JSC CHELYABINSK ZINC PLANT
AND ITS SUBSIDIARIES

International Financial Reporting Standards Consolidated Condensed Interim Financial Information (Unaudited)

30 June 2011

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Translation note: This version of the consolidated condensed interim financial information is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial information takes precedence over this translation.

Report on Review of the Consolidated Condensed Interim Financial Information

To the Shareholders and Board of Directors of JSC Chelyabinsk Zinc Plant:

Introduction

We have reviewed the accompanying consolidated condensed interim statement of financial position of Joint Stock Company Chelyabinsk Zinc Plant (the "Company") and its subsidiaries (the "Group") as of 30 June 2011 and the related consolidated condensed interim statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard № 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

10 October 2011

Moscow, Russian Federation

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Consolidated Condensed Interim Statement of Financial Position (unaudited)

In thousands of Russian Roubles	Note	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Property, plant and equipment	8	5,029,509	5,069,733
Advances for capital construction		133,055	133,992
Intangible assets		46,007	50,172
Other non-current assets		6,457	101,098
Total non-current assets		**5,215,028**	**5,354,995**
Current assets			
Inventories		1,712,198	1,365,198
Trade and other receivables		2,011,404	1,515,462
Current income tax prepayments		4,622	36,353
Loans issued	9	998,158	1,474
Short-term financial assets		4,525	24,115
Bank deposits		305,076	1,057,300
Assets held for sale		20,000	20,000
Restricted cash		34,076	3,120
Cash and cash equivalents		518,219	748,718
Total current assets		**5,608,278**	**4,771,740**
TOTAL ASSETS		**10,823,306**	**10,126,735**
EQUITY			
Share capital		127,635	127,635
Share premium		1,375,231	1,375,231
Legal reserve		3,011	3,011
Hedging reserve		-	-
Cumulative currency translation reserve		(289,626)	(142,828)
Retained earnings		8,364,501	7,498,556
TOTAL EQUITY		**9,580,752**	**8,861,605**
LIABILITIES			
Non-current liabilities			
Finance lease liabilities		-	32,973
Provision for asset retirement obligations		65,938	60,761
Deferred income tax liabilities		231,572	291,114
Other non-current liabilities		55,672	55,042
Total non-current liabilities		**353,182**	**439,890**
Current liabilities			
Finance lease liabilities		-	18,087
Accounts payable, accrued expenses and advances from customers		615,763	534,930
Income tax payable		96,723	75,701
Other taxes payable		176,886	196,522
Total current liabilities		**889,372**	**825,240**
TOTAL LIABILITIES		**1,242,554**	**1,265,130**
TOTAL LIABILITIES AND EQUITY		**10,823,306**	**10,126,735**

Approved for issue and signed on behalf of the Board of Directors on 10 October 2011.

A.M. Panshin
General Director

S.B. Kondakov
Chief Accountant

The accompanying notes on pages 6 to 17 are an integral part of this consolidated condensed interim financial information.

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In thousands of Russian Roubles	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Revenue	10	6,444,712	5,531,780
Cost of sales	11	(4,666,640)	(3,918,961)
Gross profit		**1,778,072**	**1,612,819**
Distribution costs	12	(266,920)	(247,982)
General and administrative expenses	12	(359,043)	(290,380)
Impairment of assets held for sale		-	(45,637)
Taxes other than income tax		(56,861)	(53,461)
Other operating (expenses) and income, net		(25,189)	(57,751)
Operating profit		**1,070,059**	**917,608**
Finance income		53,583	7,327
Finance costs		(43,935)	(10,544)
Foreign exchange gain		91,640	50,076
Foreign exchange loss		(94,238)	(89,528)
Profit before income tax		**1,077,109**	**874,939**
Income tax expense	13	(211,164)	(196,504)
Profit for the period		**865,945**	**678,435**
Profit is attributable to:			
Shareholders of the Company		865,945	678,435
Profit for the period		**865,945**	**678,435**
Earning per share – basic and diluted (in RUB)	14	**16.0**	**12.5**

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In thousands of Russian Roubles	**Six months ended 30 June 2011**	**Six months ended 30 June 2010**
Profit for the period	865,945	678,435
Other comprehensive (loss)/income after tax		
Exchange differences on translation to presentation currency	(146,798)	82,191
Cash flow hedges, net of tax	-	51,780
Total other comprehensive (loss)/income	*(146,798)*	*133,971*
Total comprehensive income for the period	**719,147**	**812,406**
Total comprehensive income attributable to:		
Shareholders of the Company	719,147	812,406

