



## **CHELYABINSK ZINC PLANT**

**Interim Report  
January-March 2008**

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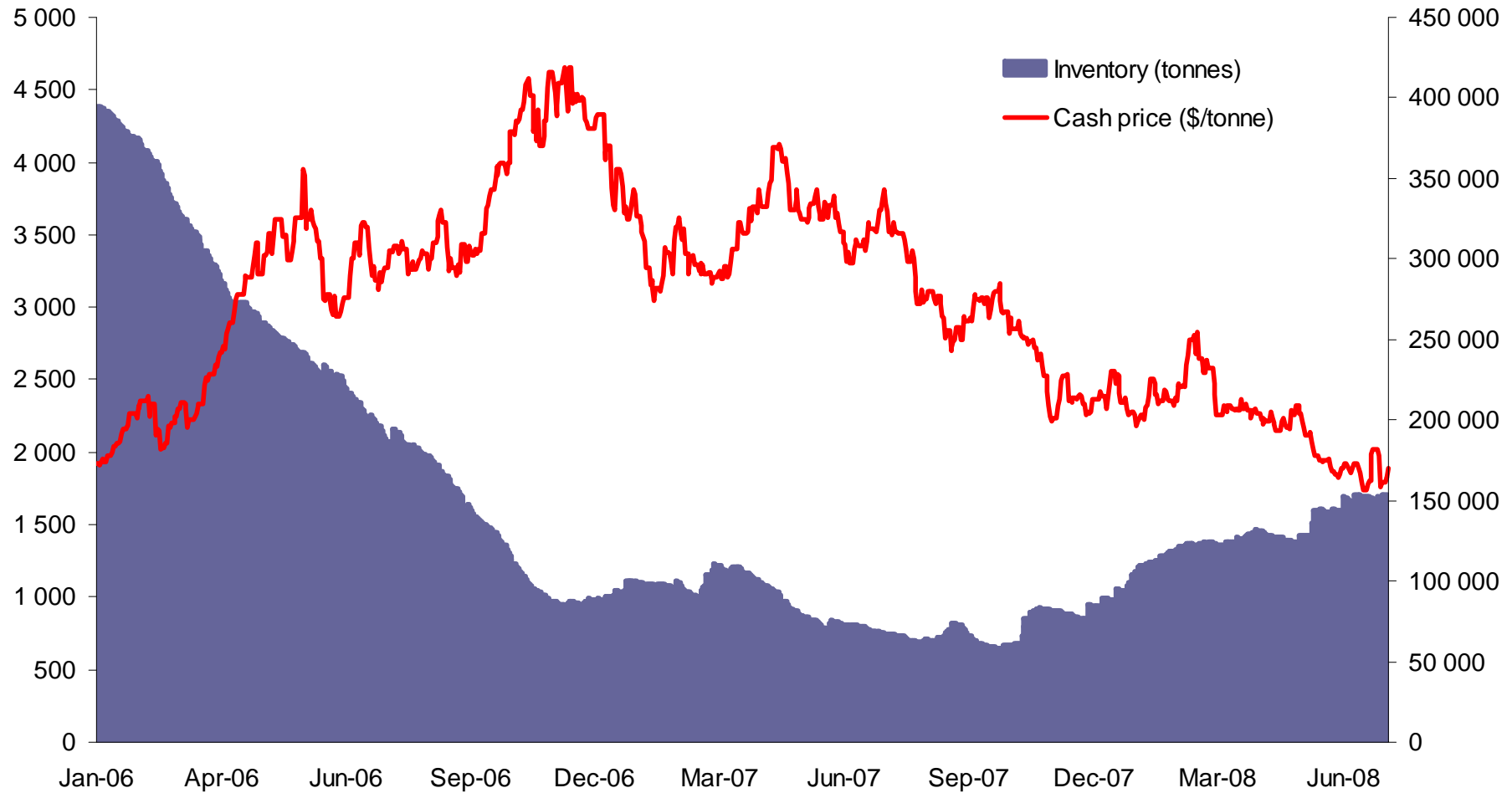
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## **Zinc and Lead Market Update**

