



# **CHELYABINSK ZINC PLANT**

**Interim Report  
January-June 2008**

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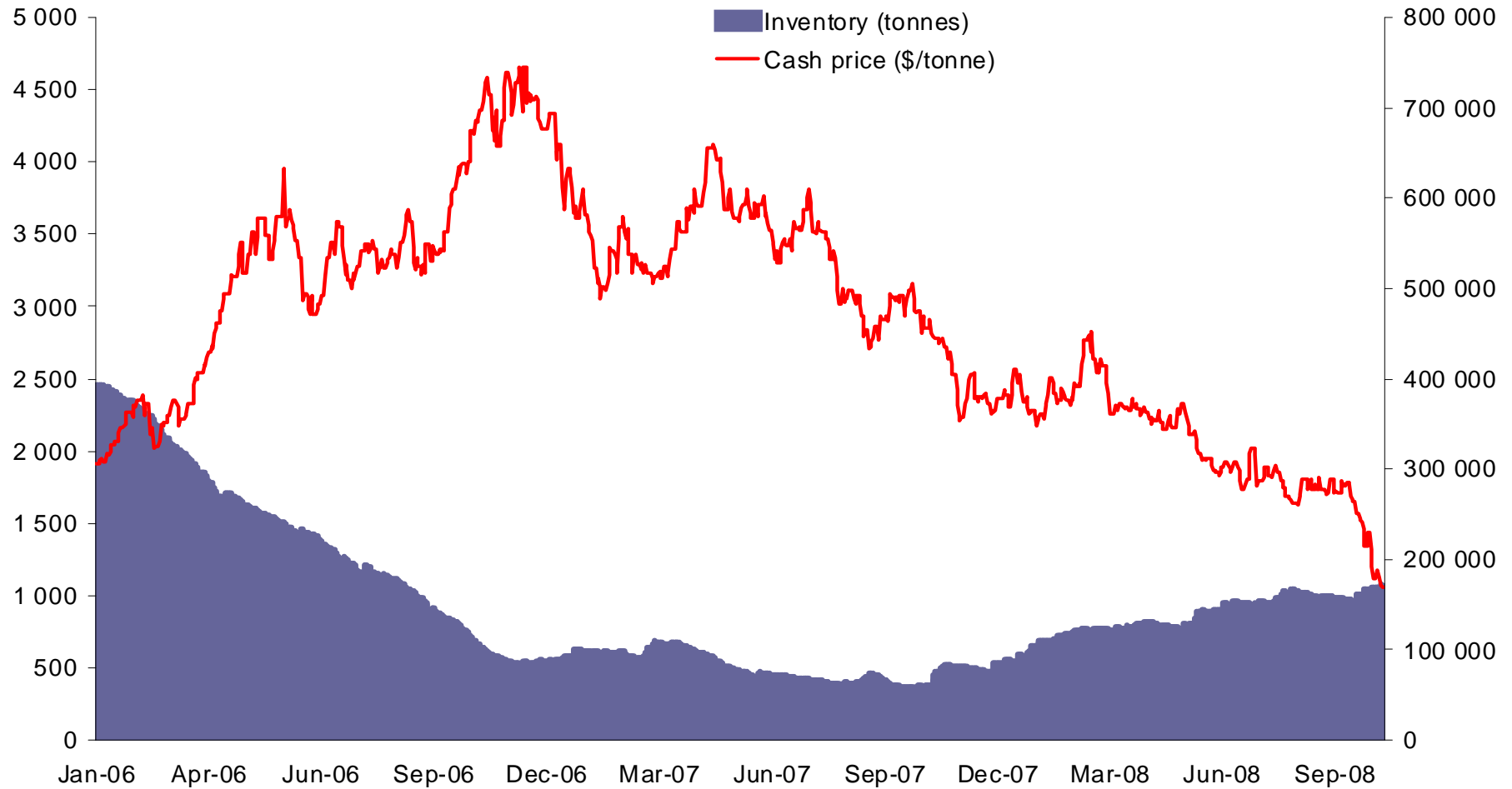
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## **Zinc and Lead Market Update**