In thousands of Russian Roubles	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Cash flows from operating activities			
Profit before income tax		1,077,109	874,939
Adjustments for:			
Depreciation and amortisation	11, 12	427,905	422,137
Gain on disposal and liquidation of property, plant and equipment, net		(28,817)	(32,981)
Impairment of loans issued, trade and other receivables		1,563	13,988
Increase/(decrease) of inventory provision		21,053	(3,209)
Finance (income)/costs, net		(9,648)	3,217
Stock-take results adjustment		(71,420)	(12,742)
Precious metals revaluation		(14,980)	(25,421)
Foreign exchange gain and loss, net		2,598	12,766
Impairment of assets under construction		9,518	12,547
Impairment of assets held for sale		-	45,637
Other non-monetary operating (income)/expenses		(20,065)	27,934
Operating cash flows before changes in working capital		**1,394,816**	**1,338,812**
(Increase)/decrease in trade and other receivables		(513,170)	95,212
Decrease in broker margin account		-	7,596
(Increase)/decrease in inventory		(246,679)	163,888
Increase/(decrease) in trade and other payables		70,147	(466,892)
Decrease in taxes payable		(19,636)	(4,877)
(Increase)/decrease in restricted cash balance		(30,956)	1,091
Cash generated from operations		**654,522**	**1,134,830**
Interest paid		(1,293)	(1,939)
Income taxes paid		(254,306)	(284,955)
Net cash generated from operating activities		**398,923**	**847,936**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(491,803)	(412,282)
Purchase of exploration and evaluation assets		(2,935)	(2,045)
Proceeds from sale of property, plant and equipment		447	2,095
Loans issued		(1,000,000)	(493)
Proceeds from repayment of loans		235	2,043
Interest income received		39,215	4,338
Decrease/(increase) in short-term bank deposits		741,942	(96,793)
Decrease in long-term bank deposits		100,000	-
Net cash used in investing activities		**(612,899)**	**(503,137)**
Cash flows from financing activities			
Finance lease payments		(52,354)	(11,277)
Net cash used in financing activities		**(52,354)**	**(11,277)**
Effect of currency translation and exchange rate fluctuations on cash and cash equivalents		35,831	22,270
Net (decrease)/increase in cash and cash equivalents		**(230,499)**	**355,792**
Cash and cash equivalents at the beginning of the period		**748,718**	**470,437**
Cash and cash equivalents at the end of the period		**518,219**	**826,229**

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Consolidated Condensed Interim Statement of Changes in Equity (unaudited)

In thousands of Russian Roubles	Share capital	Share premium	Legal reserve	Hedging reserve	Cumulative currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2010	**127,635**	**1,375,231**	**3,011**	**(51,780)**	**(183,276)**	**6,084,988**	**7,355,809**
Comprehensive income							
Net profit for the period	-	-	-	-	-	678,435	678,435
Other comprehensive income							
Exchange differences on translation to presentation currency	-	-	-	-	82,191	-	82,191
Cash flow hedges, net of tax	-	-	-	51,780	-	-	51,780
Total other comprehensive income	-	-	-	51,780	82,191	-	133,971
Total comprehensive income	**-**	**-**	**-**	**51,780**	**82,191**	**678,435**	**812,406**
Balance at 30 June 2010	**127,635**	**1,375,231**	**3,011**	**-**	**(101,085)**	**6,763,423**	**8,168,215**
Balance at 1 January 2011	**127,635**	**1,375,231**	**3,011**	**-**	**(142,828)**	**7,498,556**	**8,861,605**
Comprehensive income							
Net profit for the period	-	-	-	-	-	865,945	865,945
Other comprehensive expenses							
Exchange differences on translation to presentation currency	-	-	-	-	(146,798)	-	(146,798)
Total other comprehensive expenses	-	-	-	-	(146,798)	-	(146,798)
Total comprehensive (expenses)/income	**-**	**-**	**-**	**-**	**(146,798)**	**865,945**	**719,147**
Balance at 30 June 2011	**127,635**	**1,375,231**	**3,011**	**-**	**(289,626)**	**8,364,501**	**9,580,752**

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1 JSC Chelyabinsk Zinc Plant and its Operations

JSC “Chelyabinsk Zink Plant” (the “Company”) was incorporated in May 1993 and is domiciled in the Russian Federation. The Company is an open joint stock company and was set up in accordance with Russian legislation. The Group includes the Company and its subsidiaries.

