



## **CHELYABINSK ZINC PLANT**

**Lehman Brothers Leaders in Energy and Commodities 2008  
conference**

**London, UK**

**June 3, 2008**

# CHELYABINSK ZINC

CZP is the largest producer of zinc and zinc alloys in Russia, both by production volume and sales revenues, and has some of the most technologically advanced production facilities in the global zinc industry



## Company overview:

Country: Russia

Sector: Non-Ferrous Industry

## Key contact:

Chairman: Sergei Moiseyev

IR: Tatyana Krasnousova

## Charter Capital Structure:

Charter capital: 54,195,410 RUR

Common Shares Outstanding: 54,195,410<sup>(1)</sup>

Ticker: CHZN

GDR:ORD ratio: 1:1

Stock: LSE, RTS, MICEX

(1) 12,735,920 Shares are traded in the form of GDRs

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## **CIS Zinc Market Overview**

# CIS Zinc Market Overview

Most zinc producers survived after collapse of USSR

One new plant was built – Balkhash

Overall CIS metal production is close to the level of the Soviet era

All plants, with the exception of Almalyk, were privatized and restructured

## Zinc Metal Production in CIS

*(tonnes in thousands)*

Producer	Projected capacity	Production		
		2005	2006	2007
Chelyabinsk Zinc Plant <i>(Russia)</i>	200	116	148	165
Electrozinc (UMMC) <i>(Russia)</i>	100	90	88	90
Kazzinc <i>(Kazakhstan)</i>	300	287	289	294
Kazakhmys <i>(Kazakhstan)</i>	100	51	59	45
Almalyk MMC <i>(Uzbekistan)</i>	120	42	60	45
<b>Total</b>	<b>820</b>	<b>586</b>	<b>644</b>	<b>639</b>

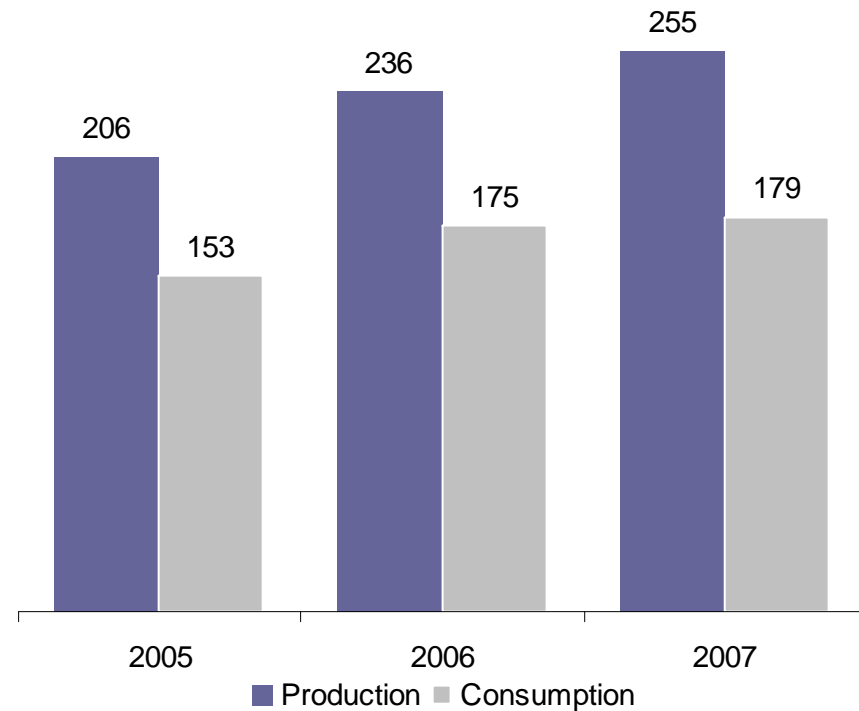


# Russian Zinc Market Overview

Russian zinc production recovered, since the decline of the early 1990s, due to increased demand from the steel producers and the construction sector

