note 4).

(c) Kazakhmys Mining – trade and other receivables

Provisions against trade and other receivables include an amount of $4 million (2011: $6 million) within Kazakhmys Mining in respect of trust activities. Under the terms of its subsoil licences, Kazakhmys LLC is required to provide certain social services to the communities in which its mining activities operate. These trust activities are provided by municipal authority companies under trust management agreements. For most receivable balances due from municipal authorities, full provision is recognised in light of their past payment histories.

Year ended 31 December 2011

(d) Kazakhmys Mining – property, plant and equipment

In 2011, the impairment charge mainly relates to an impairment provision of $12 million which has been recognised to write down administrative land and buildings held for disposal to fair value less costs to sell.

(e) Kazakhmys Mining – mining assets

The $7 million credit in 2011 mainly relates to a reversal of impairment provisions held against certain mining assets which were considered to be uneconomical in prior years and which have since been prepared for future extraction due to higher commodity prices.

(f) Discontinued operations

Impairment losses within discontinued operations include the impairment of MKM of $17 million (2011: $9 million) following the write-down of the business to its fair value less costs to sell.

For the year ended 31 December 2011, impairment losses include the impairment of Kazakhmys Petroleum of $444 million. Following drilling results received at the end of June 2011, and the receipt of an offer to purchase the Kazakhmys Petroleum business in July 2011, the Directors performed an impairment review of Kazakhmys Petroleum. The total consideration receivable from the disposal of $119 million, comprising $100 million in cash and a completion adjustment of $19 million, was used to determine the recoverable amount, resulting in a $444 million impairment charge being recognised. The sale and purchase agreement was signed on 24 August 2011 and the sale completed on 23 December 2011. For the year ended 31 December 2012, the negotiations over the completion adjustment were concluded which resulted in the reduction of the consideration receivable by $13 million.

6. Finance income and finance costs

$ million	2012	2011
Finance income		
Interest income	**17**	8
Foreign exchange gains	**47**	61
Finance income attributable to continuing operations	**64**	69
Interest income	**–**	–
Foreign exchange gains	**10**	14
Finance income attributable to discontinued operations	**10**	14
	74	83
Finance costs		
Interest expense	**(79)**	(42)
Total interest expense	**(118)**	(70)
Less: amounts capitalised to the cost of qualifying assets [1]	**39**	28
Interest on employee obligations	**(15)**	(14)
Unwinding of discount on provisions	**(8)**	(7)
Finance costs before foreign exchange losses	**(102)**	(63)
Foreign exchange losses	**(53)**	(74)
Finance costs attributable to continuing operations	**(155)**	(137)
Interest expense	**(5)**	(9)
Unwinding of discount on provisions	**–**	(1)
Foreign exchange losses	**(10)**	(15)
Finance costs attributable to discontinued operations	**(15)**	(25)
	(170)	(162)

[1] At 31 December 2012, the Group capitalised to the cost of qualifying assets $39 million (2011: $28 million) of borrowing costs incurred on the outstanding debt during the period on the CDB/Samruk-Kazyna financing facilities at an average rate of interest of 5.54% (2011: 5.24%).

7. Income taxes

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

$ million	2012	2011
Current income tax		
Corporate income tax – current period (UK)	**7**	21
Corporate income tax – current period (overseas)	**148**	298
Corporate income tax – prior periods	**23**	(10)
Excess profits tax – prior periods	**(60)**	(21)
Deferred income tax		
Corporate income tax – current period temporary differences	**(32)**	(67)
Income tax expense attributable to continuing operations	**86**	221
Current income tax attributable to discontinued operations	**(7)**	3
Deferred income tax attributable to discontinued operations	**–**	(6)
Income tax expense/(credit) attributable to discontinued operations	**(7)**	(3)
Total income tax expense	**79**	218

A reconciliation of the income tax expense applicable to the accounting (loss)/profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate is as follows:

$ million	2012	2011
(Loss)/profit before taxation from continuing operations	**(2,204)**	1,623
At UK statutory income tax rate of 24.5% (2011: 26.5%) [1]	**(540)**	430
Tax effect of share of profits from joint venture	**(31)**	(27)
Tax effect of share of losses/(profits) from associate	**63**	(123)
Under/(over) provided in previous years – current income tax	**23**	(10)
Unrecognised tax losses	**16**	–
Effect of domestic tax rates applicable to individual Group entities	**11**	(66)
Deferred tax asset recognised on major social projects	**–**	(26)
Non-deductible items:		
Impairment charge against investment in associate	**545**	–
Transfer pricing	**6**	26
Other non-deductible expenses	**53**	38
Release of excess profits tax provision	**–**	(21)
Refund of previous excess profits tax payments	**(60)**	–
Income tax expense attributable to continuing operations	**86**	221
Income tax attributable to discontinued operations	**(7)**	(3)
Total income tax expense	**79**	218

[1] For 2012, the UK statutory rate for January to March 2012 was 26.0% and for April to December 2012 was 24.0%, giving a weighted average full year rate of 24.5%. For 2011, the UK statutory income tax rate for January to March 2011 was 28.0% and for April to December 2011 was 26.0%, giving a weighted average full year rate of 26.5%.