As of 30 June 2011 and 31 December 2010, the Group’s immediate and ultimate parent was NF Holdings BV, incorporated in the Netherlands, which owns 58% of the Company’s shares. It is also the company which ultimately controls the Group. In September 2009, 100% of the shares of NF Holdings BV were acquired by a new group of shareholders, none of whom controls individually or jointly NF Holdings BV.

The Company is listed on the Russian Trading System (RTS), Moscow Interbank Currency Exchange (MICEX) and the London Stock Exchange (LSE) in the form of Global Depositary Receipts.

Principal activities. The Group’s principal business activity is the extraction and integrated processing of ore with the purpose of producing zinc and lead concentrates, production and distribution of zinc, zinc alloys and by-products. The Group’s manufacturing facilities are based in Chelyabinsk (the Russian Federation), Akzhal (the Republic of Kazakhstan) and Cannock (the United Kingdom). The Group companies were set up under the legislation of the Russian Federation (JSC Chelyabinsk Zinc Plant), the Republic of Kazakhstan (Nova Zinc LLP) and the United Kingdom (Brock Metal Ltd). As of 30 June 2011 the Group employed approximately 3,352 employees (31 December 2010: 3,221 employees).

Legal address and place of business. The Company’s registered address is: Russian Federation, 454008, Chelyabinsk, Sverdlovsky trakt 24.

2 Operating Environment of the Group

Russian Federation and Republic of Kazakhstan

The Russian Federation and the Republic of Kazakhstan continue to display some characteristics of an emerging markets, including relatively high inflation and high interest rates, as well as periodic volatility in the national currency exchange rates. In 2010 and at the beginning of 2011 the Russian economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase in household incomes, lower refinancing rates, stabilisation of the exchange rates against major foreign currencies, and increased liquidity levels in the banking sector.

Starting from the second half of 2011 the volatility in the currency, equity and commodities markets has increased following the uncertainties in the financial markets. Market quotations may be outdated or reflect distress sales transactions and therefore not represent fair values of financial instruments.

The results of operations for the Group are highly dependent on the price of zinc. The spot price of zinc quoted on the London Metal Exchange has decreased from US$ 2,342 per tonne at 30 June 2011 to US$ 1,905 per tonne at 30 September 2011.

Debtors of the Group may also become adversely affected by the financial and economic environment, which could in turn impact their ability to repay the amounts owed or fulfil the obligations undertaken. Deteriorating economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Management is unable to predict all developments which could have an impact on the metal industry and the wider economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all necessary measures to support the sustainability and growth of the Group’s business in the current circumstances.

The tax, currency and customs legislation within the Russian Federation and the Republic of Kazakhstan is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation and the Republic of Kazakhstan. The future economic direction of the Russian Federation and the Republic of Kazakhstan is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the respective Governments, together with tax, legal, regulatory, and political developments.

3 Basis of Presentation

Basis of preparation financial information. This consolidated condensed interim financial information for the six months ended 30 June 2011 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" under the historical cost convention, as modified by the revaluation of financial instruments categorised as at fair value through profit or loss, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Company's functional currency and the Group's presentation currency is the national currency of the Russian Federation, Russian Rouble ("RUB"). The functional currency of Nova Zinc LLP is the Kazakhstani Tenge ("KZT"), and the functional currency of Brock Metal Ltd is the pound sterling ("GBP").

At 30 June 2011 the official exchange rates established by the Central Bank of Russia ("CBR") were: USD 1 = RUB 28.0758 (31 December 2010: USD 1 = RUB 30.4769), EUR 1 = RUB 40.3870 (31 December 2010: EUR 1 = RUB 40.3331) and GBP 1 = RUB 44.9241 (31 December 2010: GBP 1 = RUB 47.2605).

The official rates of exchange established by the Kazakhstan Stock Exchange ("KASE") at 30 June 2011 were: RUB 1 = KZT 5.22 (31 December 2010: RUB 1 = KZT 4.84), USD 1 = KZT 146.25 (31 December 2010: USD 1 = KZT 147.40) and EUR 1 = KZT 210.29 (31 December 2010: EUR 1 = KZT 195.23).

Changes in presentation of financial information. Certain reclassifications have been made to prior year amounts in the consolidated condensed statement of comprehensive income, consolidated condensed statement of cash flows and related notes to the consolidated condensed interim financial information to conform to the current period presentation.

