JSC CHELYABINSK ZINC PLANT
AND ITS SUBSIDIARIES

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

30 June 2012

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.

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Report on Review of the Consolidated Condensed Interim Financial Information

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

Introduction

1 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 2012 and the related consolidated condensed interim statements of income, comprehensive income, changes in equity and cash flows 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

2 We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated condensed 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

3 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

9 October 2012
Moscow, Russian Federation

ZAO PricewaterhouseCoopers Audit (ZAO PwC Audit)
White Square Office Center, 10 Butyrsky Val, Moscow, Russia, 125047
T:+7 (495) 967 6000, F: +7 (495) 967 6001, www.pwc.ru

Consolidated Condensed Interim Statement of Financial Position (unaudited)

In thousands of Russian Roubles	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	8	5,339,872	5,426,146
Advances for capital construction		110,337	87,706
Intangible assets		57,630	58,585
Other non-current assets		1,030	2,267
Total non-current assets		**5,508,869**	**5,574,704**
Current assets			
Inventories		1,672,966	1,603,217
Trade and other receivables		2,638,949	1,934,939
Current income tax prepayments		76,427	84,130
Loans issued	9	351,341	985,311
Bank deposits	10	1,225,437	481,000
Restricted cash		15,685	3,174
Cash and cash equivalents		263,587	539,897
Total current assets		**6,244,392**	**5,631,668**
TOTAL ASSETS		**11,753,261**	**11,206,372**
EQUITY			
Share capital		127,635	127,635
Share premium		1,375,231	1,375,231
Legal reserve		3,011	3,011
Cumulative currency translation reserve		(3,280)	(40,506)
Retained earnings		8,974,044	8,536,846
TOTAL EQUITY		**10,476,641**	**10,002,217**
LIABILITIES			
Non-current liabilities			
Provision for asset retirement obligations		112,105	96,288
Deferred income tax liabilities		200,142	196,886
Other non-current liabilities		52,396	49,418
Total non-current liabilities		**364,643**	**342,592**
Current liabilities			
Short-term financial liabilities		6,174	11,015
Accounts payable, accrued expenses and advances from customers		704,886	605,861
Current income tax payable		11,290	68,499
Other taxes payable		189,627	176,188
Total current liabilities		**911,977**	**861,563**
TOTAL LIABILITIES		**1,276,620**	**1,204,155**
TOTAL LIABILITIES AND EQUITY		**11,753,261**	**11,206,372**

Approved for issue and signed on behalf of the Board of Directors on 9 October 2012.

R.M. Shakirzyanov General Director	S.B. Kondakov Chief Accountant

The accompanying notes on pages 6 to 20 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 2012	Six months ended 30 June 2011
Revenue	11	6,383,651	6,444,712
Cost of sales	12	(5,217,116)	(4,666,640)
Gross profit		**1,166,535**	**1,778,072**
Distribution costs	13	(270,709)	(266,920)
General and administrative expenses	13	(425,921)	(359,043)
Taxes other than income tax		(63,263)	(56,861)
Other operating income and (expenses), net		13,606	(25,189)
Operating profit		**420,248**	**1,070,059**
Finance income		98,654	53,583
Finance costs		(34,437)	(43,935)
Foreign exchange gain		88,629	91,640
Foreign exchange loss		(90,772)	(94,238)
Profit before income tax		**482,322**	**1,077,109**
Income tax expense	14	(45,124)	(211,164)
Profit for the period		**437,198**	**865,945**
Profit is attributable to:			
Shareholders of the Company		437,198	865,945
Earnings per share – basic and diluted (in RUB)	15	**8.1**	**16.0**

Consolidated Condensed Interim Statement of Comprehensive Income (unaudited)

	Six months ended	
In thousands of Russian Roubles	**30 June 2012**	**30 June 2011**
Profit for the period	437,198	865,945
Other comprehensive income/(loss) after income tax		
Exchange differences on translation to presentation currency	37,226	(146,798)
Total other comprehensive income/(loss)	*37,226*	*(146,798)*
Total comprehensive income for the period	**474,424**	**719,147**
Total comprehensive income attributable to:		
Shareholders of the Company	474,424	719,147