Consumption increased due to expansion of continuous galvanizing capacity

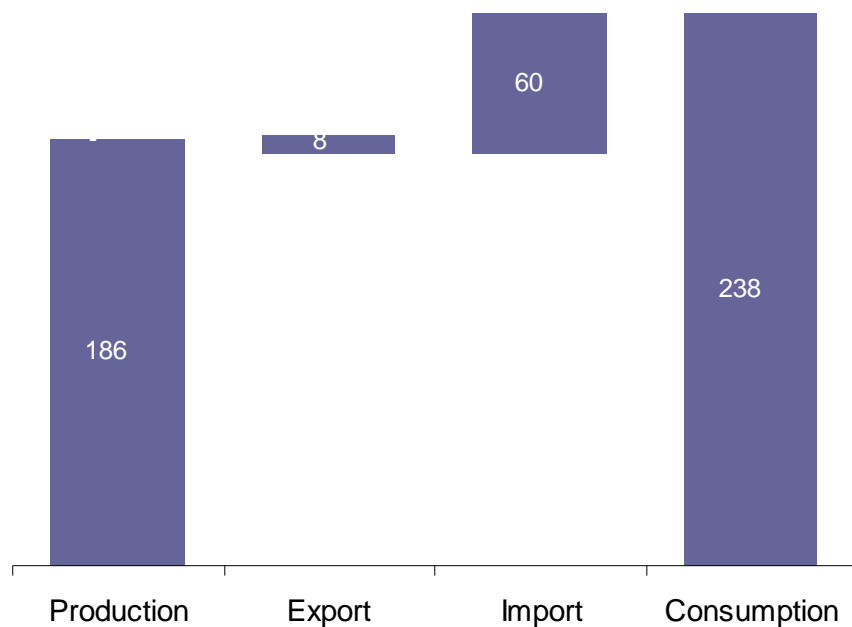
**Zinc Metal Production and Consumption**



# 2007 Russian Zinc Market Structure

## Zinc Concentrate Market Structure

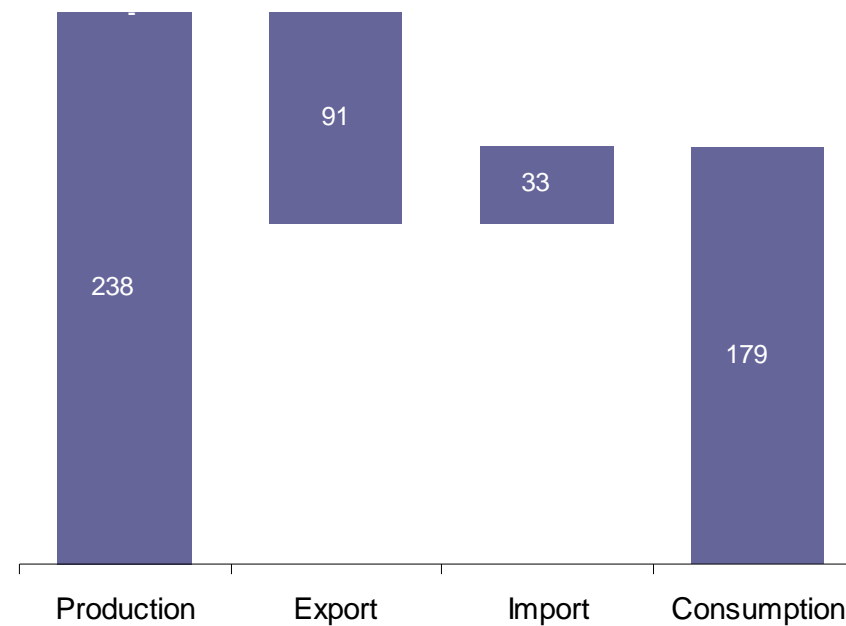
(tonnes in thousands)