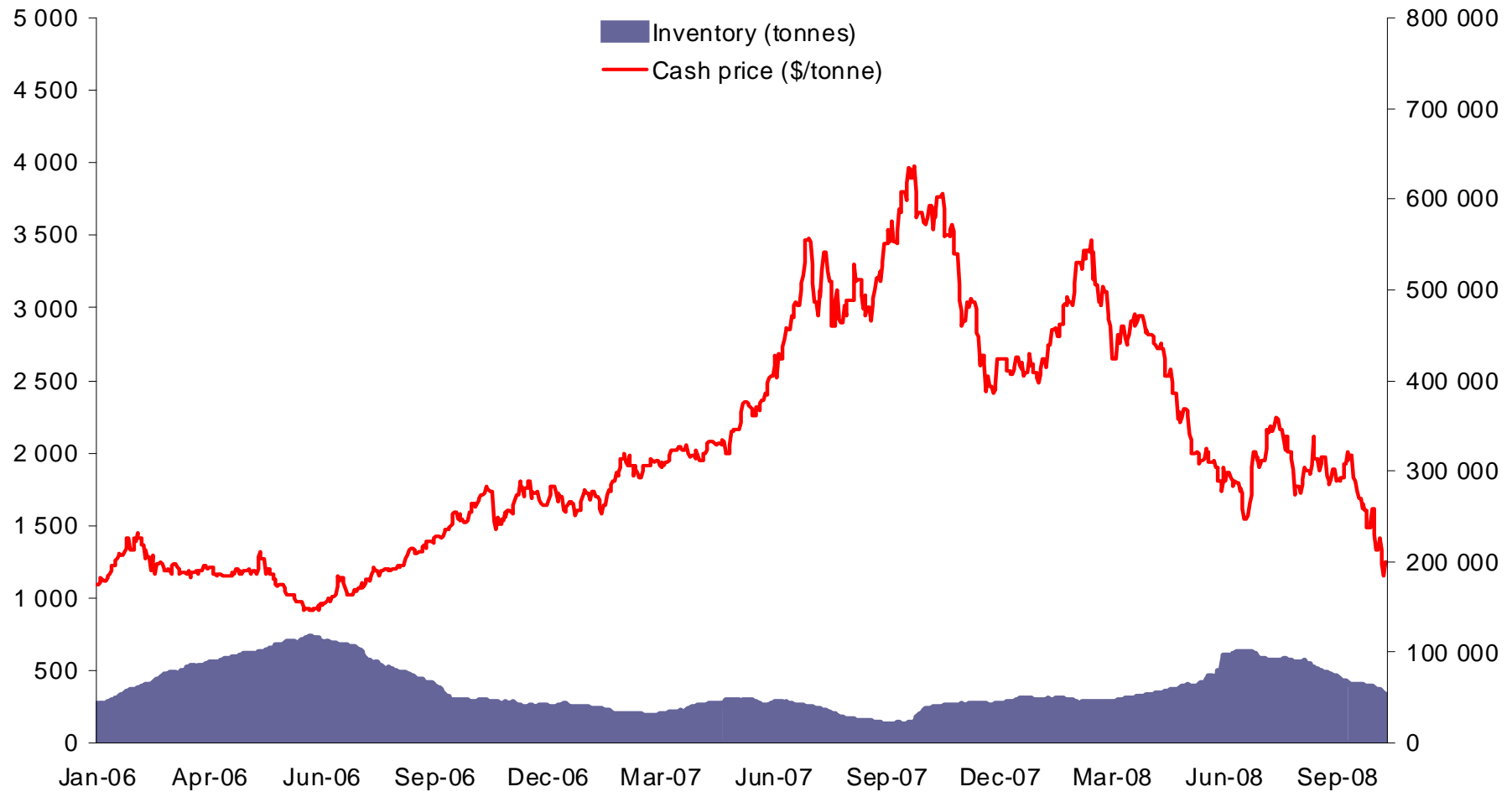
# Zinc daily price and stock levels (LME)