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In thousands of Russian Roubles	Note	Six months ended 30 June 2012	Six months ended 30 June 2011
Cash flows from operating activities			
Profit before income tax		482,322	1,077,109
Adjustments for:			
Depreciation and amortisation	8	486,195	427,905
Net gain on disposal of property, plant and equipment		(26,232)	(28,817)
Impairment of loans issued, trade and other receivables		1,292	1,563
Increase in inventory provision		245	21,053
Finance income, net		(64,217)	(9,648)
Physical inventory count adjustment		-	(71,420)
Foreign exchange (gain) and loss, net		(13,409)	2,598
Impairment of assets under construction	8	18,499	9,518
Other non-monetary operating expenses/(income), net		1,516	(35,045)
Operating cash flows before changes in working capital		**886,211**	**1,394,816**
Increase in accounts receivable		(699,779)	(513,170)
Increase in inventory		(47,082)	(246,679)
Increase in accounts payable		132,982	70,147
Increase/(decrease) in taxes payable		62,913	(19,636)
Increase in restricted cash balance		(12,511)	(30,956)
Cash generated from operations		**322,734**	**654,522**
Interest paid		(1,015)	(1,293)
Income taxes paid		(111,503)	(254,306)
Net cash generated from operating activities		**210,216**	**398,923**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(469,485)	(491,803)
Purchase of exploration and evaluation assets		-	(2,935)
Proceeds from sale of property, plant and equipment		7,696	447
Loans issued	9	(717)	(1,000,000)
Proceeds from repayment of loans	9	701,774	235
Interest income received		18,894	39,215
(Increase)/decrease in bank deposits	10	(754,842)	841,942
Net cash used in investing activities		**(496,680)**	**(612,899)**
Cash flows from financing activities			
Finance lease payments		-	(52,354)
Net cash used in financing activities		**-**	**(52,354)**
Effect of currency translation and exchange rate fluctuations on cash and cash equivalents		10,154	35,831
Net decrease in cash and cash equivalents		**(276,310)**	**(230,499)**
Cash and cash equivalents at the beginning of the period		**539,897**	**748,718**
Cash and cash equivalents at the end of the period		**263,587**	**518,219**

Consolidated Condensed Interim Statement of Changes in Equity (unaudited)

In thousands of Russian Roubles	Share capital	Share premium	Legal reserve	Cumulative currency translation reserve	Retained earnings	Total equity
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 loss						
Exchange differences on translation to presentation currency	-	-	-	(146,798)	-	(146,798)
Total other comprehensive loss	-	-	-	*(146,798)*	-	*(146,798)*
Total comprehensive income/(loss)	**-**	**-**	**-**	**(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**
Balance at 1 January 2012	**127,635**	**1,375,231**	**3,011**	**(40,506)**	**8,536,846**	**10,002,217**
Comprehensive income						
Net profit for the period	-	-	-	-	437,198	437,198
Other comprehensive income						
Exchange differences on translation to presentation currency	-	-	-	37,226	-	37,226
Total other comprehensive income	-	-	-	*37,226*	-	*37,226*
Total comprehensive income	**-**	**-**	**-**	**37,226**	**437,198**	**474,424**
Balance at 30 June 2012	**127,635**	**1,375,231**	**3,011**	**(3,280)**	**8,974,044**	**10,476,641**

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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 2012 and 31 December 2011 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 Moscow Stock Exchange and the London Stock Exchange 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 includes a number of subsidiaries. The main 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 2012 the Group employed 3,219 employees (31 December 2011: 3,280 employees).

Legal address of the Company: 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 display certain characteristics of an emerging market. Russian and Kazakhstan tax, currency and customs legislation is subject to varying interpretations and contribute to challenges faced by entities operating in the Russian Federation and Kazakhstan.

The international sovereign debt crisis, volatility of the stock markets and other risks may have a negative effect on the financial and corporate sectors of the Russian Federation and the Republic of Kazakhstan. Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period.

The future economic development of the Russian Federation and the Republic of Kazakhstan is largely dependent upon external factors and effectiveness of economic, financial and monetary measures undertaken by the Governments of these countries along with tax, legal, regulatory, and political developments.

3 Basis of Preparation

Basis of preparation of financial information. This consolidated condensed interim financial information for the six months ended 30 June 2012 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 2011, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

3 Basis of Preparation (Continued)

Presentation currency. All amounts in this consolidated condensed interim financial information are presented in thousands of Russian Roubles ("RUB thousands"), unless otherwise stated.

