



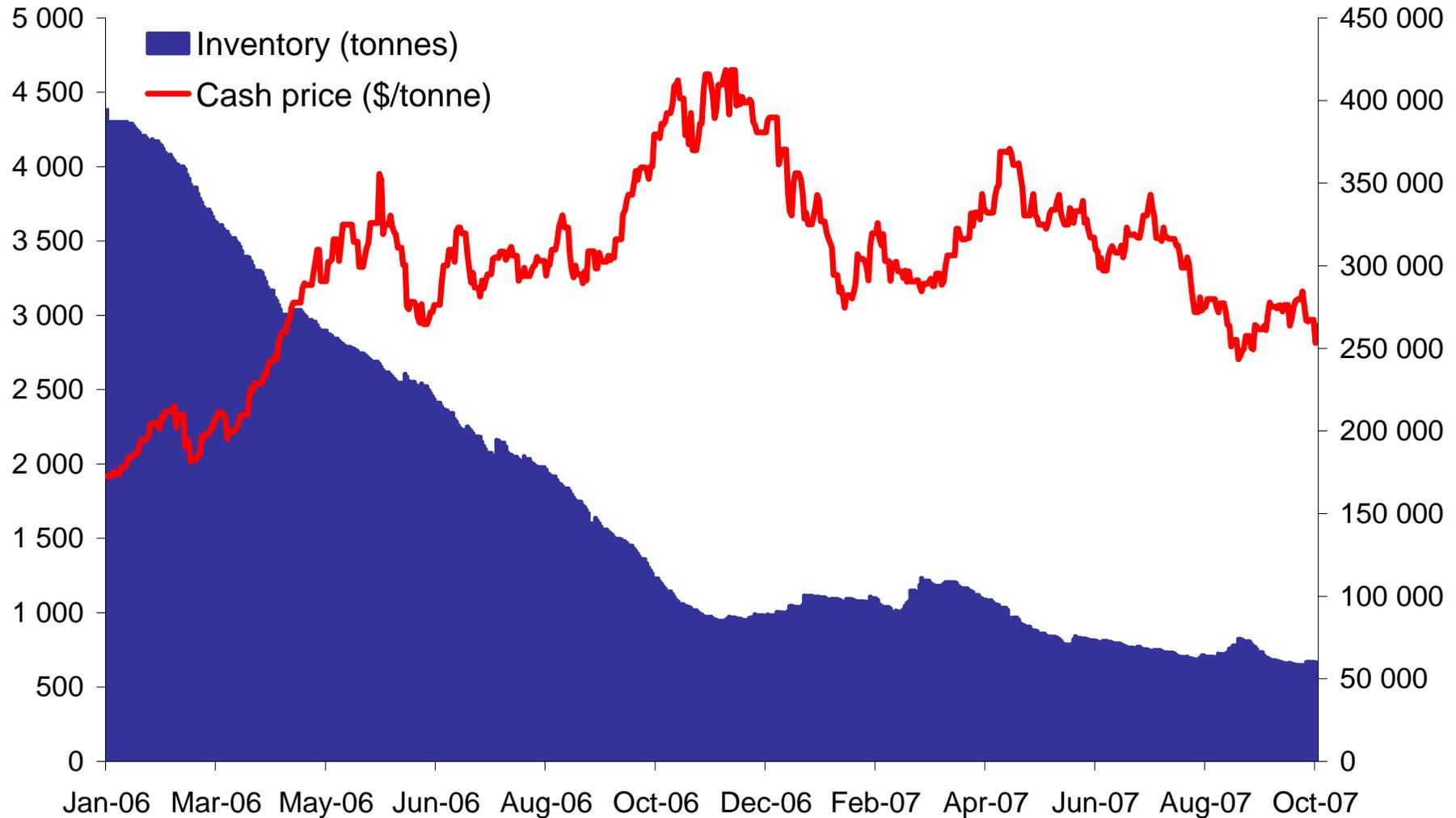
CHELYABINSK ZINC PLANT

**Interim Report
January-June 2007**



Zinc and Lead Market Update

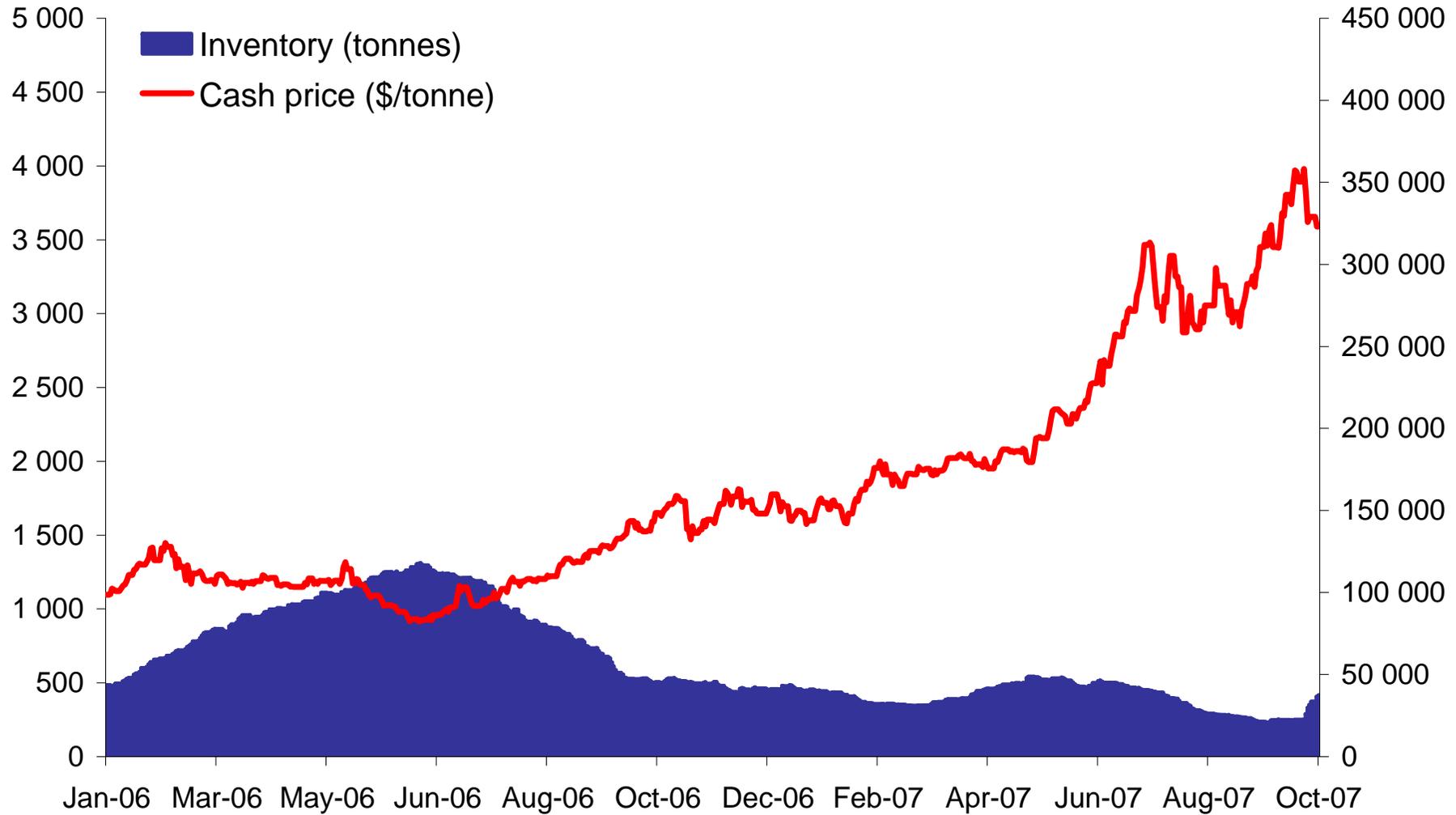
Zinc daily price and stock levels (LME)



Source: London Metal Exchange



Lead daily price and stock levels (LME)



Source: London Metal Exchange



Average prices and exchange rates

<i>(denominated in US\$)</i>	1H '07	1H '06	2H '06
Zinc	3,561.3	2,761.9	3,783.5
Lead	1,979.6	1,169.0	1,408.3
RUR/USD	26.1	27.7	26.7
KZT/USD	123.1	127.1	125.1



Zinc and Lead are LME cash settlement prices



Operations Overview

Smelting segment – Raw materials supply

<i>(tonnes in thousands)</i>	1H '07	1H '06	2H '06
Akzhal	15.6	-	-
UMMC	25.6	16.9	21.8
RCC	7.5	11.1	9.8
Dalpolimetal	5.5	6.8	5.6
Other Domestic	1.1	0.4	0.2
Imports	12.6	16.1	12.1
Secondaries	9.5	12.8	17.8
Total	77.5	64.2	67.2