Corporate income tax (CIT) is calculated at 24.5% (2011: 26.5%) of the assessable profit for the year for the Company and its UK subsidiaries, 20.0% for the operating subsidiaries in Kazakhstan (2011: 20.0%) and 10.0% for the Group's Kyrgyzstan based subsidiary (2011:10%). MKM, which is included as part of discontinued operations, has a tax rate of 28.5% (2011: 28.5%) which relates to German corporate income tax and trade tax.

Effective tax rate

Tax charges are affected by the mix of profits and tax jurisdictions in which the Group operates. The lower CIT rate in Kazakhstan and the recognition of equity accounted earnings of ENRC and Ekibastuz GRES-1 on a post-tax basis will have the effect of lowering the Group's overall future effective tax rate below the UK statutory corporate tax rate of 24%. The impact of transfer pricing provisions and non-deductible items, including impairment losses, will increase the Group's overall future effective tax rate.

The following factors impact the Group's effective tax rate for the year ended 31 December 2012:

Unrecognised tax losses

Following an assessment over the recoverability of certain deferred tax assets recognised in respect of brought forward losses of $71 million, the Group has written-off certain deferred tax assets of $16 million relating primarily to loss-making subsoil use contracts which are no longer considered to be in a position to generate sufficient taxable profits to offset these losses in the foreseeable future. Consequently, the related deferred tax assets are deemed as irrecoverable.

Impairment charge against investment in associate

At 31 December 2012, the Group recognised an impairment charge against its investment in ENRC of $2,223 million. As there is no tax relief available on the ENRC impairment charge, the impairment has put the Group into a loss making position without a corresponding tax credit, thereby placing considerable upward pressure on the Group's effective tax rate.

Transfer pricing

Notwithstanding recent changes to Kazakhstan's transfer pricing legislation to closer align it with international trading practices, inconsistencies still arise between the transfer pricing requirements in Kazakhstan and the UK. Consequently, certain of the Group's profits are taxed in both jurisdictions due to intercompany sales and purchase contracts that have been put in place within the Group which places upward pressure of $3 million (2011: $23 million) on the Group's effective tax rate.

In addition, certain sales contracts entered into by Kazakhmys LLC with European and Russian customers included trading terms that are not fully acceptable under Kazakhstan transfer pricing legislation. Consequently, a provision of $3 million has been recognised based on this anticipated exposure at 31 December 2012 (2011: $3 million).

Non-deductible expenses

Included within non-deductible expenses are impairment charges and provisions recognised against various assets and other on-going business expenses within Kazakhmys Mining. The reversal of the provision for environmental pollution charges and the related fines and penalties amounting to $38 million in aggregate is non-taxable and offset non-deductible expenses.

Excess profits taxation

In August 2011, the tax authorities completed the audit of Kazakhmys LLC for the years 2006 and 2008 inclusive, with no additional claims being raised in respect of excess profits taxation (EPT). Subsequently, in October 2011 the Supreme Court of Kazakhstan issued a ruling that Kazakhmys LLC should not have been liable for EPT in the periods up to and including 2008. As a result of the completed tax audit, which confirmed the EPT methodology adopted by the company for the years 2006 to 2008, together with a previous tax audit (for the years 2003 to 2005), along with the Supreme Court's ruling, the Directors believed that no further obligations existed in respect of EPT for the years 2003 to 2008. As a result, the EPT provision of $21 million recognised in earlier years relating to the uncertainties over the judgements that were made in respect of Kazakhmys LLC's methodology of computing EPT in the periods up to and including 2008 was released at 31 December 2011. The total EPT provision recognised as at 31 December 2010 was $49 million, including $28 million related to fines and penalties.

In 2012, following the Supreme Court's ruling, Kazakhmys LLC lodged a claim with the Ministry of Finance to seek reimbursement of past EPT payments amounting to $108 million for the periods up to and including 2008. In the second half of 2012, the Ministry of Finance partially accepted Kazakhmys LLC's position and $60 million has been set-off against the income tax and mineral extraction tax liabilities for the year ended 31 December 2012. The remaining $48 million has been challenged by the tax authorities who believe that this amount relates to periods beyond the Kazakhstan statute of limitations. The reimbursement of $60 million has been achieved by reducing the income tax and mineral tax payments for the year ended 31 December 2012 and has lowered the Group's effective income tax rate.

The following additional factors impacted the Group's effective tax rate for the year ended 31 December 2011 only:

Deferred tax asset on major social projects

In 2011, the Group determined that the cost of constructing the major social projects in Kazakhstan will be deductible against taxable profits in the future as a result of amendments in the tax legislation which were introduced in January 2011. The introduction of these amendments has resulted in the recognition of a $26 million deferred tax asset at 31 December 2011.