Source: London Metal Exchange



# Lead daily price and stock levels (LME)



Source: London Metal Exchange



[www.zinc.ru](http://www.zinc.ru)

Slide #5

October 2008

# Average prices and exchange rates

<i>(denominated in US\$)</i>	<b>1H '08</b>	<b>1H '07</b>	<b>2H '07</b>
<b>Zinc</b>	2,269.0	3,561.3	2,944.2
<b>Lead</b>	2,601.1	1,979.5	3,200.8
<b>RUR/USD</b>	23.9	26.1	25.1
<b>KZT/USD</b>	120.6	123.2	122.0



Zinc and Lead are LME cash settlement prices



## **Operations Overview**

# Smelting segment – Raw materials supply

<i>(tonnes in thousands)</i>	<b>1H '08</b>	<b>1H '07</b>	<b>2H '07</b>
<b>Akzhal</b>	13.7	15.6	13.8
<b>UMMC</b>	33.3	25.6	32.5
<b>RCC</b>	6.5	7.6	7.4
<b>Dalpolimetal</b>	-	5.5	4.0
<b>Other Domestic</b>	0.4	1.1	0.6
<b>Imports</b>	8.0	12.6	16.5
<b>Secondaries</b>	10.5	9.5	14.8
<b>Total</b>	<b>72.4</b>	<b>77.5</b>	<b>89.6</b>



Note: Volume of zinc in concentrate



# Smelting segment – Zinc and by-products production

<i>(tonnes in thousands, except otherwise noted)</i>	<b>1H '08</b>	<b>1H '07</b>	<b>2H '07</b>
<b>Zinc (incl. Zinc Alloys)</b>	84.8	80.4	84.6
<b>Indium (kg)</b>	1,992	1,359	1,464
<b>Cadmium</b>	0.3	0.3	0.3
<b>Sulphuric Acid</b>	115.7	117.7	118.3
<b>Lead Cake</b>	3.6	4.4	4.2
<b>Copper Clinker</b>	50.0	39.7	49.8



# Smelting segment – Zinc sales

<i>(tonnes in thousands)</i>	1H '08	1H '07	2H '07
<b>Total sales</b>	76.4	71.9	75.3
Domestic sales	39.7	35.1	37.1
Export sales	36.7	36.8	38.2
<b>Customer</b>			
Brock Metal	10%	-	8%
Magnitogorsk	17%	18%	17%
Novolipetsk	9%	10%	9%
Severstal	15%	16%	16%
Euromin	33%	44%	34%
Others	16%	12%	16%



# Mining segment – Operational performance

<i>(tonnes in thousands)</i>	<b>1H '08</b>	<b>1H '07</b>	<b>2H '07</b>
<b>Ore mined</b>	654.0	632.5	638.9
<b>Ore processed</b>	668.8	649.2	632.7
<b>Ore grade processed</b>			
<b>Zinc</b>	2.18%	2.70%	2.37%
<b>Lead</b>	0.52%	0.59%	0.32%
<b>Concentrate production (metal)</b>			
<b>Zinc</b>	13.3	16.2	13.8
<b>Lead</b>	2.8	3.1	1.6





## **Financial Review**

# Income statement highlights

<i>(RUR in millions)</i>	<b>1H '08</b>	<b>1H '07</b>	<b>2H '07</b>
<b>Revenue</b>	5,664	7,965	7,561
<b>Gross Profit</b>	552	2,270	1,520
<i>Margin, %</i>	10%	29%	20%
<b>EBITDA</b>	654 <sup>(1)</sup>	2,227	1,533
<i>Margin, %</i>	12%	28%	20%
<b>Net Income</b>	(907)	1,241	673
<i>Margin, %</i>	(16%)	16%	9%



<sup>(1)</sup> Adjusted for RUR 779 mln goodwill impairment and RUR 268 mln exploration and evaluation write off