At 30 June 2012 the official exchange rates established by the Central Bank of Russia ("CBR") were: USD 1 = RUB 32.8169 (31 December 2011: USD 1 = RUB 32.1961), EUR 1 = RUB 41.3230 (31 December 2011: EUR 1 = RUB 41.6714) and GBP 1 = RUB 51.3552 (31 December 2011: GBP 1 = RUB 49.6335).

The official rates of exchange established by the Kazakhstan Stock Exchange ("KASE") at 30 June 2012 were: RUB 1 = KZT 4.54 (31 December 2011: RUB 1 = KZT 4.61), USD 1 = KZT 149.42 (31 December 2011: USD 1 = KZT 148.40) and EUR 1 = KZT 187.90 (31 December 2011: EUR 1 = KZT 191.72).

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 2011, except as described below.

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

The following new standards, interpretations, and amendments to standards listed in the consolidated financial statements for the year ended 31 December 2011 became effective for the Group from 1 January 2012:

- ***Amendment to IAS 12 "Income taxes",*** which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. The amended IAS 12 did not have an impact on the consolidated condensed interim financial information of the Group.
- ***Amendments to IFRS 1 "First-time adoption of IFRS",*** relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions. The amended IFRS 1 did not have an impact on the consolidated condensed interim financial information of the Group.
- ***Disclosures – Transfers of Financial Assets – Amendments to IFRS 7.*** The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated financial liabilities, and the relationship between the financial assets and associated financial liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amended IFRS 7 did not have an impact on the consolidated condensed interim financial information of the Group.

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

Certain new standards, amendments to standards and interpretations are not yet effective for the six months ended 30 June 2012 or later and which the Group has not early adopted:

- ***Amendments to IAS 1, Presentation of Financial Statements*** (issued June 2011, effective for annual periods beginning on or after 1 July 2012);
- ***IAS 27, Separate Financial Statements,*** (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- ***IAS 28, Investments in Associates and Joint Ventures,*** (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- ***Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*** (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014);
- ***Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7*** (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013);
- ***IFRS 9, Financial Instruments*** (effective for annual periods beginning on or after 1 January 2015), replaces those parts of IAS 39 relating to the classification, measurement and derecognition of financial assets and liabilities;
- ***IFRS 10, Consolidated Financial Statements*** (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013 with earlier application permitted);
- ***IFRS 11, Joint Arrangements,*** (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- ***IFRS 12, Disclosure of Interest in Other Entities,*** (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- ***IFRS 13, Fair value measurement,*** (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- ***Amended IAS 19, Employee Benefits*** (issued in June 2011, effective for periods beginning on or after 1 January 2013);
- ***Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards – Government loans*** (issued in March 2012 and effective for periods beginning on or after 1 January 2013);
- ***Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12*** (issued on 28 June 2012 and effective for annual periods beginning on or after 1 January 2013);
- ***Improvements to International Financial Reporting Standards*** (issued in May 2012 and effective for the Group from 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

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

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 and deposits (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.

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 2012 and 30 June 2011, respectively, were as follows:

In thousands of Russian Roubles	**Mining**	**Smelting**	**Alloying**	**Total**
Six months ended 30 June 2012				
Total segment revenue	853,872	5,139,187	1,171,705	**7,164,764**
Intersegment revenue	586,810	11,209	-	**598,019**
Revenue from external customers	267,062	5,127,978	1,171,705	**6,566,745**
Segment EBITDA	134,451	657,365	34,446	**826,262**
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**

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 2012**	**30 June 2011**
Revenue from external customers of reportable segments	**6,566,745**	**6,546,626**
Timing differences (iii)	(93,803)	(13,565)
Adjustments for other revenue	(46,947)	(24,740)
Revenue from precious metals primary processing (i)	(80,494)	(102,221)
Other business activities not reviewed by the Board of Directors	(38,150)	38,612
Revenue based on IFRS financial information	**6,383,651**	**6,444,712**

6 Segment Information (Continued)

In thousands of Russian Roubles	Six months ended 30 June 2012	Six months ended 30 June 2011
Segment EBITDA	**826,262**	**1,592,749**
Accounting policy differences:		
Inventory adjustments (ii)	16,343	(38,552)
Timing differences (iii)	(3,565)	(86,653)
Capitalisation of expenses (iv)	77,377	54,768
Elimination of intersegment operations	(34,509)	43,282
Employee benefits (v)	(1,806)	(10,307)
Mineral extraction tax	(6,438)	(16,979)
VAT reserve reversal	29,345	-
Other reconciling items	19,934	(11,361)
Items excluded from segment EBITDA:		
Depreciation and amortisation	(486,195)	(427,905)
Impairment and write-off of property, plant and equipment and research and development	(16,500)	(12,014)
Exploration and evaluation costs	-	(2,086)
Foreign exchange loss, net	(2,143)	(17,481)
Finance income	98,654	53,583
Finance costs	(34,437)	(43,935)
Profit before tax based on IFRS financial information	**482,322**	**1,077,109**

The reconciling items are attributable to the following:

(i) 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;

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

(iv) 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;

(v) 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.