Note: Volume of zinc in concentrate

Smelting segment – Zinc and by-products production

<i>(tonnes in thousands, except otherwise noted)</i>	1H '07	1H '06	2H '06
Zinc (incl. Zinc Alloys)	80.4	70.1	78.3
Indium (kg)	1,359	2,072	1,254
Cadmium	0.3	0.2	0.3
Sulphuric Acid	117.7	113.0	127.1
Lead Cake	4.4	4.2	5.4
Copper Clinker	39.7	36.8	37.0



Smelting segment – Zinc sales

<i>(tonnes in thousands)</i>	1H '07	1H '06	2H '06
Total sales	71.9	63.5	70.3
Domestic sales	35.1	37.3	39.8
Export sales	36.8	26.2	30.5
Customer			
Magnitogorsk	18%	19%	19%
Novolipetsk	10%	20%	19%
Severstal	16%	15%	12%
Euromin	44%	41%	43%
Others	12%	5%	7%



Mining segment – Operational performance

<i>(tonnes in thousands)</i>	1H '07	1H '06	2H '06
Ore mined	632.5	624.7	614.2
Ore processed	649.2	601.4	632.2
Ore grade processed			
Zinc	2.70%	2.96%	2.75%
Lead	0.59%	0.72%	0.64%
Concentrate production (metal)			
Zinc	16.2	16.4	16.0
Lead	3.1	3.6	3.4





Financial Review

Income statement highlights

(RUR in millions)

	1H '07	1H '06	2H '06
Revenue	7,965	6,073	8,912
Gross Profit	2,266	2,160	2,699
<i>Margin, %</i>	29%	36%	30%
EBITDA	2,227	2,169	2,753
<i>Margin, %</i>	28%	36%	31%
Net Income	1,241	1,313	1,559
<i>Margin, %</i>	16%	22%	18%

Note: The 2H '06 data were calculated as the difference between FY '06 and 1H '06 figures

Revenue structure by products

<i>(RUR in millions)</i>	1H '07	1H '06	2H '06
Zinc and zinc alloys	7,317	5,298	7,615
Zinc Concentrate	-	387	813
Lead Concentrate	238	81	127
Others	410 ⁽¹⁾	308	357
Total sales	7,965	6,073	8,912



Note: (1) Revenue includes RUR 16 millions derived from zinc tolling

Revenue structure by destination

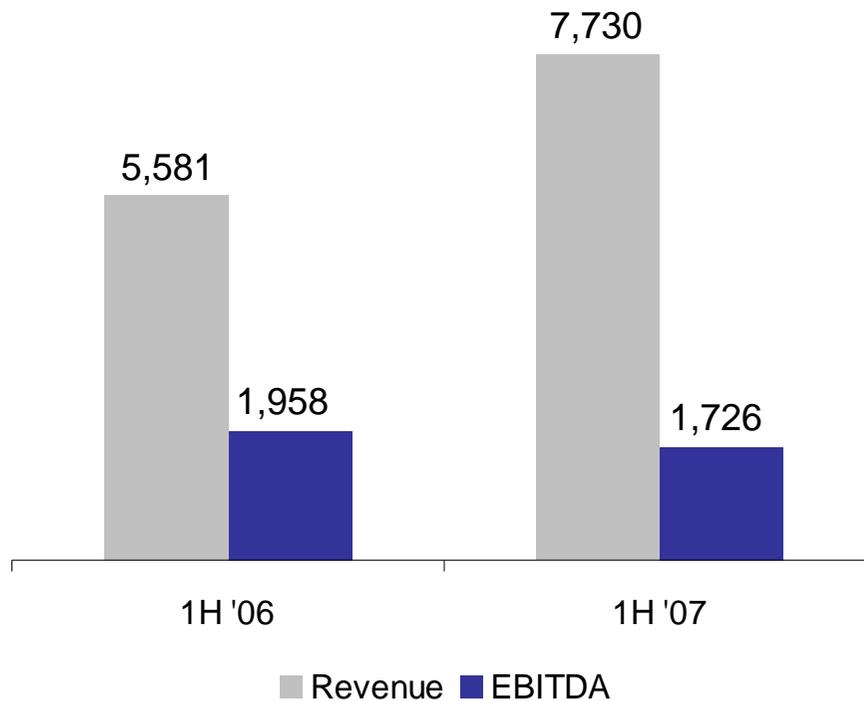
<i>(RUR in millions)</i>	1H '07	1H '06	2H '06
Russian Federation	4,087	3,444	5,008
Europe	3,123	2,278	2,952
Other CIS states	202	203	576
Republic of Kazakhstan	553	148	376
Total sales	7,965	6,073	8,912