The effect of the classification changes on presentation of the information for six months ended 30 June 2010, are summarised below:

In thousands of Russian Roubles	**As originally presented**	**Reclassification**	**As reclassified**
Revenue	5,615,427	(83,647)	5,531,780
Cost of sales	(4,013,919)	94,958	(3,918,961)
Impairment of property plant and equipment	(12,547)	12,547	-
Gross profit	**1,588,961**	**23,858**	**1,612,819**
Distribution costs	(228,210)	(19,772)	(247,982)
General and administrative expenses	(275,616)	(14,764)	(290,380)
Other operating (expenses) and income, net	(53,002)	(4,749)	(57,751)
Exploration and evaluation costs	(3,216)	3,216	-
Operating profit	**929,819**	**(12,211)**	**917,608**
Finance costs	(25,830)	15,286	(10,544)
Foreign exchange gain	53,151	(3,075)	50,076
Profit before income tax	**874,939**	**-**	**874,939**

4 Summary of Significant Accounting Policies

The accounting policies and significant judgements and estimates applied are consistent with those of the consolidated financial statements for the year ended 31 December 2010, except as described below and for the policies which were changed to comply with the new or amended standards and interpretations that are in force for the year beginning on 1 January 2011.

Interim period tax measurement. Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

5 Adoption of New or Revised Standards and Interpretations

Certain new standards, interpretations and amendments to the existing standards, as disclosed in the consolidated financial statements for the year ended 31 December 2010, became effective for the Group from 1 January 2011:

- *Improvements to International Financial Reporting Standards.* The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. These amendments do not have a material effect on the Group's consolidated condensed interim financial information;

- *Amendment to IAS 24, Related Party Disclosures.* IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. This amendment does not have a material effect on the Group's consolidated condensed interim financial information;

- *IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments.* This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. This interpretation does not have a material effect on the Group's consolidated condensed interim financial information;

- *Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14.* This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. This amendment to IFRIC 14 does not have a material effect on the Group's consolidated condensed interim financial information;

- *Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1*. Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, Financial Instruments: Disclosures. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. These amendments do not have a material effect on the Group's consolidated condensed interim financial information;

- *Classification of Rights Issues – Amendment to IAS 32*. The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. This amendment does not have a material effect on the Group's consolidated condensed interim financial information.

Following new standards, amendments to standards and interpretations are not yet effective for the annual period beginning on 1 January 2011 and have not been early adopted by the Group:

- *IFRS 9, Financial Instruments* (effective for the Group from annual periods beginning on or after 1 January 2013; early application permitted). It replaces those parts of IAS 39 relating to the classification and measurement of financial assets and measurement of financial liabilities;

5 Adoption of New or Revised Standards and Interpretations (continued)

- *Disclosures – Transfers of Financial Assets – Amendments to IFRS 7* (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011);
- *Recovery of Underlying Assets – Amendments to IAS 12* (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012);
- *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1* (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011);
- *IFRS 10, Consolidated financial statements* (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013; early application permitted);
- *IFRS 11, Joint arrangements,* (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013; early application permitted);
- *IFRS 12, Disclosure of interest in other entities,* (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013; early application permitted);
- *IFRS 13, Fair value measurement,* (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013; early application permitted);
- *Amendments to IAS 1, Presentation of financial statements (*issued June 2011, effective for annual periods beginning on or after 1 July 2012);
- *Amended IAS 19, Employee* benefits (issued June 2011, effective for periods beginning on or after 1 January 2013).

The Group is currently assessing the impact of these new standards, amendments to standards and interpretations on its consolidated financial information.

6 Segment Information

The Group is organized as a vertically integrated business and has three reportable operating segments:

- Mining segment – it is represented by Nova Zinc LLP, an operator of lead zinc mine “Akzhal” in the Republic of Kazakhstan, which produces zinc and lead concentrate;
- Smelting segment – it is represented by JSC Chelyabinsk Zinc Plant, which produces Special High Grade zinc of 99.995% metal purity and zinc-based alloys;
- Alloying segment – it is represented by Brock Metal Ltd, a British producer of die-cast zinc alloys.

The Board of Directors assesses performance and allocates resources based on financial information for these segments, which includes earnings before interest, tax, depreciation and amortisation, adjusted for impairment and foreign exchange differences on borrowings (segment EBITDA) as a key measure of profitability. Since this term is not a standard IFRS measure the Group’s definition of EBITDA may differ from that of other companies. Sales between segments are carried out on an arm’s length basis.

In prior year assets and liabilities information on the reportable operating segments provided to the Board of Directors was limited to accounts receivable and payable balances for all segments and to finished goods balance for the Smelting segment only. Starting 1 January 2011 certain changes have been made by the Group to the presentation of information, specifically:

- Assets and liabilities of the smelting segment, related to the same contract are analysed as netted off;
- Assets in the mining and alloying production segments are analysed together with the income tax prepayment, other taxes balances and other receivables;
- Liabilities in the mining and allyoing production segments include payroll, taxes balances and other creditors;
- Assets and liabilities of the mining segment include settlements with the smelting segment.