6 Segment Information (Continued)

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 2012:				
Inventories	-	713,998	-	713,998
Accounts receivable	513,293	1,966,173	547,086	3,026,552
Total segments' assets	**513,293**	**2,680,171**	**547,086**	**3,740,550**
Accounts payable	94,471	1,014,078	51,072	1,159,621
Total segments' liabilities	**94,471**	**1,014,078**	**51,072**	**1,159,621**
As of 31 December 2011:				
Inventories	-	714,629	-	714,629
Accounts receivable	582,848	1,448,940	383,821	2,415,609
Total segments' assets	**582,848**	**2,163,569**	**383,821**	**3,130,238**
Accounts payable	119,132	928,038	44,424	1,091,594
Total segments' liabilities	**119,132**	**928,038**	**44,424**	**1,091,594**

Reportable segments' assets are reconciled to consolidated inventory, accounts receivable balances in this consolidated condensed interim financial information as follows:

In thousands of Russian Roubles	30 June 2012	31 December 2011
Total segments' assets	**3,740,550**	**3,130,238**
Intersegment eliminations	(291,352)	(337,806)
Other inventories of Smelting segment not reviewed by the Board of Directors	734,445	642,693
Inventories of Mining and Alloying segments not reviewed by the Board of Directors	212,627	252,953
Netting of accounts receivable and accounts payable	(116,975)	(13,464)
Inventory adjustments	17,673	(2,783)
Timing differences	147,020	(46,226)
Other business activities not reviewed by the Board of Directors	16,326	14,713
Other reconciling items	(71,972)	(18,032)
Total inventories, trade and other receivables and income tax prepayments based on IFRS financial information	**4,388,342**	**3,622,286**

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 2012	31 December 2011
Total segments' liabilities	**1,159,621**	**1,091,594**
Intersegment eliminations	(276,227)	(337,093)
Timing differences	120,590	(9,005)
Settlements with employees	40,680	41,980
Taxes payable	21,214	101,747
Netting of accounts receivable and accounts payable	(133,094)	(26,598)
Other business activities not reviewed by the Board of Directors	28,928	22,345
Other reconciling items	(49,735)	(23,407)
Total current liabilities based on IFRS financial information	**911,977**	**861,563**

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 2012 and 2011 and had significant balances outstanding as of 30 June 2012 and 31 December 2011 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 2012**	**31 December 2011**
Assets		
Accounts receivable	574,161	438,062
Advances issued	771	1,564
Advances for capital construction	1,179	-
Total accounts receivable and advances issued	576,111	439,626
Loans granted to key management personnel	3,770	5,202
Total assets	**579,881**	**444,828**
Liabilities		
Accounts payable	(21,928)	(71,962)
Advances received	(155)	(174)
Liabilities for purchased property, plant and equipment	-	(3,039)
Total liabilities	**(22,083)**	**(75,175)**

(ii) Consolidated condensed interim statement of income caption

		Six months ended	
In thousands of Russian Roubles	**Note**	**30 June 2012**	**30 June 2011**
Revenue			
Tolling fee	11	741,281	991,790
Sales of goods	11	270,121	451,023
Total revenue		**1,011,402**	**1,442,813**
Purchases			
Purchases of inventory		(95,077)	(405,824)
Total purchases		**(95,077)**	**(405,824)**
Operating expenses			
Information services		(13)	(37)
Other expenses		(124,046)	(35,079)
Total operating expenses		**(124,059)**	**(35,116)**
Finance income/(costs)			
Interest on loans issued		79	97
Other finance income/(costs)		20	(410)
Total finance income/(costs)		**99**	**(313)**

7 Balances and Transactions with Related Parties (Continued)

(ii) Consolidated condensed interim statement of income caption (Continued)

During the six months ended 30 June 2012 the Group supplied 275 tonnes of zinc sulphate (six months ended 30 June 2011: 807 tonnes), 649 tonnes of copper-bearing cake (six months ended 30 June 2011: 615 tonnes) and 3,127 tonnes of lead cake (six month ended 30 June 2011: 2,509 tonnes) 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 2012 amounted to RUB 741,281 thousand (six months ended 30 June 2011: RUB 991,790 thousand).