Note: Volume of zinc in concentrate

## Refined Zinc Market Structure

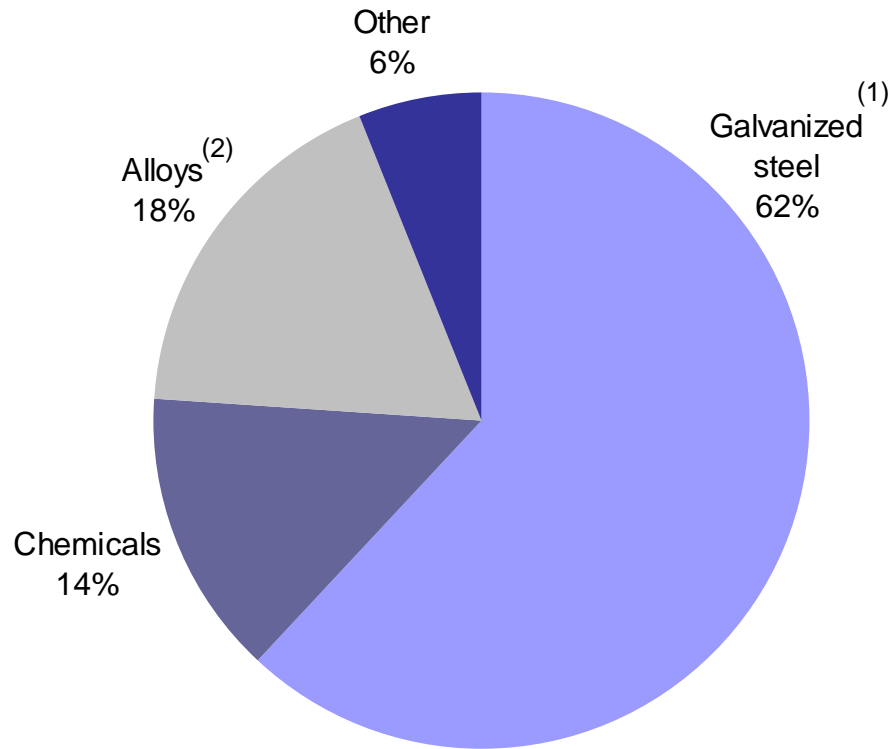
(tonnes in thousands)





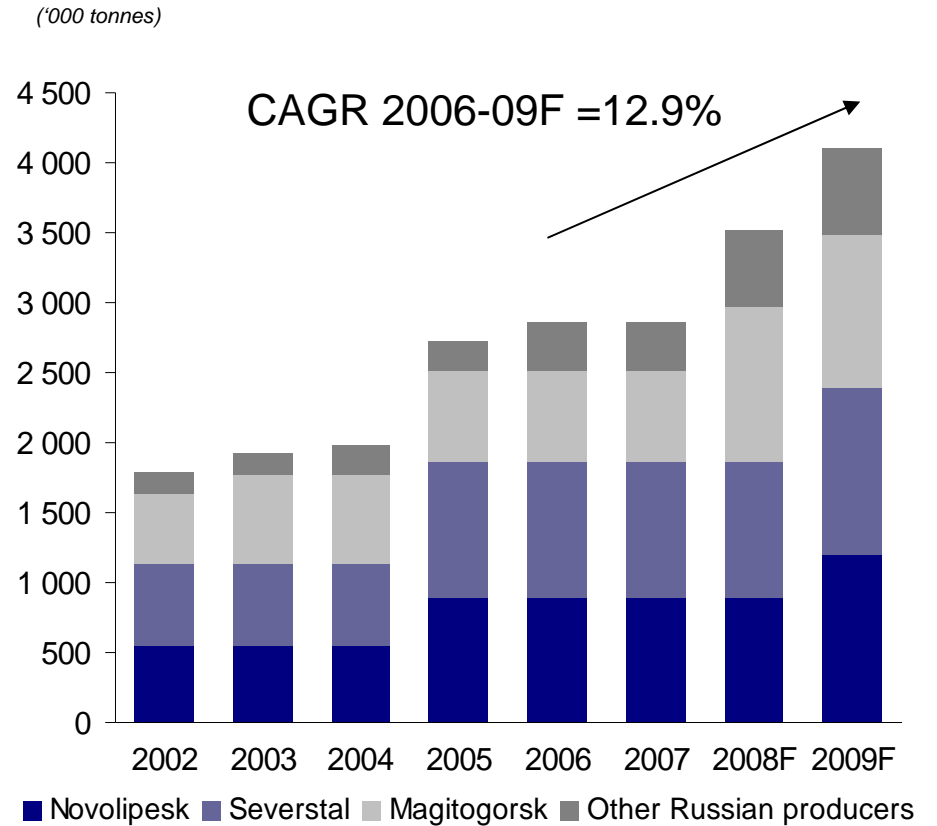
# Russian Zinc Market Overview

**Russian Zinc Market Structure**



(1) Includes 10% of galvanized steel produced using dipping method  
 (2) Includes Brass