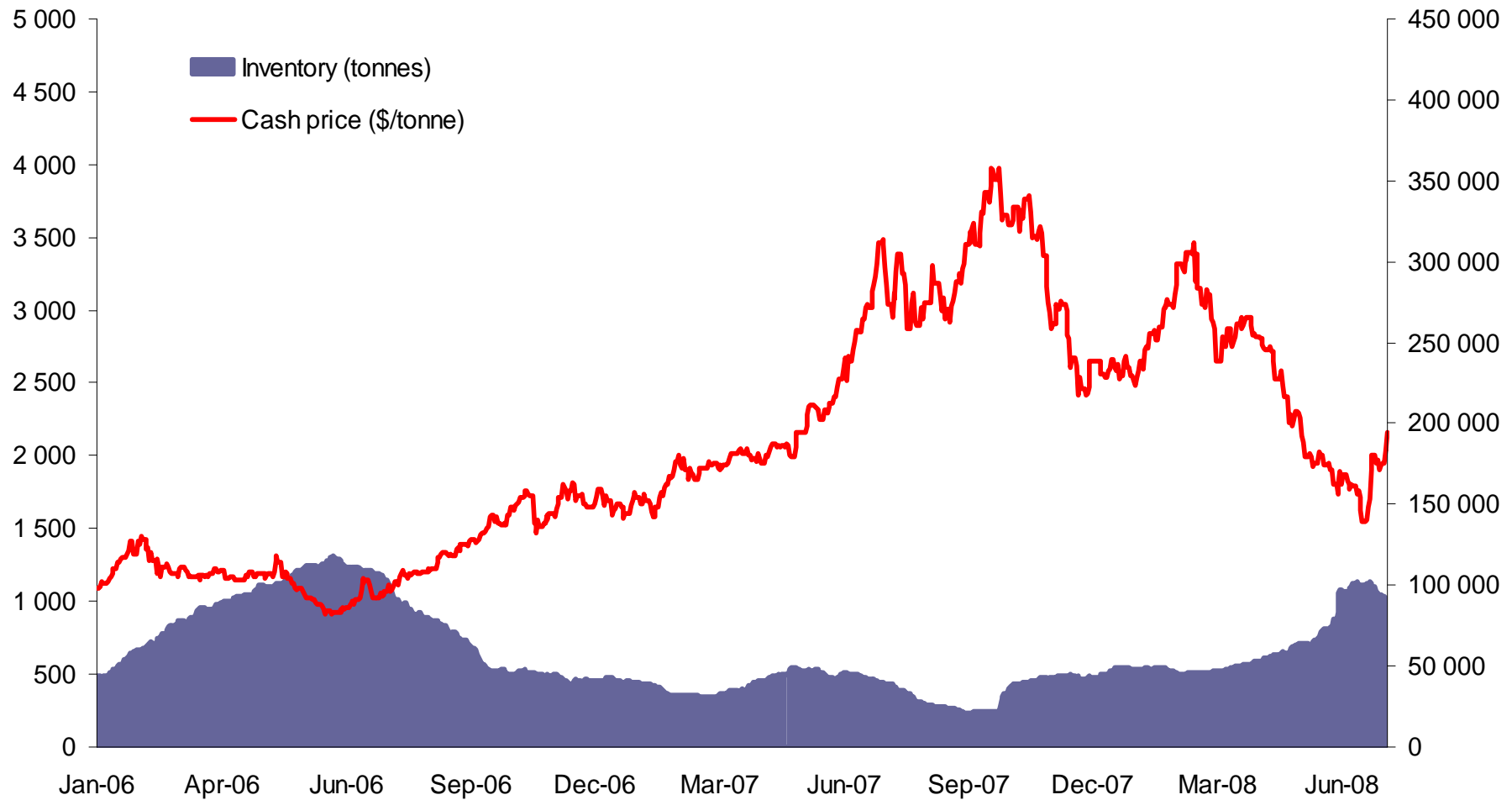
# Zinc daily price and stock levels (LME)