Non-deductible expenses

Included within non-deductible expenses are the additional tax assessments and related fines and penalties, resulting from the completion of the tax audit conducted at Kazakhmys LLC for the years 2006 to 2008 inclusive in August 2011. As a result, the Directors have made a provision for these additional tax assessments, which represents the Directors' best estimate of the amounts that are expected to be paid to settle this potential liability. Also included within non-deductible expenses is the charge for the incremental provision for environment pollution charges and the related fines and penalties amounting to $11 million. The reversal of the provision for fines and penalties of $28 million relating to the release of the provision for excess profits tax (refer above) is non-taxable and offsets the upward pressure on the Group's effective tax rate arising from non-deductible items. Other non-deductible items relate to on-going business expenses and impairment losses at Kazakhmys Mining.

8. Earnings per share

(a) Basic and diluted EPS

Basic EPS is calculated by dividing (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares of 20 pence each outstanding during the year. Purchases of the Company's shares by the Employee Benefit Trust and by the Company under the share buy-back programme are held in treasury and treated as own shares.

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

$ million	2012	2011
Net (loss)/profit attributable to equity shareholders of the Company from continuing operations	**(2,291)**	1,402
Net profit/(loss) attributable to equity shareholders of the Company from discontinued operations	**20**	(472)
	(2,271)	930

Number	2012	2011
Weighted average number of ordinary shares of 20 pence each for EPS calculation	**524,496,185**	533,794,387
EPS – basic and diluted ($)		
From continuing operations	**(4.37)**	2.63
From discontinued operations	**0.04**	(0.88)
	(4.33)	1.75

(b) EPS based on Underlying Profit

The Group's Underlying Profit is the 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 resultant tax and minority interest effects, as shown in the table below. EPS based on Underlying Profit is calculated by dividing Underlying Profit by the number of ordinary shares of 20 pence each outstanding during the year. The Directors believe EPS based on Underlying Profit provides a more consistent measure for comparing the underlying trading performance of the Group.

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

$ million	2012	2011
Net (loss)/profit attributable to equity shareholders of the Company from continuing operations	**(2,291)**	1,402
Special items within operating profit – note 4:		
Subsidiary businesses	**200**	131
Special items within profit before taxation – note 4:		
Subsidiary businesses	**2,223**	–
Associate	**385**	(1)
Special items within profit for the year – note 4:		
Subsidiary businesses	**(73)**	(57)
Underlying Profit from continuing operations	**444**	1,475
Net profit/(loss) attributable to owners of the Company from discontinued operations	**20**	(472)
Special items within operating profit – note 4	**30**	497
Special items within profit for the year – note 4	**(2)**	(2)
Underlying Profit from discontinued operations	**48**	23
Total Underlying Profit	**492**	1,498

Number	2012	2011
Weighted average number of ordinary shares of 20 pence each for EPS based on Underlying Profit calculation	**524,496,185**	533,794,387
EPS based on Underlying Profit – basic and diluted ($)		
From continuing operations	**0.85**	2.76
From discontinued operations	**0.09**	0.04
	0.94	2.80

9. Dividends paid and proposed

(a) Dividends paid

The dividends paid during the year ended 31 December 2012 and 2011 are as follows:

	Per share US cents	Amount $ million
Year ended 31 December 2012		
Final dividend in respect of year ended 31 December 2011	**20.0**	**105**
Interim dividend in respect of year ended 31 December 2012	**3.0**	**16**
	23.0	**121**
Year ended 31 December 2011		
Final dividend in respect of year ended 31 December 2010	16.0	86
Interim dividend in respect of year ended 31 December 2011	8.0	43
	24.0	129

(i) Year ended 31 December 2012

On 15 May 2012, the Company paid the final dividend of $105 million in respect of the year ended 31 December 2011 to shareholders on the register as at 20 April 2012.

On 3 October 2012, the Company paid an interim dividend of $16 million in respect of the year ended 31 December 2012 to shareholders on the register as at 7 September 2012.

(ii) Year ended 31 December 2011

On 17 May 2011, the Company paid the final dividend of $86 million in respect of the year ended 31 December 2010 to shareholders on the register as at 26 April 2011.

On 4 October 2011, the Company paid an interim dividend of $43 million in respect of the year ended 31 December 2011 to shareholders on the register as at 9 September 2011.

(b) Dividends declared after the balance sheet date

	Per share US cents	Amount $ million
Proposed by the Directors on 27 February 2013 (not recognised as a liability as at 31 December 2012):		
Final dividend in respect of the year ended 31 December 2012	**8.0**	**42.0**

10. Investment in joint venture

$ million	2012	2011
At 1 January	**838**	742
Share of profits from joint venture [1,2]	**126**	100
Net share of losses of joint venture recognised in other comprehensive income [2]	**(9)**	(4)
Dividends received	**(28)**	–
At 31 December	**927**	838

[1] Share of profits from joint venture is net of tax.
[2] Based on the financial statements for the year ended 31 December 2012 of Ekibastuz GRES-1 LLP.

The investment in joint venture relates to the Group's 50% shareholding in Ekibastuz GRES-1 LLP.