**Growth in Galvanizing Steel Capacity**

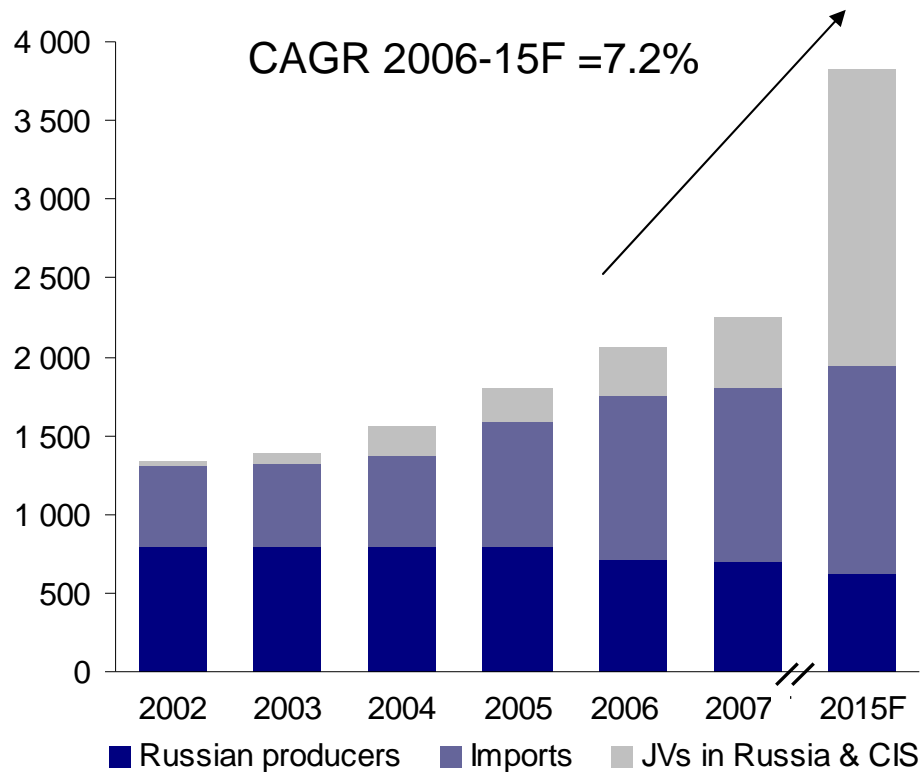


Source: www.metalinfo.ru

# Russian Zinc Market Overview

## Russian Car Market

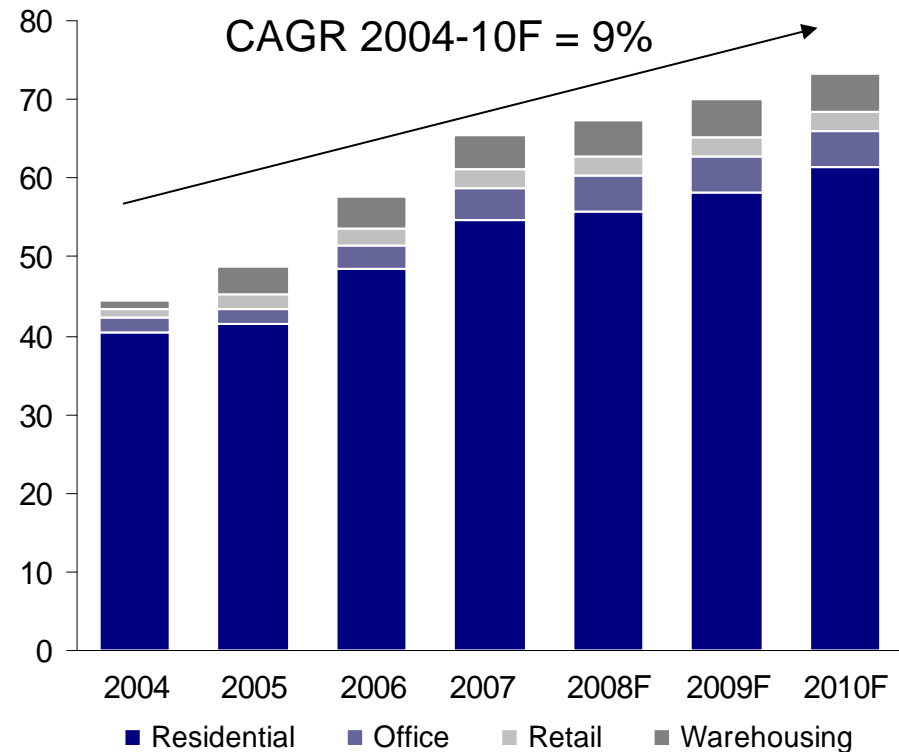
('000 units)



Source: GTK, Goskomstat, Company data, Deutsche Bank estimates

## Construction Growth

(million of sq m)



Source: Goskomstat, Deutsche Bank estimates

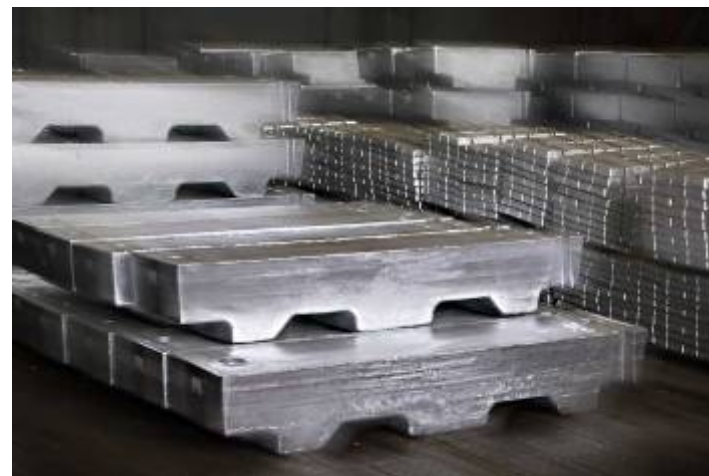


## **Operations Overview**

# Smelting segment – Zinc and by-products production

*(tonnes in thousands, except otherwise noted)*

	2005	2006	2007
<b>Zinc (incl. Zinc Alloys)</b>	116.4	148.4	165.0
<b>Indium (kg)</b>	3,622	3,262	2,823
<b>Cadmium</b>	0.4	0.5	0.6
<b>Sulphuric Acid</b>	157.1	240.1	236.0



## Smelting segment – Zinc sales

<i>(tonnes in thousands)</i>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Total sales</b>	105.4	133.8	147.3
Domestic sales	76.9	77.1	72.2
Export sales	28.5	56.7	75.1
<b>Customer</b>			
Brock Metal	-	-	4%
Magnitogorsk	25%	19%	18%
Novolipetsk	18%	20%	10%
Severstal	19%	13%	16%
Euromin	15%	42%	39%
Others	23%	6%	18%



# Mining segment – Operational performance

<i>(tonnes in thousands)</i>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Ore mined</b>	1,159	1,239	1,271
<b>Ore processed</b>	1,180	1,234	1,282
<b>Ore grade processed</b>			
<b>Zinc</b>	2.52%	2.85%	2.54%
<b>Lead</b>	0.39%	0.68%	0.46%
<b>Concentrate production (metal)</b>			
<b>Zinc</b>	26.5	32.5	30.0
<b>Lead</b>	3.8	7.0	4.8