During the six months ended 30 June 2012 the Group hasn't purchased zinc concentrate from related parties (six months ended 30 June 2011: 10,354 tonnes for a total amount RUB 156,583 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 44,400 thousand and RUB 43,852 thousand for the six months ended 30 June 2012 and 30 June 2011, respectively. There were 28 members of the directors and key management group for the six months ended 30 June 2012 (six months ended 30 June 2011: 29 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 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)**

8 Property, Plant and Equipment (Continued)

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 2012	**45,419**	**3,331,550**	**5,951,827**	**1,003,009**	**2,971,371**	**548,989**	**13,852,165**
Accumulated depreciation and impairment	**-**	**(1,365,253)**	**(3,591,438)**	**(593,828)**	**(2,786,766)**	**(88,734)**	**(8,426,019)**
Carrying value as of 1 January 2012	**45,419**	**1,966,297**	**2,360,389**	**409,181**	**184,605**	**460,255**	**5,426,146**
Additions and transfers of assets under construction	-	29,037	144,547	75,622	10,175	157,513	416,894
Impairment charge to profit and loss	-	-	-	-	-	(18,499)	(18,499)
Disposals	-	-	(1,330)	(4,514)	-	(5,618)	(11,462)
Depreciation charge	-	(99,667)	(323,045)	(42,834)	(18,101)	-	(483,647)
Translation to presentation currency	-	1,480	2,208	4,419	1,825	508	10,440
Carrying value as of 30 June 2012	**45,419**	**1,897,147**	**2,182,769**	**441,874**	**178,504**	**594,159**	**5,339,872**
Cost as of 30 June 2012	**45,419**	**3,366,853**	**6,068,295**	**1,072,355**	**3,019,841**	**701,392**	**14,274,155**
Accumulated depreciation and impairment	**-**	**(1,469,706)**	**(3,885,526)**	**(630,481)**	**(2,841,337)**	**(107,233)**	**(8,934,283)**

9 Loans Issued

In thousands of Russian Roubles	30 June 2012	31 December 2011
Loans issued in RUB	345,414	979,565
Loans issued in KZT	2,157	1,814
Loans issued in USD	3,770	3,932
Total loans issued	**351,341**	**985,311**

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. As a result of measuring the loan upon recognition, the Group recognised finance costs of RUB 34,755 thousand in profit and loss. When measuring fair value upon recognition and subsequent partial redemption the Group estimated future cash flows at a rate of 9.5%.

In December 2011 the Group signed a supplement to the loan agreement, whereby duration of the agreement was extended through 31 December 2012 and the interest rate changed to 3% per annum. Also, carrying amount of the loan was adjusted, to reflect revised estimates of cash flows using the original effective interest rate and recognising an additional expense of RUB 58,597 thousand in profit and loss.

In June 2012 the loan was partly redeemed in the amount of RUB 700,000 thousand. By the date of partial redemption the Group recognised finance income of RUB 38,279 thousand and finance costs of RUB 12,127 thousand.

During the six months ended 30 June 2012 interest income recognised from the loan was RUB 39,339 thousand (six months ended 30 June 2011: RUB 31,404 thousand).

In April 2012, the Group received a guarantee from a Russian bank securing full settlement of the loan principal and interest accrued thereon. The aforementioned guarantee is effective through the end of the loan agreement. Management has performed analysis of the bank's financial position and its ability, if need be, to fulfil obligations under the guarantee. Based on the analysis performed management believes that there is no objective evidence of any impairment of the loan as at 30 June 2012.