The following is a summary of the financial information of the Group's investment in joint venture based on Ekibastuz GRES-1 LLP's financial statements for the years ended 31 December 2012 and 31 December 2011:

$ million	2012	2011
Share of joint venture's assets and liabilities		
Non-current assets	**640**	522
Current assets	**65**	91
	705	613
Non-current liabilities	**(95)**	(95)
Current liabilities	**(21)**	(18)
	(116)	(113)
Net assets	**589**	500
Carrying amount of the investment	**927**	838

$ million	2012	2011
Share of joint venture's revenue and profit		
Revenue	**290**	233
Operating profit	**155**	126
Net finance income	**3**	–
Income tax expense	**(32)**	(26)
Profit for the year	**126**	100

11. Investment in associate

The Group holds 334,824,860 shares in ENRC representing 26.0% of the issued share capital. There have been no changes in this holding in 2012 and 2011.

$ million	2012	2011
Investment in associate		
At 1 January	**4,600**	4,356
Share of (losses)/profits from associate [1,2]	**(258)**	466
Net share of losses of associate recognised in other comprehensive income [2]	**(33)**	(109)
Impairment charge against investment in associate	**(2,223)**	–
Dividends received	**(59)**	(113)
At 31 December	**2,027**	4,600

1 Share of (losses)/profits from associate is net of tax.
2 Based on ENRC's unaudited preliminary financial statements for the year ended 31 December 2012 published on 20 March 2013.

At 31 December 2012, the carrying value of the Group's equity investment in ENRC of $4,520 million exceeded the market value of $1,546 million by an amount that the Directors deemed as significant as envisaged by IAS 39 'Financial instruments: recognition and measurement'. Whilst the market value of the Group's investment in ENRC was below its carrying value at 31 December 2011 and 30 June 2012, the impairment reviews performed at those dates did not result in any impairment charges being recognised. However, since the impairment review performed at 30 June 2012, the price expectations and outlook for ENRC's key products has weakened, ENRC has announced a revised capital expenditure programme and in addition, ENRC's gearing levels have increased significantly. As a result, taking these developments into account, the impairment review performed in accordance with IAS 36 'Impairment of assets', concluded that an impairment charge of $2,223 million should be recognised at 31 December 2012.

In determining the value-in-use of the ENRC investment, the Directors made assumptions of the future cash flows to be generated by ENRC using assumptions derived from publically available information on ENRC's production volumes and capital expenditure, inflation, exchange rates and commodity price forecasts. The calculation of the value-in-use generated a range of outcomes as the calculation is particularly sensitive to changes in commodity prices, operating cost inflation, capital expenditure and the discount rate used. In addition, the valuation of certain of ENRC's development assets involved a high degree of judgment given their relatively early stage in the project lifecycle. Any changes to the assumptions adopted in the calculation of the value-in-use, individually or in aggregate, would result in a different value-in-use being determined. Accordingly, in determining a valuation point within the range of outcomes determined by the calculation of the value-in-use, the Directors have also considered ENRC's market valuation over several historical periods and the results of recent valuations performed by equity analysts.

The accounting period end of ENRC is 31 December.

The following is a summary of the financial information of the Group's investment in ENRC based on ENRC's published unaudited results:

$ million	2012	2011
Share of associate's assets and liabilities		
Total assets	**5,243**	4,034
Total liabilities	**(2,500)**	(1,113)
Net assets	**2,743**	2,921
Carrying amount of the investment	**2,027**	4,600

$ million	2012	2011
Share of associate's revenue and profit		
Revenue	**1,643**	2,003
Operating (loss)/profit	**(146)**	700
Net gain arising from business combinations	**23**	–
(Loss)/profit before finance items, taxation and share of profits from joint ventures and associates	**(123)**	700
Net finance costs and share of loss of joint ventures and associates	**(69)**	(31)
Income tax expense and non-controlling interests	**(66)**	(203)
(Loss)/profit for the year	**(258)**	466

12. Share capital and reserves

(a) Allotted share capital

	Number	£ million	$ million
Allotted and called up share capital – Ordinary shares of 20 pence each			
At 1 January 2011	535,240,338	107	200
Issuance of Company's share capital pursuant to acquisition of non-controlling interest in subsidiary	177,623	–	–
At 1 January 2012	535,417,961	107	200
Issuance of Company's share capital pursuant to acquisition of non-controlling interest in subsidiary	**2,219**	**–**	**–**
At 31 December 2012	**535,420,180**	**107**	**200**

During 2012 the Company issued 2,219 ordinary shares of 20 pence each and paid $2 million in consideration for the transfer of 7,160,730 units in Kazakhmys LLC from non-controlling shareholders. Following this transaction, the Company's interest in Kazakhmys LLC increased from 99.88% at 31 December 2011 to 99.90% at 31 December 2012.

During 2011, the Company issued 177,623 ordinary shares of 20 pence each and paid $8 million in consideration for the transfer of 49,266,115 units in Kazakhmys LLC from non-controlling shareholders. Following this transaction, the Company's interest in Kazakhmys LLC increased from 99.73% at 1 January 2011 to 99.88% at 31 December 2011.