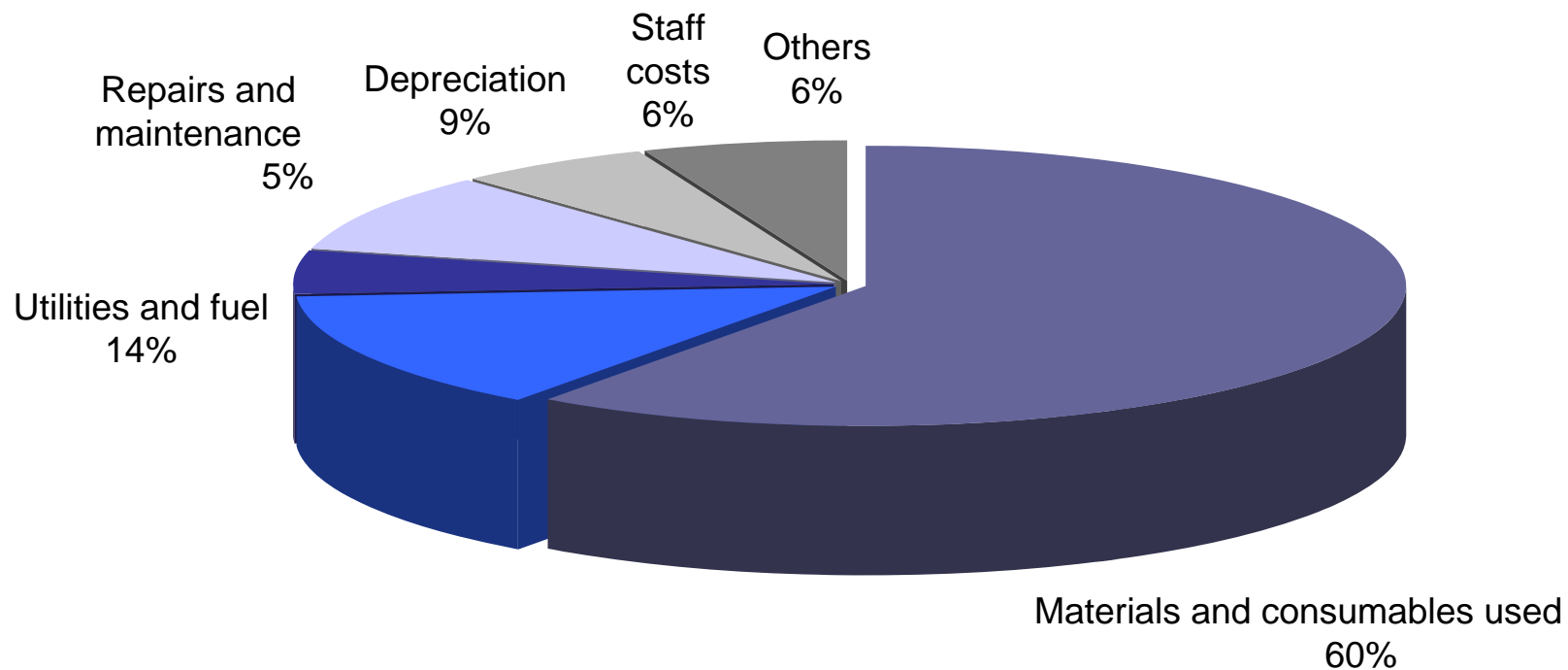
# Revenue structure by products

<i>(RUR in millions)</i>	1H '08	1H '07	2H '07
<b>Zinc and zinc alloys</b>	4,998	7,317	6,616
<b>Lead Concentrate</b>	-	238	151
<b>Others</b>	666	410	794
<b>Total sales</b>	5,664	7,965	7,561