## Smelting segment – Raw materials supply

<i>(tonnes in thousands)</i>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Akzhal</b>	-	-	29.3
<b>UMMC</b>	31.8	38.6	57.8
<b>RCC</b>	24.0	20.9	14.0
<b>Dalpolimetal</b>	-	12.3	9.5
<b>Other Domestic</b>	3.2	0.6	2.0
<b>Imports</b>	35.3	28.3	29.2
<b>Secondaries</b>	24.8	30.6	25.0
<b>Total</b>	<b>130.4</b>	<b>131.3</b>	<b>166.8</b>



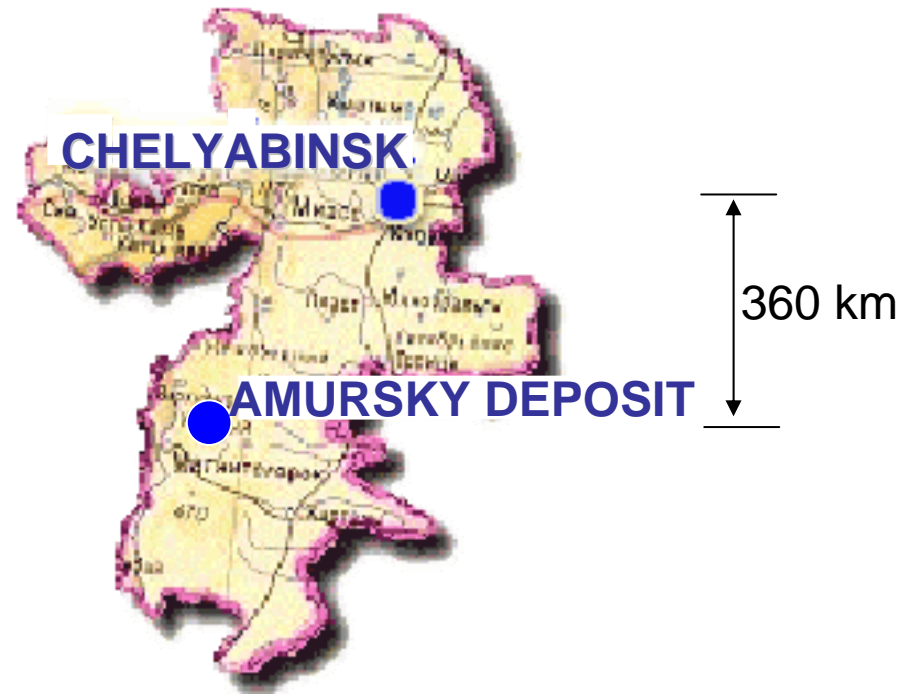
Note: Volume of zinc in concentrate

# Amursky Deposit at a Glance

On 12 January 2007 The Russian Federal Agency for Subsoil Use (Rosnedra) and CZP signed a 25-year licence agreement for the exploration and extraction of zinc ores in the Amurskoye Deposit located in Bredinsky district, Chelyabinsk region

On 12 November 2007 CZP's Board of Directors, based on the positive geological results from active exploration, took decision to establish 100% subsidiary JSC "Amur"

CZP plans to complete a JORC-compliant mineral resources and reserves audit during the second half of 2008







## **Financial Review**

# Income Statement Highlights

(RUB in millions)

	Standalone	Consolidated	
	2005	2006	2007E
Sales	4,791	14,985	15,527
Gross Profit	747	4,859	3,785
<i>Margin, %</i>	16%	32%	24%
EBITDA	658	4,922	3,766
<i>Margin, %</i>	14%	33%	24%
Net Income	147	2,872	1,914
<i>Margin, %</i>	3%	19%	12%

# Balance Sheet and Cash Flow Highlights

(RUB in millions)

	Standalone	Consolidated	
	2005	2006	2007E
<b>Balance Sheet</b>			
Total Assets	5,674	14,165	14,658
Total Debt	270	3,470	2,602
Net Debt	138	1,534	1,664
Shareholder's Equity	4,358	8,368	10,173
<b>Cash Flow Statement</b>			
Net cash from operating activities	65	1,368	1,871
Net cash from/(used in) investing activities	64	5,671	1,080
Net cash from/(used in) financing activities	(188)	4,626	(712)

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