Where necessary, corresponding figures have been adjusted.

6 Segment Information (continued)

The financial information reported on operating segments is based on management accounts which are derived from accounts prepared in accordance with national standards of accounting applied in the country of residence of a corresponding segment. There are differences in the reported amounts and the amounts presented in this consolidated condensed interim financial information due to the differences in accounting policies.

The segment revenue and EBITDA provided to the Board of Directors for the six months ended 30 June 2011 and 30 June 2010, respectively, were as follows:

In thousands of Russian Roubles	**Mining**	**Smelting**	**Alloying**	**Total**
Six months ended 30 June 2011				
Total segment revenue	759,719	5,287,140	1,125,574	**7,172,433**
Intersegment revenue	580,843	44,964	-	**625,807**
Revenue from external customers	178,876	5,242,176	1,125,574	**6,546,626**
Segment EBITDA	299,699	1,260,753	32,297	**1,592,749**
Six months ended 30 June 2010				
Total segment revenue	711,535	4,489,853	1,043,193	**6,244,581**
Intersegment revenue	571,243	74,521	-	**645,764**
Revenue from external customers	140,292	4,415,332	1,043,193	**5,598,817**
Segment EBITDA	182,559	1,085,348	23,455	**1,291,362**

The following tables show a reconciliation of revenue and EBITDA used by management for decision-making and profit or loss before tax per the consolidated condensed interim financial information prepared in accordance with IFRS:

	Six months ended	
In thousands of Russian Roubles	**30 June 2011**	**30 June 2010**
Revenue from external customers of reportable segments	**6,546,626**	**5,598,817**
Adjustments relating to hedge accounting	-	(67,414)
Timing differences	(13,565)	(4,787)
Adjustments for other revenue	(24,740)	44,314
Revenue from precious metals primary processing (i)	(102,221)	(72,014)
Other business activities not reviewed by the Board of Directors	38,612	32,864
Revenue based on IFRS financial information	**6,444,712**	**5,531,780**

	Six months ended	
In thousands of Russian Roubles	**30 June 2011**	**30 June 2010**
Segment EBITDA	**1,592,749**	**1,291,362**
Accounting policy differences:		
Inventory adjustments (ii)	(38,552)	(22,267)
Hedging (iii)	-	(67,414)
Timing differences (iv)	(86,653)	(31,258)
Capitalisation of expenses (v)	54,768	120,544
Elimination of intersegment operations	43,282	18,851
Employee benefits (vi)	(10,307)	(13,781)
Mineral extraction tax	(16,979)	26,289
Other reconciling items	(13,857)	43,123
Items excluded from segment EBITDA:		
Depreciation and amortisation (vii)	(427,905)	(422,137)
Additional impairment of assets held for sale	-	(45,637)
Impairment of property, plant and equipment	(9,518)	(12,547)
Exploration and evaluation costs	(2,086)	(3,216)
Foreign exchange loss on borrowings, net	(17,481)	(4,372)
Finance income	53,583	7,327
Finance costs	(43,935)	(10,544)
Profit before tax based on IFRS financial information	**1,077,109**	**874,939**

The reconciling items are attributable to the following:

(i) Revenue from precious metals primary processing includes revenue related to primary processing precious metals contained in zinc concentrate into clinker or cake which was netted-off for presentation purposes in accordance with IFRS;

6 Segment Information (continued)

(ii) Inventory adjustments consist of provisions for slow-moving goods and materials, overhead absorption and other adjustments required to cost inventory in accordance with IFRS.

(iii) Hedging: under IFRS, the Group used hedge accounting. In the management accounts gains and losses on derivative financial instruments are recognised when realised.

(iv) Timing differences are both revenue and purchase transactions which are recognised in different accounting periods in IFRS as compared to the management accounts.

(v) Capitalisation of expenses: certain costs and expenses in the management accounts which, because they extend the remaining useful life of an asset, are required to be capitalised under IFRS.

(vi) Employee benefits include directors' and key management's compensation which is recognised in different accounting periods in this consolidated condensed interim financial information as compared to the management accounts, accrual of unused vacation and pension plan benefits in accordance with IFRS.

(vii) Accounting policy differences on amortisation and depreciation include: differences in capitalisation principles, useful life periods and initial valuation upon transition to IFRS.