## Consolidated cost of sales structure (1H '08)

Total cost of sales = 5,112 RUR in millions



# 1H '08 performance by segments

*(RUR in millions)*

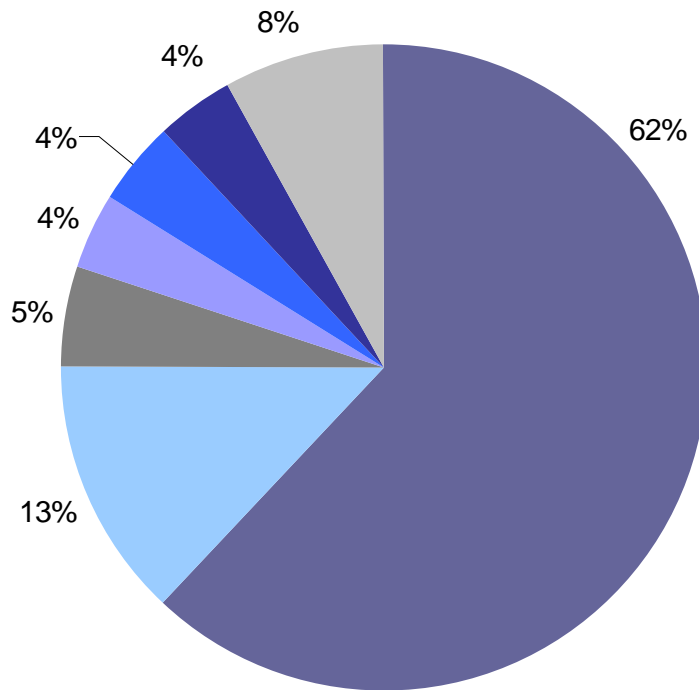
	<b>Chelyabinsk Zinc stand-alone</b>	<b>Nova Zinc stand-alone</b>	<b>Brock Metal stand-alone</b>
<b>Revenue</b>	5,094	350	1,024
<b>Gross Profit</b>	594	14	54
<i>Margin, %</i>	12%	4%	5%
<b>Operating Profit</b>	(80)	(29)	5
<i>Margin, %</i>	(2%)	(8%)	0.5%
<b>EBITDA</b>	527 <sup>(1)</sup>	43	11
<i>Margin, %</i>	10%	12%	1%
<b>Net Income</b>	(55)	(14)	2
<i>Margin, %</i>	(1%)	4%	0.2%

<sup>(1)</sup> Adjusted for RUR 268 mln exploration and evaluation write off



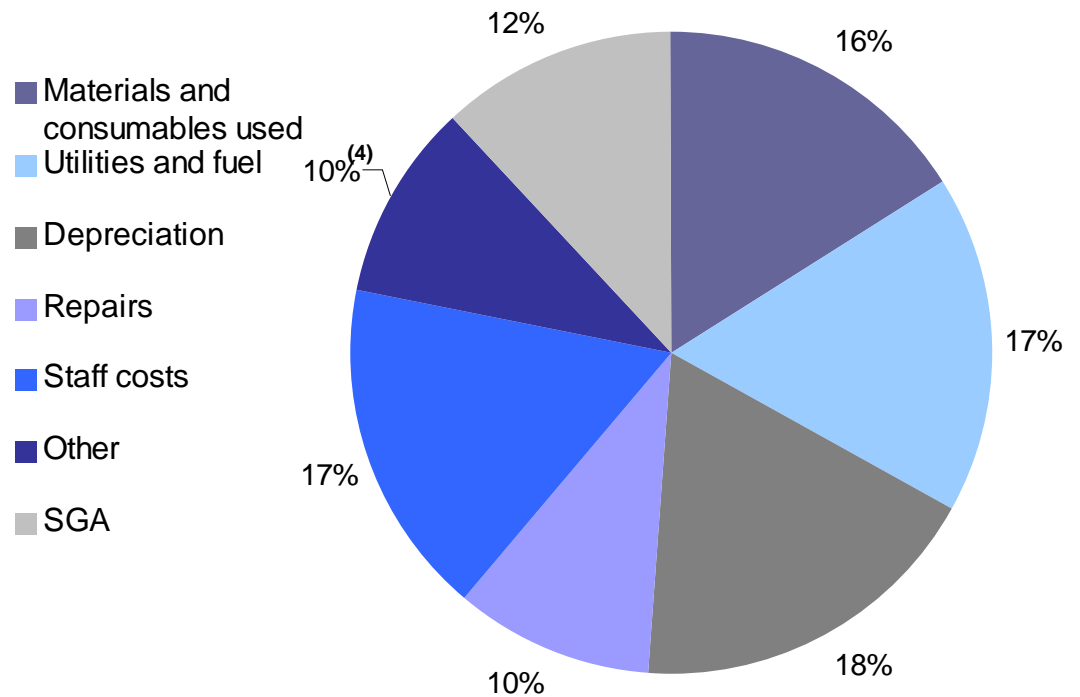
# 1H '08 costs structure by segments

Chelyabinsk Zinc (Stand alone)