10 Bank Deposits

In thousands of Russian Roubles	30 June 2012	31 December 2011
Deposit with Tiumenenergobank, RUB denominated, at 11.75% p.a.	37,579	37,579
Provision for deposit with Tiumenenergobank	(37,579)	(37,579)
Deposits with CB Koltso Urala, RUB denominated, at 3.00-3.50% p.a.	675,875	1,000
Deposits with Sberbank Russia, RUB denominated, at 6.39-7.51% p.a.	150,000	480,000
Deposits with Gazprombank, RUB denominated, at 7.50-8.50% p.a.	250,000	-
Deposit with Sberbank Kazakhstan, RUB denominated, at 6.50% p.a.	149,562	-
Total bank deposits	**1,225,437**	**481,000**

In June 2012 the Group placed short-term RUB denominated deposits with CB Koltso Urala in the amount of RUB 700,000 thousand at 3.5% p.a. As a result of measuring the deposits upon recognition at fair value, the Group recognised finance costs of RUB 25,834 thousand in profit and loss. When measuring fair value the Group estimated future cash flows at a rate of 7.5% p.a.

These deposits guarantee a full cover of obligations under the credit provided by the bank to the third party in the same amount and for the same period, for the purpose of granting a loan to the Group related party, which has a significant influence on its activities.

11 Revenue

		Six months ended	
In thousands of Russian Roubles	**Note**	**30 June 2012**	**30 June 2011**
Zinc and zinc alloys – third parties		4,573,894	4,311,233
Lead concentrate – third parties		228,750	223,747
Lead concentrate – related parties	7	77,867	72,756
Tolling fee – related parties	7	741,281	991,790
Other – transactions with third parties		569,605	466,919
Other – transactions with related parties	7	192,254	378,267
Total revenue		**6,383,651**	**6,444,712**

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

12 Cost of Sales

	Six months ended	
In thousands of Russian Roubles	**30 June 2012**	**30 June 2011**
Raw materials and consumables used in production	3,004,708	2,616,673
Utilities and fuel	988,613	1,041,158
Depreciation and amortisation	457,710	390,232
Staff cost	385,344	362,794
Repairs and maintenance	330,330	285,507
Mineral extraction tax	96,146	87,385
Cost of goods and materials for resale	77,945	96,336
Production overheads	48,479	45,702
Impairment of assets under construction	18,499	9,518
Inventory provision	245	21,053
Stock-take results adjustment	-	(71,420)
Change in work-in-progress	(71,666)	(77,504)
Change in finished goods	(119,237)	(140,794)
Total cost of sales	**5,217,116**	**4,666,640**

13 Distribution, General and Administrative Expenses

	Six months ended	
In thousands of Russian Roubles	**30 June 2012**	**30 June 2011**
Transportation and customs duties	246,070	232,033
Packing materials	21,155	20,704
Depreciation and amortisation	3,484	14,183
Total distribution costs	**270,709**	**266,920**
Wages and salaries	183,395	168,513
Audit, consulting, information and other professional services	35,828	21,575
Security costs	31,776	44,294
Insurance expenses	30,999	1,148
Depreciation and amortisation	25,001	23,490
Repairs	20,850	17,331
Utilities and fuel	15,296	14,963
Other general and administrative expenses	82,776	67,729
Total general and administrative expenses	**425,921**	**359,043**

14 Income Taxes

Income taxes expenses comprise the following:

	Six months ended	
In thousands of Russian Roubles	**30 June 2012**	**30 June 2011**
Current tax expense	41,692	259,457
Deferred tax expenses/(credit)	3,432	(48,293)
Income tax expense for the period	**45,124**	**211,164**

During the six month ended 30 June 2012 the Group reversed income tax provision created in prior periods at amount of RUB 58,385 thousand (refer to Note 16).

15 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 437,198 thousand (six months ended 30 June 2011: RUB 865,945 thousand) by the weighted average number of ordinary shares outstanding during the six months ended 30 June 2012, which was 54,195,410 shares (six months ended 30 June 2011: 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.

16 Contingencies and Commitments

Litigations. During the six months ended 30 June 2012, 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 when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities.

The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review in accordance with the Russian legislation and five years in accordance with the Kazakhstan legislation. Under certain circumstances, reviews may cover longer periods.

16 Contingencies and Commitments (Continued)

Russian transfer pricing legislation enacted during the current period is effective for new transactions from 1 January 2012. It introduces significant reporting and documentation requirements and changes the list of controllable transactions.

The transfer pricing legislation that is applicable to transactions on or prior to 31 December 2011 also allows the tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the actual price differs from the market price by more than 20%. According to the former provisions of the Russian Tax Code controllable transactions included transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. As to the transfer pricing legislation applicable to transactions which had taken place prior to 1 January 2012, significant difficulties exist in interpreting and applying such transfer pricing provisions in practice. Any prior existing court decisions and the practice of tax authorities may provide guidance but are not legally binding for decisions by other, or higher level, courts in the future.