(b) Own shares

(i) 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 cost of shares purchased by the Trust is charged against retained earnings as treasury shares. The Employee Benefit Trust has waived the right to receive dividends on these shares.

At 31 December 2012, the Group, through the Employee Benefit Trust, owned 763,794 shares in the Company (2011: 848,309) with a market value of $10 million and a cost of $14 million (2011: $12 million and $16 million respectively).

(ii) Own shares purchased under the Company's share buy-back programme

On 25 August 2011, the Group announced a share buyback programme of up to $250 million, the completion of which was subject to market conditions. The buy-back programme commenced on 27 September 2011 following receipt of regulatory and shareholder approval. In the period from 1 January 2012 to 10 May 2012, when the buy-back programme ceased, the Group purchased 6,142,120 shares at a cost of $88 million. In total, since the buy-back commenced, the Group purchased 11,701,830 shares at a cost of $166 million (equivalent to 2.2% of the issued share capital prior to the commencement of the buyback programme). The bought back shares are held in treasury and have been accounted for as own shares. The cost of the shares has been charged against retained earnings and no dividends are declared on these shares.

(c) Capital reserves

$ million	Reserve fund	Net unrealised gains/(losses) reserve	Currency translation reserve	Capital redemption reserve	Hedging reserve	Total
At 1 January 2011	42	2	(787)	6	(2)	(739)
Exchange differences on retranslation of foreign operations [1]	–	–	(21)	–	–	(21)
Recycling of exchange differences on disposal of subsidiaries	–	–	33	–	–	33
Share of losses of joint venture recognised in other comprehensive income	–	–	(4)	–	–	(4)
Share of losses of associate recognised in other comprehensive income	–	(45)	(64)	–	–	(109)
At 31 December 2011	42	(43)	(843)	6	(2)	(840)
Exchange differences on retranslation of foreign operations [1]	**–**	**–**	**(50)**	**–**	**–**	**(50)**
Share of losses of joint venture recognised in other comprehensive income	**–**	**–**	**(9)**	**–**	**–**	**(9)**
Share of gains/(losses) of associate recognised in other comprehensive income	**–**	**43**	**(76)**	**–**	**–**	**(33)**
At 31 December 2012	**42**	**–**	**(978)**	**6**	**(2)**	**(932)**

[1] Of the $50 million (2011: $21 million) of foreign exchange differences recognised in the currency translation reserve for the year, $2 million (2011: $3 million) relates to discontinued operations.

(i) Reserve fund

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

(ii) Net unrealised gains/(losses) reserve

The net unrealised gains/(losses) reserve is used to record the fair value movements of available for sale investments within the Group's associate, ENRC.

(iii) Currency translation reserve

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

(iv) Capital redemption reserve

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

(v) Hedging reserve

The hedging reserve is used to record the fair value movements of derivative financial instruments that have been designated as cash flow hedges within the Group's associate, ENRC.

13. Borrowings

	Maturity	Average interest rate during the year	Currency of denomination	Current $ million	Non-current $ million	Total $ million
31 December 2012						
Continuing						
CDB facility – US$ LIBOR + 4.80%	2023	5.54%	US dollar	**29**	**2,439**	**2,468**
				29	**2,439**	**2,468**
Discontinued						
Revolving trade finance facility – EURIBOR + 2.25%	2015	2.60%	Euro	**–**	**125**	**125**
31 December 2011						
Continuing						
CDB facility – US$ LIBOR + 4.80%	2023	5.24%	US dollar	–	1,281	1,281
Pre-export finance facility (2008) – US$ LIBOR + 1.25%	2013	1.48%	US dollar	525	87	612
				525	1,368	1,893
Discontinued						
Revolving trade finance facility – EURIBOR + 2.25%	2015	3.83%	Euro	–	121	121

(a) Continuing operations

Pre-export finance facility – 2012

On 20 December 2012 Kazakhmys Finance PLC ("Kazakhmys Finance"), a wholly owned subsidiary of the Company, signed a five year pre-export finance facility for $1.0 billion with a syndicate of banks to be used for general corporate purposes. The funds are available for drawing at any time within a year from the date of the agreement and once drawn will attract interest at US$ LIBOR plus 2.80%. The facility has a final maturity date of December 2017 and monthly loan repayments of principal will commence in January 2015. Kazakhmys PLC, Kazakhmys LLC and Kazakhmys Sales Limited act as guarantors of the loan. At 31 December 2012, the loan remained undrawn.

Pre-export finance facility – 2008

On 29 February 2008, Kazakhmys Finance, signed a five year pre-export finance facility for $2.1 billion with a syndicate of banks to be used for general corporate purposes. As at 31 December 2012 the loan was fully repaid. Arrangement fees with an amortised cost as at 31 December 2011 of $2 million, gross cost before amortisation of $26 million, were netted off against these borrowings in accordance with IAS 39. Interest was payable on the drawn balance at a rate of US$ LIBOR plus 1.25%. Kazakhmys PLC, Kazakhmys LLC and Kazakhmys Sales Limited acted as guarantors of the loan.