RUR 64,224/t <sup>(1)</sup>

Nova Zinc (Stand alone)

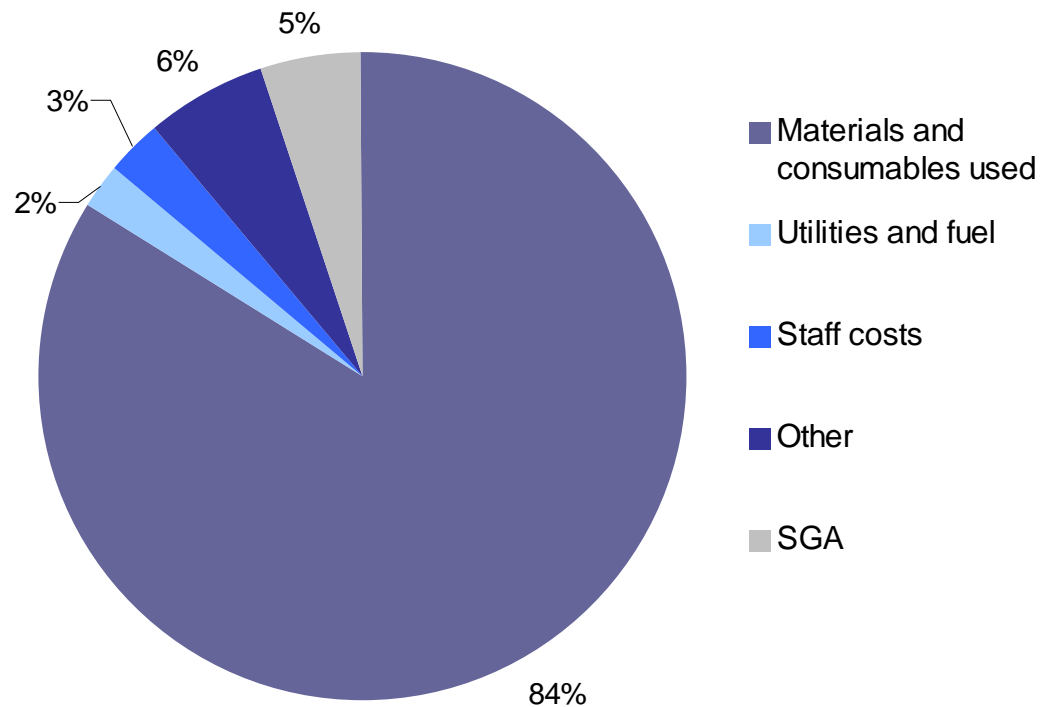


RUR 27,0441/t <sup>(2)</sup>  
RUR 567/t <sup>(3)</sup>

Note: (1) per tonne of zinc  
(2) per tonne of zinc in zinc concentrate  
(3) per tonne of ore processed  
(4) includes transportation that represents 19% of total costs