Performance by segments

Smelting Segment Performance

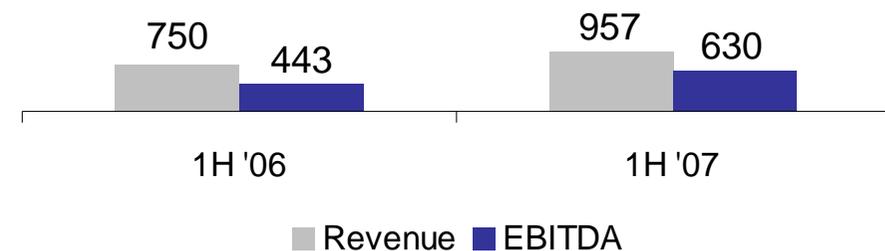
(RUR in millions)



Note: Chelyabinsk Zinc stand-alone

Mining Segment Performance

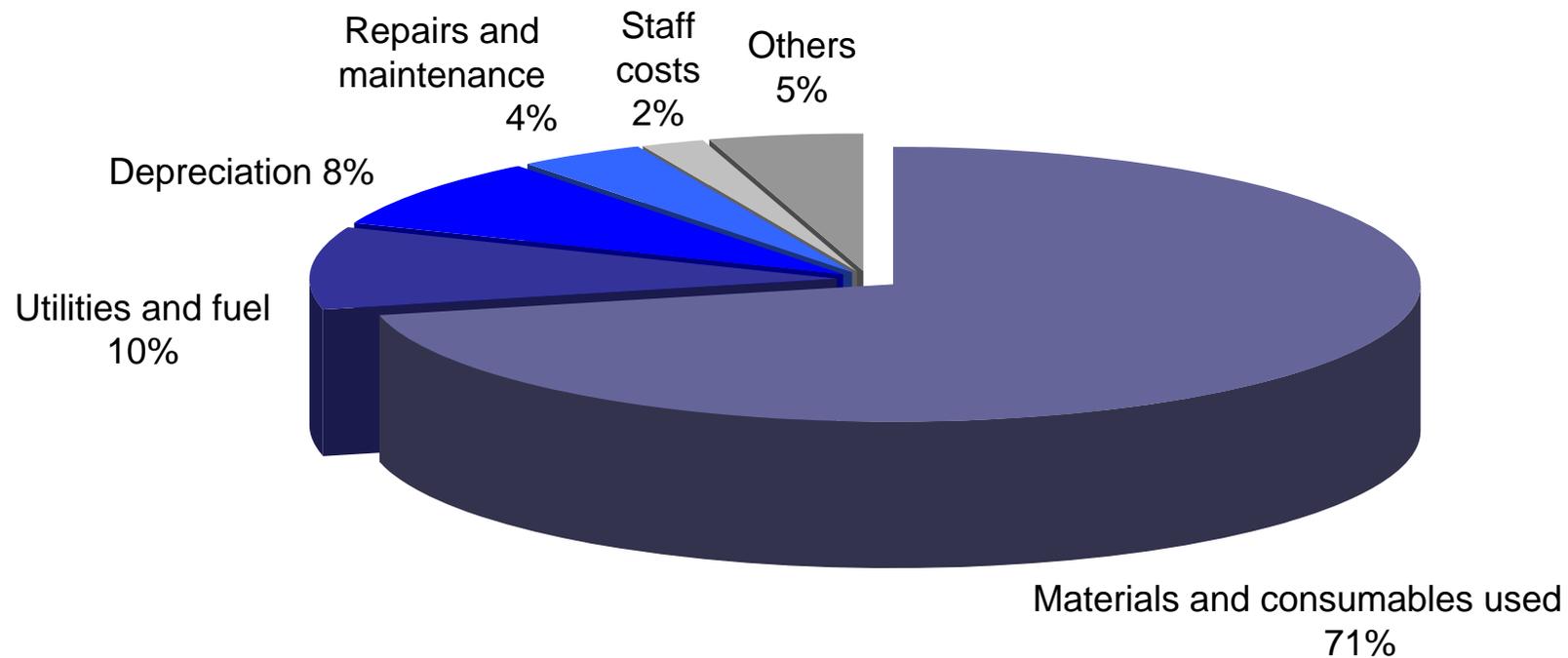
(RUR in millions)