Segments' assets and liabilities

Total segments' assets and liabilities were as follows:

In thousands of Russian Roubles	Mining	Smelting	Alloying	Total
As of 30 June 2011:				
Inventories	-	899,286	-	899,286
Accounts receivable	597,867	1,379,592	493,265	2,468,724
Total segments' assets	**597,867**	**2,277,878**	**493,265**	**3,368,010**
Accounts payable	66,288	1,025,715	88,154	1,180,157
Total segments' liabilities	**66,288**	**1,025,715**	**88,154**	**1,180,157**
As of 31 December 2010:				
Inventories	-	684,770	-	684,770
Accounts receivable	587,633	925,548	390,723	1,903,904
Total segments' assets	**587,633**	**1,610,318**	**390,723**	**2,588,674**
Accounts payable	110,352	898,909	96,063	1,105,324
Total segments' liabilities	**110,352**	**898,909**	**96,063**	**1,105,324**

Reportable segments' assets are reconciled to consolidated inventory, trade and other receivable balances and income tax prepayments in this consolidated condensed interim financial information as follows:

In thousands of Russian Roubles	30 June 2011	31 December 2010
Total segments' assets	**3,368,010**	**2,588,674**
Intersegment eliminations	(445,844)	(421,305)
Other inventories of Smelting segment	530,000	504,250
Inventories of Mining and Alloying segments	220,307	109,784
Netting of accounts receivable and accounts payable	(98,709)	(12,529)
Inventory adjustments	28,434	23,899
Timing differences	(202)	43,075
Other business activities not reviewed by the Board of Directors	22,740	12,963
Other reconciling items	103,488	68,202
Total inventories, trade and other receivables and income tax prepayments based on IFRS financial information	**3,728,224**	**2,917,013**

6 Segment Information (continued)

Reportable segments' liabilities are reconciled to total current liabilities in this consolidated condensed interim financial information as follows:

In thousands of Russian Roubles	30 June 2011	31 December 2010
Total segments' liabilities	**1,180,157**	**1,105,323**
Intersegment eliminations	(445,078)	(420,443)
Settlements with employees, taxes payable	189,141	31,624
Timing differences	(10,937)	(66,580)
Netting of accounts receivable and accounts payable	(98,709)	(12,529)
Other business activities not reviewed by the Board of Directors	42,214	44,400
Other reconciling items	32,584	143,445
Total current liabilities based on IFRS financial information	**889,372**	**825,240**

7 Balances and Transactions with Related Parties

According to IAS 24 "Related Party Disclosures" (revised 2009), parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form.

The Group has entered into significant transactions during the six months ended 30 June 2011 and 2010 and had significant balances outstanding as of 30 June 2011 and 31 December 2010 with related parties. Those related parties consisted of entities under the control of indirect shareholders of the Group with significant influence. The details of those transactions and outstanding balances are disclosed below. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

(i) Consolidated condensed interim statement of financial position caption

In thousands of Russian Roubles	30 June 2011	31 December 2010
Assets		
Trade and other receivables	368,094	171,609
Advances issued	140,703	20
Advances for capital construction	5,416	4,419
Total accounts receivable and advances issued	514,213	176,048
Other non-current receivables	5,301	-
Total assets	**519,514**	**176,048**
Liabilities		
Accounts payable	(58,760)	(68,251)
Advances received	(35)	-
Liabilities for purchased property, plant and equipment	(5,488)	(11,061)
Total liabilities	**(64,283)**	**(79,312)**

7 Balances and Transactions with Related Parties (continued)

(ii) Consolidated condensed interim statement of income caption

In thousands of Russian Roubles	Note	Six months ended 30 June 2011	Six months ended 30 June 2010
Revenue			
Tolling fee	10	991,790	984,652
Sales of goods	10	451,023	314,218
Total revenue		**1,442,813**	**1,298,870**
Purchases			
Purchases of inventory		(405,824)	(390,004)
Total purchases		**(405,824)**	**(390,004)**
Operating expenses			
Information services		(37)	-
Other expenses		(35,079)	(32,406)
Total operating expenses		**(35,116)**	**(32,406)**
Finance income/(costs)			
Interest on loans issued		97	66
Other finance costs		(410)	(68)
Total finance costs		**(313)**	**(2)**

During the six months ended 30 June 2011 the Group supplied 807 tonnes of zinc sulphate (six months ended 30 June 2010: 1,216 tonnes), 615 tonnes of copper-bearing cake (six months ended 30 June 2010: 322 tonnes) and 2,509 tonnes of lead cake (six month ended 30 June 2010: nil) to related parties.