China Development Bank ("CDB") and JSC Sovereign Wealth Fund Samruk-Kazyna ("Samruk-Kazyna") financing line

On 30 December 2009, Kazakhmys announced that it had secured a $2.7 billion financing line with CDB and Samruk-Kazyna, allocated from a $3.0 billion financing line agreed between CDB and Samruk-Kazyna. Of the $2.7 billion secured for the Group, facility agreements were signed for $2.1 billion on 30 December 2009, and for a further $200 million on 12 January 2010, for the development of the Group's projects at Bozshakol and Bozymchak and other development projects, and two facility agreements for $200 million each, allocated to the Akbastau-Kosmurun and Zhomart projects, were signed on 11 June 2012. Samruk-Kazyna has separately signed an agreement for $300 million of the $3.0 billion to be used elsewhere and not for the benefit of the Group, which was subsequently repaid to Samruk-Kazyna in January 2013. As part of this financing package, the Company, along with a subsidiary of Samruk-Kazyna, provided a guarantee in favour of CDB in respect of Samruk-Kazyna's obligations under the $3.0 billion financing line, including 85% of the $300 million which was not on-lent for the benefit of the Group.

The funds, which were fully drawn down in January 2013, attract interest semi-annually at an annualised rate of US$ LIBOR plus 4.8%. The loans have a final maturity falling between January 2022 and August 2025 with first repayments commencing in January 2013.

As at 31 December 2012, $2.5 billion (2011: $1.3 billion) was drawn under the facility agreements. Arrangement fees with an amortised cost as at 31 December 2012 of $32 million (2011: $19 million), (gross cost before amortisation of $40 million (2011: $22 million)), have been netted off against these borrowings in accordance with IAS 39.

China Development Bank ("CDB") Aktogay finance facility

On 16 December 2011, the Group signed a $1.5 billion loan facility with the CDB, to be used for the development of the major copper project at Aktogay. The loan facility consists of two separate agreements with similar terms and conditions. The first agreement is for up to $1.3 billion and the second agreement for up to RMB1.0 billion ($159 million equivalent at the year end RMB/$ exchange rate). The US dollar agreement attracts interest at US$ LIBOR plus 4.2% and the RMB agreement attracts interest at the applicable benchmark lending rate published by the People's Bank of China (PBoC). The funds are available to draw down over a three year period commencing from 31 December 2012 and mature 15 years from the date of first draw down. At 31 December 2012, the finance facility remained undrawn. Kazakhmys PLC acts as guarantor of the loan.

Revolving credit facilities

The Group has available several revolving credit facilities entered into by Kazakhmys Finance PLC for general corporate purposes and to provide standby liquidity. At 31 December 2012, facilities amounting to $250 million had maturity dates in March 2013 and a $50 million facility had a maturity date in September 2013, all of which were undrawn. In March 2013, Kazakhmys Finance PLC extended the term of a $100 million facility expiring in March 2013 for an additional two years to March 2015. The remaining facility amounting to $150 million which expired on 22 March 2013 was not renewed.

Undrawn general and corporate purpose facilities

$ million	2012	2011
Pre-export finance facility (within Kazakhmys Finance)	**1,000**	–
CDB Aktogay finance facility (within Kazakhmys Finance)	**1,500**	–
CDB/Samruk-Kazyna project specific finance facility (within Kazakhmys Finance)	**200**	1,400
Revolving credit facilities (within Kazakhmys Finance)	**300**	300
Letter of credit and bank guarantee facilities (within Kazakhmys LLC)	**85**	56
	3,085	1,756

(b) Discontinued operations

Revolving trade finance facility

In May 2006 MKM entered into a revolving trade finance facility with a syndicate of banks for a four year loan to finance the repayment of external borrowings and intercompany balances due to Kazakhmys LLC, and to fund working capital. In June 2009 the facility was refinanced with a new €170 million facility for three years with a final maturity in June 2012 which attracted interest at a rate of EURIBOR plus 3.00%. On 21 July 2011, the facility was refinanced for a further four years with a final maturity in July 2015. The facility was also increased from €170 million to €220 million, with interest now payable on the drawn balance at a rate of EURIBOR plus 2.25%. The loan is secured over the inventories and receivables of MKM.

14. Employee benefits

Kazakhmys LLC provides post-retirement benefits and other long-term benefits in Kazakhstan which are unfunded. These benefits include one-time retirement grants, financial aid, dental care, medical benefits, long-term disability allowances, sanatorium visits, annual financial support to pensioners, free tickets for city buses, privilege tickets for shuttle buses and funeral aid.

The amounts recognised in the income statements are as follows:

$ million	2012	2011
Employer's share of current service cost	**2**	2
Employer's share of past service cost	**–**	151
Actuarial losses recognised in period	**190**	5
Interest cost on benefits obligation	**15**	14
	207	172

During 2012, pay awards were made in Kazakhstan, particularly targeted at those categories of employees engaged in hazardous activities, which significantly exceeded the assumptions made relating to future salary increases included in the actuarial valuation performed as at 31 December 2011. Furthermore, there was a reduction in the discount rate applied in the actuarial valuation as at 31 December 2012 compared to the prior year. Consequently, the defined benefits obligation has increased significantly over the prior year.