Note: Nova Zinc stand-alone

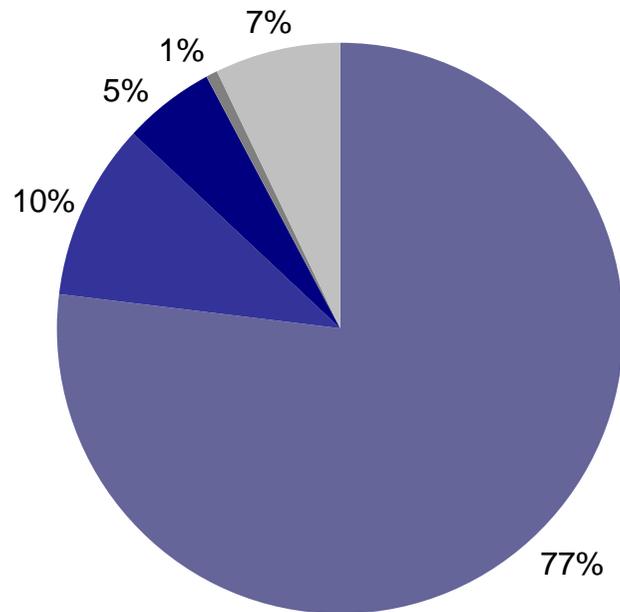
Consolidated cost of sales structure (1H '07)