# 1H '08 Costs structure by segments

## Brock Metal (Stand alone)



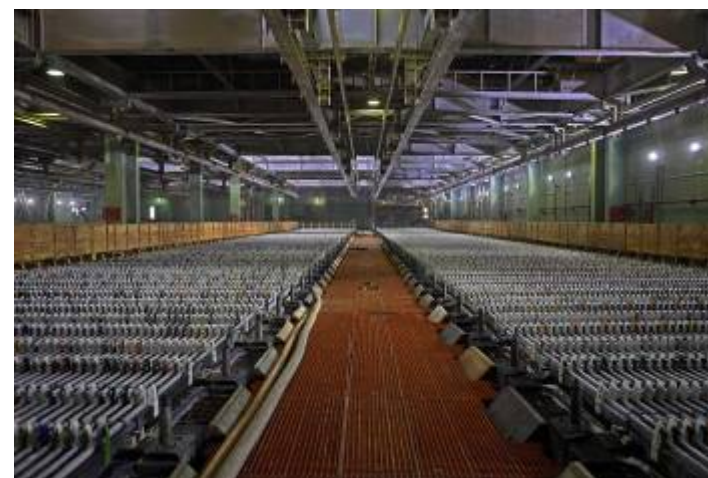
RUR 69,714/t <sup>(1)</sup>

Note: (1) per tonne of alloys



# Balance sheet highlights

<i>(RUR in millions)</i>	<b>June 30, 2008</b>	<b>December 31, 2007</b>
<b>Total Assets</b>	12,962	14,658
<b>Total Debt</b>	2,169	2,602
<b>Net Debt</b>	959	1,664
<b>Shareholder's Equity</b>	9,156	10,173



# Cash flow highlights

<i>(RUR in millions)</i>	1H '08	1H '07
<b>Net cash from operating activities</b>	826	2,006
<b>Net cash from/(used in) investing activities</b>	(602)	(327)
<b>Net cash from/(used in) financing activities</b>	(405)	(297)



# 1H '08 Capex Programme

## Investment highlights:

Expansion capex aimed at de-bottlenecking and increasing zinc production

- Sulphuric Acid Unit #4 (RUR 178 mln)
- Amursky deposit (RUR 86 mln)
- Akzhal Mine (RUR 51 mln)

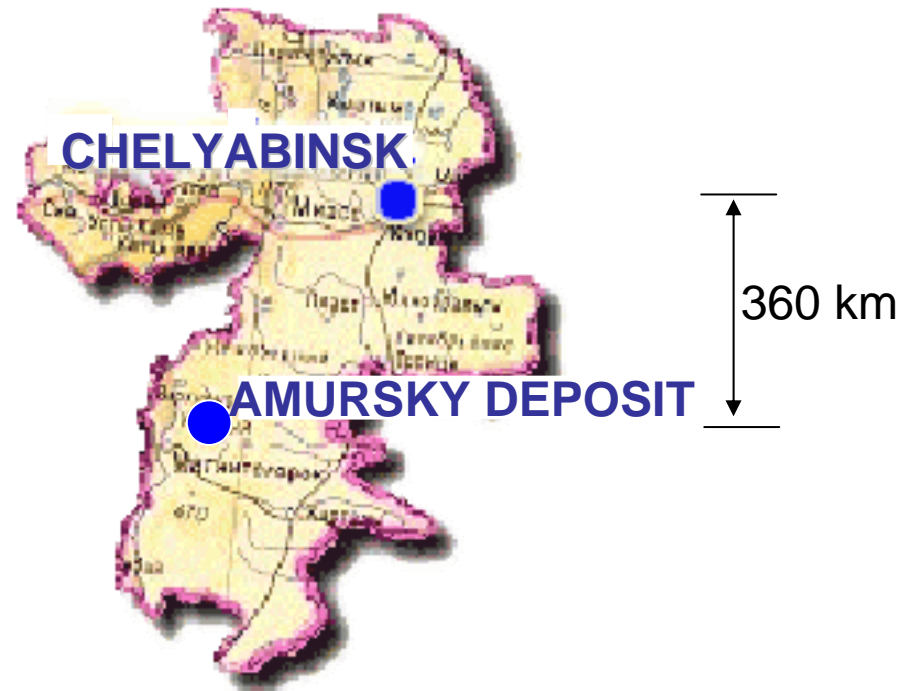


# Amursky Deposit

CZP commissioned SRK Exploration Services Ltd to undertake a provisional JORC compliant resource estimation on data pertaining to the Chelyabinsk Zinc Project in Russia – Amursky deposit

According to the SRK report the Project as it stands today and assuming that all inferred resources can be realized into ore reserve, is not economic. Based on the received results and on the sharp decline of zinc price CZP Board of Directors decided to cease development of the mine

As a result, exploration and evaluation assets amounting to RUB 268 mln have been written off in the six months ended 30 June 2008





**THANK YOU**