During 2011, new legislation was enacted in Kazakhstan which increased the amounts payable for disability benefits. Under the new legislation, which applies retrospectively, the benefits payable are calculated on the basis of average salaries of employees currently in service. Prior to the change in the legislation, benefits payable were calculated on the basis of historic salaries that were increased annually by the official inflation rate prevailing in Kazakhstan. This change resulted in an average increase of approximately 290% within each category of benefits payable under the legislation over the prior year.

As the change in legislation in 2011, was non-recurring and did not impact the underlying trading performance of the business, $146 million of the total charge of $172 million, which related solely to the change in legislation, was treated as a special item.

The movement in the defined benefits obligation is as follows:

$ million	2012	2011
At 1 January	**216**	58
Employer's share of current service cost	**2**	2
Employer's share of past service cost	**–**	155
Net actuarial losses arising in the period	**190**	6
Interest cost on benefit obligation	**15**	14
Benefits provided to employees	**(41)**	(19)
Net exchange adjustment	**(5)**	–
At 31 December	**377**	216
Unrecognised actuarial losses	**(1)**	(1)
Unrecognised past service cost	**(3)**	(4)
Net liability at 31 December	**373**	211

The employee benefits obligation of $373 million, consists of $36 million (2011: $34 million) related to post-employment benefits and $337 million (2011: $177 million) related to other long-term benefits.

The expected settlement of the defined benefit obligation is as follows:

$ million	2012	2011
Current	**43**	23
Non-current	**330**	188
Net liability at 31 December	**373**	211

15. Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities

$ million	2012	2011
(Loss)/profit before taxation from continuing operations	**(2,204)**	1,623
Profit/(loss) before taxation from discontinued operations	**26**	(431)
Interest income	**(17)**	(8)
Interest expense	**84**	51
Share-based payments	**6**	4
Depreciation and depletion	**269**	233
Amortisation	**7**	3
Share of profits from joint venture	**(126)**	(100)
Share of losses/(profits) from associate	**258**	(466)
Impairment losses	**2,443**	462
Unrealised foreign exchange loss/(gain)	**6**	(3)
Loss on disposal of subsidiary	**8**	–
Loss on disposal of property, plant and equipment	**2**	–
Operating cash flows before changes in working capital and provisions	**762**	1,368
Increase in non-current VAT receivable	**(69)**	–
Increase in inventories	**(40)**	(67)
Increase in prepayments and other current assets	**(177)**	(77)
Decrease in trade and other receivables	**52**	78
Increase in employee benefits	**168**	154
(Decrease)/increase in provisions	**(35)**	20
Increase in trade and other payables	**171**	62
Cash flows from operations before interest, income taxes and dividends from associate and joint venture	**832**	1,538

Non-cash transactions

There were the following non-cash transactions:

- As stated in note 3(a)(v) the Group capitalised depreciation of $12 million (2011: $9 million) for property, plant and equipment and mining assets.
- The Group have reassessed $5 million (2011: $6 million released) relating to provisions for contractual reimbursements payable to the Government for geological information and social commitments with a corresponding increase in intangible assets.

- The reassessment of the site restoration and clean up provisions during the year has resulted in the capitalisation of $9 million (2011: $4 million) to property, plant and equipment, with a corresponding increase in the site restoration and clean up provisions.

16. Movement in net (debt)/liquid funds

$ million	At 1 January 2012	Cash flow	Attributable to discontinued operations	Other movements [1]	At 31 December 2012
Cash and cash equivalents	1,102	**140**	**5**	**(1)**	**1,246**
Current investments	810	**(282)**	**–**	**(13)**	**515**
Borrowings	(1,893)	**(569)**	**1**	**(7)**	**(2,468)**
Net (debt)/liquid funds	19	**(711)**	**6**	**(21)**	**(707)**

$ million	At 1 January 2011	Cash flow	Attributable to discontinued operations	Other movements [1]	At 31 December 2011
Cash and cash equivalents	1,113	(20)	4	5	1,102
Current investments	356	454	–	–	810
Borrowings	(1,819)	3	(70)	(7)	(1,893)
Net (debt)/liquid funds	(350)	437	(66)	(2)	19

[1] Other movements comprise net foreign exchange movements, non-cash amortisation of fees on borrowings and other non-cash reconciling items. For the year ended 31 December 2012, the $13 million movement in current investments relates to the investments disposed when the captive insurance company in Kazakhstan was sold in early 2012 (see note 18(a)).

17. Related party disclosures

(a) Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties 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	Amounts owed to related parties
Companies under trust management [1]				
2012	**10**	**9**	**58**	**–**
2011	13	7	52	–
Other [1]				
2012	**2**	**23**	**13**	**1**
2011	2	25	10	1

[1] A provision of $56 million (2011: $53 million) has been set against the amounts owed by related parties. The bad debt expense in relation to related parties was $3 million for the year (2011: $6 million).