Total cost of sales = 5,699 RUR in millions



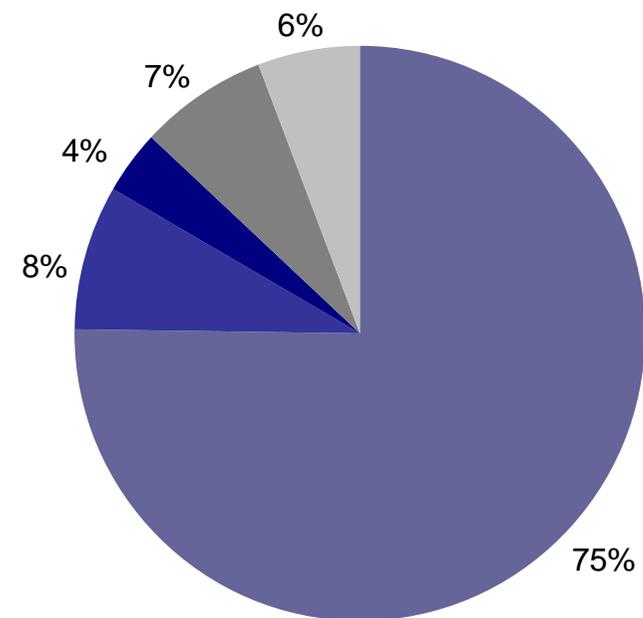
Smelting segment costs

Smelting Segment Costs 1H '06



RUR 61,101/t ⁽¹⁾

Smelting Segment Costs 1H '07

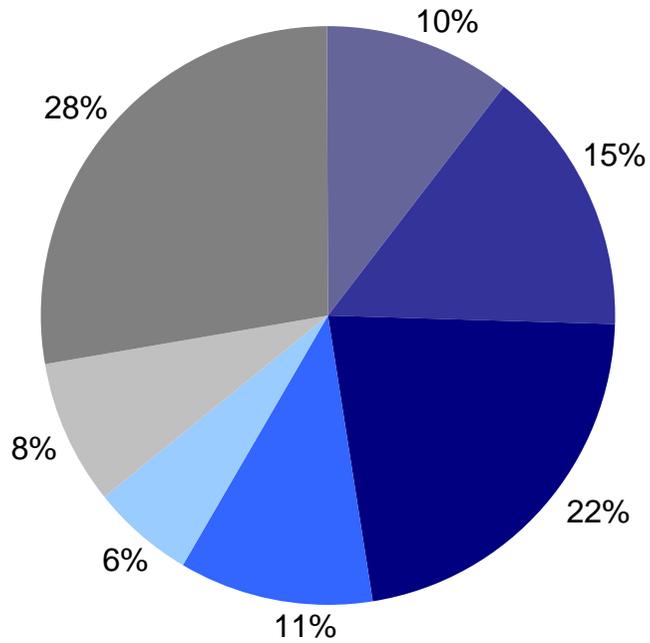


RUR 87,190/t ⁽¹⁾

Note: Chelyabinsk Zinc stand-alone
(1) per tonne of zinc

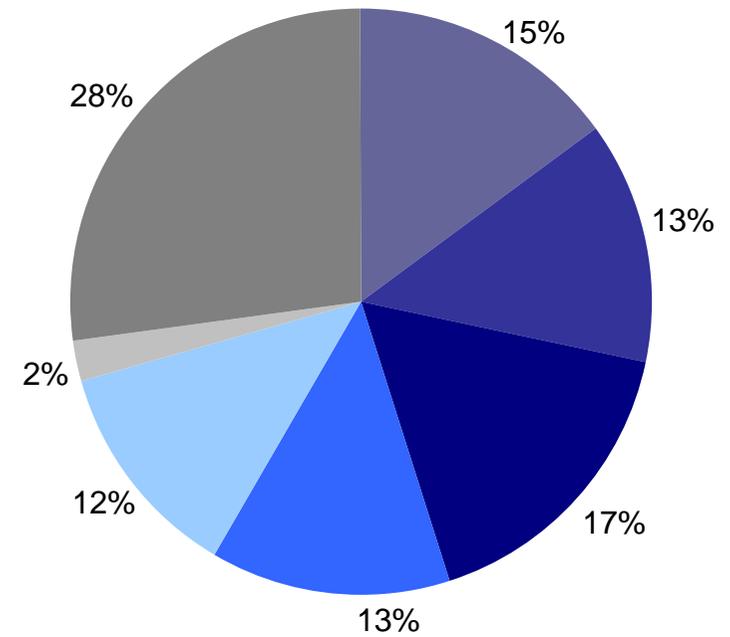
Mining segment costs

Mining Segment Costs 1H '06



KZT 92,101/t⁽¹⁾

Mining Segment Costs 1H '07



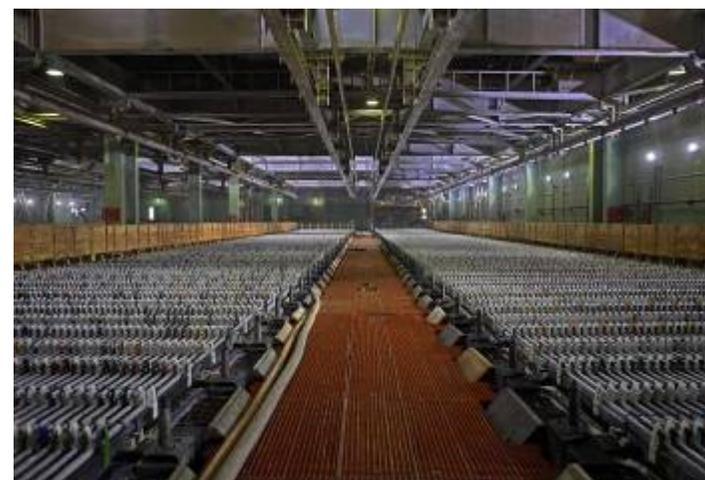
KZT 110,283/t⁽¹⁾

- Materials and consumables used
- Utilities and fuel
- Depreciation
- Staff costs
- Transportation
- Other
- SGA

Note: Nova Zinc stand-alone
 (1) per tonne of zinc in zinc concentrate

Balance sheet highlights

<i>(RUR in millions)</i>	June 30, 2007	December 31, 2006
Total Assets	15,402	14,165
Total Debt	3,154	3,470
Net Debt	544	1,534
Shareholder's Equity	9,661	8,368



Cash flow highlights

<i>(RUR in millions)</i>	1H '07	1H '06
Net cash from operating activities	2,006	757
Net cash from/(used in) investing activities	(327)	(4,007)
Net cash from/(used in) financing activities	(297)	3,436



1H 2007 Capex Programme

Investment highlights:

Expansion capex aimed at de-bottlenecking and increasing zinc production

- Construction of Waelz Kiln #5 (RUR 116 mln)
- Sulphuric Acid Unit #4 (RUR 202 mln)
- Amursky deposit (RUR 34 mln)





Outlook 9m 2007

9 months 2007 results and outlook

Zinc and zinc alloys production – 122,676 tonnes

Zinc and zinc alloys sales – 109,494 tonnes

Zinc in zinc concentrate production – 23,365 tonnes

Lead in lead concentrate production – 3,867 tonnes

9 months 2007 estimated results:

Sales – 11,500 RUR in millions

EBITDA – 3,200 RUR in millions



Note: Brock Metal results are not included

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