Tax liabilities arising from transactions between Group's companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules and change in methods of the Russian tax authorities, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

From 1 January 2009 the new law on transfer pricing was introduced in Kazakhstan which replaces the previous one. This law provides for government control of cross-border transactions. This law prescribes Kazakhstani companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in cross-border transactions, including documentation supporting the prices and differentials. Additionally, differentials could not be applied to the cross-border transactions with companies registered in off-shore jurisdictions. If the transaction price differs from the market price, the tax authorities have the right to adjust taxable items and to assess additional taxes, penalties and interest.

The Group's management believes that they will be able to sustain their transfer pricing policy and provide all documents to support their pricing policy to the government authorities of Kazakhstan, if necessary. Therefore no additional tax liability was recorded in this consolidated condensed interim financial information of the Group.

Both Russian and Kazakhstan tax legislation do not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

In the course of its activity, the Group interacts with numerous third party suppliers. The Group's management took reasonable steps to be sure they comply with the tax legislation. However, in accordance with the practice that has developed in Russia, if tax authorities find out that the Group's suppliers are not fully compliant with the current tax requirements, tax claims may be brought against the Group. As a result, additional taxes, penalties and interest may be assessed whose amounts cannot be reliably estimated by management.

As at 30 June 2012 management believes that its interpretation of the relevant legislation is generally appropriate and 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 if challenged by the tax authorities, the Group has recorded provisions for related taxes, interest and penalties.

16 Contingencies and Commitments (Continued)

During 2010 tax authorities examined the Company's tax compliance with respect to major taxes for a number of prior years. As a result the Group has, in the consolidated financial statements for year 2011, recorded provisions for related taxes, in particular for corporate income taxes, VAT and penalties in respect of its transactions with suppliers in the amount of RUB 87,730 thousand as at 31 December 2011.

As at 30 June 2012, the Group Management won in the litigation with tax authorities at three court instances, as prescribed by Russian legislation, and decided to fully reverse the above-mentioned provisions. In accordance with law, the tax authorities are entitled to challenge the court decision with the Supreme Arbitration Court of the Russian Federation. The Group's management believes that in case of challenging the court decision by tax authorities in the Supreme Arbitration Court of the Russian Federation that they will be able to sustain their position with high probability.

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 265,076 thousand as at 30 June 2012 (31 December 2011: RUB 231,135 thousand). These exposures primarily relate to corporate income tax.

***Commitments under the Contract of Akzhal minefield subsoil use*.** In accordance with Law of Kazakhstan Republic No. 291-IV of 24.06.2010 "On Subsoil and Subsoil Management", when a mineral developer conducts subsoil use operations in the Republic of Kazakhstan, the developer is vested with obligations to buy goods, work and services from Kazakh companies.

In 2012 Nova Zinc LLP, the Group's subsidiary, signed an addendum to the existing Subsoil Use Contract. The addendum established requirements for the percentage of goods, work and services to be purchased from Kazakh companies in the total amount of purchased goods, work and services (the required ratio for Kazakh goods is no less than 25% and for work and services no less than 95% of the total amount of purchased goods, work and services, respectively). Compliance with the purchased goods, work and services ratio is one of the mandatory terms of the Subsoil Use Contract under which TOO Novo Zinc develops Akzhal field.

As at 30 June 2012, Management together with AO National Agency on Development of Local Content "NADLOC" prepared and reviewed the mid-term procurement plan of Nova Zinc LLP and applied with the Kazakhstan Ministry of Industry and New Technologies for reducing the requirements for purchasing goods, work and services made by Kazakh companies in the total amount of goods, work and services bought by Nova Zinc LLP.

The Group Management believes that the probability is high that the Kazakhstan Ministry of Industry and New Technologies will take into consideration the Group's arguments and change the requirements prescribed in the addendum to the Contract so that the Group will be able to comply with them in the future.

Capital expenditure commitments. As at 30 June 2012 the Group had contractual commitments pertaining to capital investments in property, plant and equipment for a total of RUB 267,389 thousand (31 December 2011: RUB 312,243 thousand).

17 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.

18 Subsequent Events

In September 2012 the Board of Directors appointed a new General Director of JSC Chelyabinsk Zinc Plant.