During the reporting period the Group processed zinc from tolling zinc concentrate provided by its related parties. The respective revenue for the six months ended 30 June 2011 amounted to RUB 991,790 thousand (six months ended 30 June 2010: RUB 984,652 thousand).

During the six months ended 30 June 2011 the Group purchased 10,354 tonnes of zinc concentrate from related parties for a total amount of RUB 156,583 thousand (six months ended 30 June 2010: 22,447 tonnes for a total amount RUB 366,137 thousand).

(iii) Directors' and key management's compensation

Total directors' and key managements' compensation is represented by contractual salary and discretionary bonus. It is recorded in general and administrative expenses in the consolidated condensed interim statement of income in the amount of RUB 43,852 thousand and RUB 29,964 thousand for the six months ended 30 June 2011 and 30 June 2010, respectively. There were 29 members of the directors and key management group for the six months ended 30 June 2011 (six months ended 30 June 2010: 27 members of the directors and key management group).

8 Property, Plant and Equipment

Property, plant and equipment and related accumulated depreciation consist of the following:

In thousands of Russian Roubles	Land	Buildings and infrastructure	Plant, machinery and equipment	Other	Mineral resources	Construction-in-progress	Total
Cost as of 1 January 2010	**45,419**	**2,958,600**	**4,565,569**	**768,455**	**2,786,157**	**700,118**	**11,824,318**
Accumulated depreciation and impairment	**-**	**(1,039,947)**	**(2,765,845)**	**(424,560)**	**(2,555,051)**	**(69,810)**	**(6,855,213)**
Carrying value as of 1 January 2010	**45,419**	**1,918,653**	**1,799,724**	**343,895**	**231,106**	**630,308**	**4,969,105**
Additions and transfers of assets under construction	-	12,238	229,969	64,840	(3,172)	103,757	407,632
Impairment charge to profit and loss	-	-	-	-	-	(12,547)	(12,547)
Disposals	-	(9,243)	(5,057)	(11,774)	-	(2,837)	(28,911)
Depreciation charge	-	(87,098)	(259,289)	(54,536)	(18,434)	-	(419,357)
Translation to presentation currency	-	9,676	7,720	5,927	7,922	3,118	34,363
Carrying value as of 30 June 2010	**45,419**	**1,844,226**	**1,773,067**	**348,352**	**217,422**	**721,799**	**4,950,285**
Cost as of 30 June 2010	**45,419**	**2,960,630**	**4,741,714**	**819,420**	**2,887,740**	**804,156**	**12,259,079**
Accumulated depreciation and impairment	**-**	**(1,116,404)**	**(2,968,647)**	**(471,068)**	**(2,670,318)**	**(82,357)**	**(7,308,794)**
Cost as of 1 January 2011	**45,419**	**3,141,957**	**5,271,756**	**814,468**	**2,808,291**	**565,613**	**12,647,504**
Accumulated depreciation and impairment	**-**	**(1,198,258)**	**(3,151,036)**	**(519,692)**	**(2,629,238)**	**(79,547)**	**(7,577,771)**
Carrying value as of 1 January 2011	**45,419**	**1,943,699**	**2,120,720**	**294,776**	**179,053**	**486,066**	**5,069,733**
Additions and transfers of assets under construction	-	20,404	233,735	89,318	6,863	128,152	478,472
Impairment charge to profit and loss	-	-	-	-	-	(9,518)	(9,518)
Disposals	-	(1,917)	(5,148)	(1,728)	-	(3,170)	(11,963)
Depreciation charge	-	(87,577)	(265,323)	(51,310)	(21,520)	-	(425,730)
Translation to presentation currency	-	(17,632)	(21,121)	(12,436)	(12,500)	(7,796)	(71,485)
Carrying value as of 30 June 2011	**45,419**	**1,856,977**	**2,062,863**	**318,620**	**151,896**	**593,734**	**5,029,509**
Cost as of 30 June 2011	**45,419**	**3,099,182**	**5,351,396**	**860,206**	**2,614,759**	**682,799**	**12,653,761**
Accumulated depreciation and impairment	**-**	**(1,242,205)**	**(3,288,533)**	**(541,586)**	**(2,462,863)**	**(89,065)**	**(7,624,252)**

9 Loans Issued

In thousands of Russian Roubles	**30 June 2011**	**31 December 2010**
Loans issued in RUB	996,649	-
Loans issued in KZT	1,509	1,474
Total loans issued	**998,158**	**1,474**

In February 2011 the Group issued a loan to CJSC Capital Invest in the amount of RUB 1,000,000 thousand at 5% p.a. with a maturity at 31 December 2011. As collateral, the Group received in pledge 100% of CJSC CLAAS-STROY's stock, an investor and developer of large real estate assets in Sverdlovskaya region.