(i) Government

Share ownership in the Company

On 24 July 2008, the Company issued 80,286,050 ordinary shares to the State Property and Privatisation Committee of the Government, thereby making the Government a 15.0% shareholder of the Company and a related party with effect from this date.

On 4 October 2010, the Group's Chairman, Vladimir Kim, sold 58,876,793 ordinary shares, approximately 11.0% of Kazakhmys' shares in issue, to Samruk-Kazyna. As a result of the transaction, the Government's interest in the Group increased to 139,162,843 ordinary shares, representing approximately 26.0% of the shares in issue. The Government's interest is held via The State Property & Privatisation Committee's existing 15.0% holding and the 11.0% shareholding of Samruk-Kazyna.

Following the purchase of 11,701,830 of the Company's shares under the share buy-back programme which completed in May 2012, the Government's percentage of the total voting rights held has increased to 26.57% as at 31 December 2012.

China Development Bank ("CDB") and Samruk-Kazyna financing line
The Group secured a $2.7 billion financing line with Samruk-Kazyna, a wholly owned subsidiary of the Government of Kazakhstan, and the CDB. The terms and conditions of the financing line, including a guarantee issued by the Group over the debt obligations of Samruk-Kazyna to the CDB under the financing line, are considered to be on an arm's length basis.

Other transactions
Throughout the normal course of business, the Group conducts transactions with entities controlled by the Government. The principal activities relate to the payment of electricity transmission fees, use of railway infrastructure and payments to tax authorities. In addition, the Group also constructs or pays for the construction of community assets and projects which may be transferred to the relevant Government department as part of the Group's social programme in Kazakhstan. Transactions between the Group and Government departments and agencies are considered to be related party transactions. Disclosure of these routine transactions is not made where all of the following criteria are met:

- they were done in the ordinary course of business of the Government department and/or company;
- there is no choice of suppliers; and
- they have terms and conditions (including prices, privileges, credit terms, regulations etc) that are consistently applied to all entities, public or private.

The Group did not have any material or significant non-arm's length or privileged transactions with entities controlled by the Government.

Dividend payment
The Government's share of the dividend paid by the Company in 2012 was $32 million (2011: $34 million).

(ii) ENRC
In 2012 the Group received dividends of $59 million from ENRC, the associated undertaking (2011: $113 million) in which the Group has a 26.0% interest.

(iii) Ekibastuz GRES-1
In 2012 the Group received dividends of $28 million from Ekibastuz GRES-1, the joint venture (2011: $nil) in which the Group has a 50.0% interest.

(iv) Companies under trust management agreements
The Group operates a number of companies under trust management agreements with local and state authorities. The activities include heating distribution systems, road maintenance and aviation services. The purpose of these agreements is to provide public and social services without any material financial benefit for the Group.

(v) Other
Transactions with other companies primarily relate to the provision of goods and services, on an arm's length basis, with companies whose boards or shareholders include members of senior management from the Group's subsidiaries.

(b) Terms and conditions of transactions with related parties
Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

18. Disposal of subsidiaries

Year ended 31 December 2012

(a) Captive insurance company
In early 2012, the Group disposed of its captive insurance company in Kazakhstan, included within Kazakhmys Mining, with net assets of $11 million, for proceeds of $3 million which resulted in the recognition of a loss of $8 million on disposal.

Year ended 31 December 2011

(b) Kazakhmys Petroleum

On 23 December 2011, the Group completed the disposal of Kazakhmys Petroleum, with net assets of $119 million, for a total consideration of $119 million. Together with the recycling of the foreign currency translation reserve of $24 million, the loss on disposal amounted to $24 million. In 2012, the negotiations over the completion adjustment in respect of the disposal of Kazakhmys Petroleum were concluded. As a result of these negotiations, the completion adjustment has been revised downwards resulting in the reduction of the consideration receivable by $13 million, bringing the total loss recognised on the disposal of Kazakhmys Petroleum to $37 million. The results of the prior period ended 23 December 2011 of Kazakhmys Petroleum and the impact of the reduced completion adjustment are included within the profit/(loss) from discontinued operations.

(c) Maikuben West coal mine

On 17 May 2011, the Group completed the disposal of the Maikuben West coal mine, an entity within Kazakhmys Power, for proceeds of $3 million, thereby recognising a loss of $20 million on disposal. The net assets disposed amounted to $14 million. The recognised loss represents the excess of the net assets over the proceeds received and the recycling of the foreign currency translation reserve on disposal of $9 million. The results of the prior period ended 17 May 2011 of the Maikuben West coal mine are included within the profit/(loss) from discontinued operations.

19. Events after the balance sheet date

(a) Post year-end dividend

The Directors recommend a final ordinary dividend in respect of the year ended 31 December 2012 of 8.0 US cents per share. Subject to the approval of the shareholders at the Annual General Meeting to be held on 17 May 2013, this dividend shall be paid on 21 May 2013.

(b) Revolving credit facilities

On 8 March 2013, Kazakhmys Finance PLC signed an agreement to extend the $100 million revolving credit facility (see note 13(a)) for an additional two year term to March 2015.