The Group recognised finance costs from initial recognition of the loan in the amount of RUB 34,755 thousand in profit and loss. During the six months ended 30 June 2011 interest income recognised from this loan was RUB 31,404 thousand.

10 Revenue

		Six months ended	
In thousands of Russian Roubles	**Note**	**30 June 2011**	**30 June 2010**
Zinc and zinc alloys – third parties		4,311,233	3,649,185
Lead concentrate – third parties		223,747	209,328
Lead concentrate – related parties	7	72,756	-
Tolling fee – related parties	7	991,790	984,652
Other – transactions with third parties		466,919	374,397
Other – transactions with related parties	7	378,267	314,218
Total revenue		**6,444,712**	**5,531,780**

Other sales were generated from by-products of zinc production including indium, cadmium, sulphuric acid and other products.

11 Cost of Sales

	Six months ended	
In thousands of Russian Roubles	**30 June 2011**	**30 June 2010**
Raw materials and consumables used in production	2,631,653	2,051,333
Utilities and fuel	1,041,158	842,774
Depreciation and amortisation	390,232	378,811
Staff cost	362,794	298,105
Repairs and maintenance	285,507	287,089
Cost of goods and materials for resale	96,336	62,616
Mineral extraction tax	87,385	40,939
Production overheads	45,702	44,479
Inventory provision	21,053	(3,209)
Impairment of assets under construction	9,518	12,547
Precious metals revaluation	(14,980)	(25,421)
Stock-take results adjustment	(71,420)	(12,742)
Change in work-in-progress	(77,504)	47,679
Change in finished goods	(140,794)	(106,039)
Total cost of sales	**4,666,640**	**3,918,961**

12 Distribution, General and Administrative Expenses

	Six months ended	
In thousands of Russian Roubles	**30 June 2011**	**30 June 2010**
Transportation and customs duties	232,033	215,873
Packing materials	20,704	17,218
Depreciation and amortisation	14,183	14,891
Total distribution costs	**266,920**	**247,982**
Wages and salaries	168,513	128,063
Security costs	44,294	29,676
Depreciation and amortisation	23,490	28,435
Audit, consulting, information and other professional services	21,575	19,215
Repairs	17,331	18,518
Utilities and fuel	14,963	13,081
Other general and administrative expenses	68,877	53,392
Total general and administrative expenses	**359,043**	**290,380**

13 Income Taxes

Income taxes expenses comprise the following:

	Six months ended	
In thousands of Russian Roubles	**30 June 2011**	**30 June 2010**
Current tax expense	259,457	229,770
Deferred tax credit	(48,293)	(33,266)
Income tax expense for the period	**211,164**	**196,504**

14 Earnings per Share

Earnings per share was calculated by dividing the profit attributable to the equity holders of the Company in the amount of RUB 865,945 thousand (six months ended 30 June 2010: RUB 678,435 thousand) by the weighted average number of ordinary shares outstanding during the six months ended 30 June 2011, which was 54,195,410 shares (six months ended 30 June 2010: 54,195,410 shares).

The Company has no financial instruments that may entail dilution of equity; therefore, the diluted earnings per share equals the basic earnings per share.

15 Contingencies and Commitments

Litigations. During the six months ended 30 June 2011, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations or the financial position of the Group and which have not been accrued or disclosed in this consolidated condensed interim financial information.

Tax legislation. Both Russian and Kazakhstan tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the companies of the Group may be challenged by the relevant regional and federal authorities.

As of 30 June 2011 management believes that their interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. Where management believes that it is probable that certain tax positions taken by the Group may not be sustained in court, the Group has, in this consolidated condensed interim financial information, recorded provisions, in particular for income tax, VAT and penalties related to transactions with suppliers in the amount of RUB 87,730 thousand (31 December 2010: RUB 87,730 thousand).

In addition to the above matters, management estimates that the Group has other possible obligations from exposure to other than remote tax risks of RUB 267,721 thousand as at 31 December 2010 (31 December 2010: RUB 123,721 thousand). These exposures primarily relate to calculation of taxable income for corporate income tax purposes.

15 Contingencies and Commitments (continued)

Capital expenditure commitments. As of 30 June 2011 the Group had contractual commitments pertaining to capital investments in property, plant and equipment for a total of RUB 353,560 thousand (31 December 2010: RUB 110,311 thousand).

16 Seasonality

The sales of zinc are not subject to seasonal or cyclical fluctuations. However, a certain decrease in sales takes place in January due to long statutory holidays.