Source: London Metal Exchange



# Lead daily price and stock levels (LME)



Source: London Metal Exchange





# Average prices and exchange rates

<i>(denominated in US\$)</i>	<b>Q1 '08</b>	<b>Q1 '07</b>	<b>Q4 '07</b>
<b>Zinc</b>	2,425.8	3,460.4	2,623.2
<b>Lead</b>	2,890.6	1,786.8	3,214.6
<b>RUR/USD</b>	24.3	26.3	24.6
<b>KZT/USD</b>	120.5	124.9	120.8



Zinc and Lead are LME cash settlement prices



## **Operations Overview**

# Smelting segment – Raw materials supply

<i>(tonnes in thousands)</i>	<b>Q1 '08</b>	<b>Q1 '07</b>	<b>Q4 '07</b>
<b>Akzhal</b>	6.4	6.9	5.9
<b>UMMC</b>	16.0	14.7	15.9
<b>RCC</b>	3.5	4.1	3.9
<b>Dalpolimetal</b>	-	5.5	-
<b>Other Domestic</b>	0.3	0.4	0.2
<b>Imports</b>	1.4	4.3	3.6
<b>Secondaries</b>	4.8	4.8	7.3
<b>Total</b>	<b>32.4</b>	<b>40.7</b>	<b>36.8</b>



Note: Volume of zinc in concentrate



# Smelting segment – Zinc and by-products production

<i>(tonnes in thousands, except otherwise noted)</i>	<b>Q1 '08</b>	<b>Q1 '07</b>	<b>Q4 '07</b>
<b>Zinc (incl. Zinc Alloys)</b>	42.3	40.1	42.3
<b>Indium (kg)</b>	970	672	751
<b>Cadmium</b>	0.2	0.1	0.2
<b>Sulphuric Acid</b>	56.9	63.5	60.3
<b>Lead Cake</b>	1.9	2.0	2.2
<b>Copper Clinker</b>	27.0	18.1	25.6



# Smelting segment – Zinc sales

<i>(tonnes in thousands)</i>	Q1 '08	Q1 '07	Q4 '07
<b>Total sales</b>	37.1	33.7	37.8
Domestic sales	17.8	17.1	19.7
Export sales	19.3	16.6	18.0
<b>Customer</b>			
Brock Metal	10%	-	11%
Magnitogorsk	17%	20%	19%
Novolipetsk	8%	10%	9%
Severstal	13%	16%	15%
Euromin	35%	44%	28%
Others	17%	10%	18%



# Mining segment – Operational performance

<i>(tonnes in thousands)</i>	<b>Q1 '08</b>	<b>Q1 '07</b>	<b>Q4 '07</b>
<b>Ore mined</b>	333.4	310.7	317.9
<b>Ore processed</b>	335.6	339.3	316.3
<b>Ore grade processed</b>			
<b>Zinc</b>	2.01%	2.43%	2.28%
<b>Lead</b>	0.34%	0.66%	0.36%
<b>Concentrate production (metal)</b>			
<b>Zinc</b>	6.2	7.6	6.6
<b>Lead</b>	0.9	1.9	0.9







## **Financial Review**



# Income statement highlights

<i>(RUR in millions)</i>	<b>Q1 '08</b>	<b>Q1 '07</b>	<b>Q4 '07</b>
<b>Revenue</b>	2,909	3,643	3,869
<b>Gross Profit</b>	317	970	617
<i>Margin, %</i>	11%	27%	16%
<b>EBITDA</b>	415	1,018	505
<i>Margin, %</i>	14%	28%	13%
<b>Net Income</b>	109	550	131
<i>Margin, %</i>	4%	15%	3%



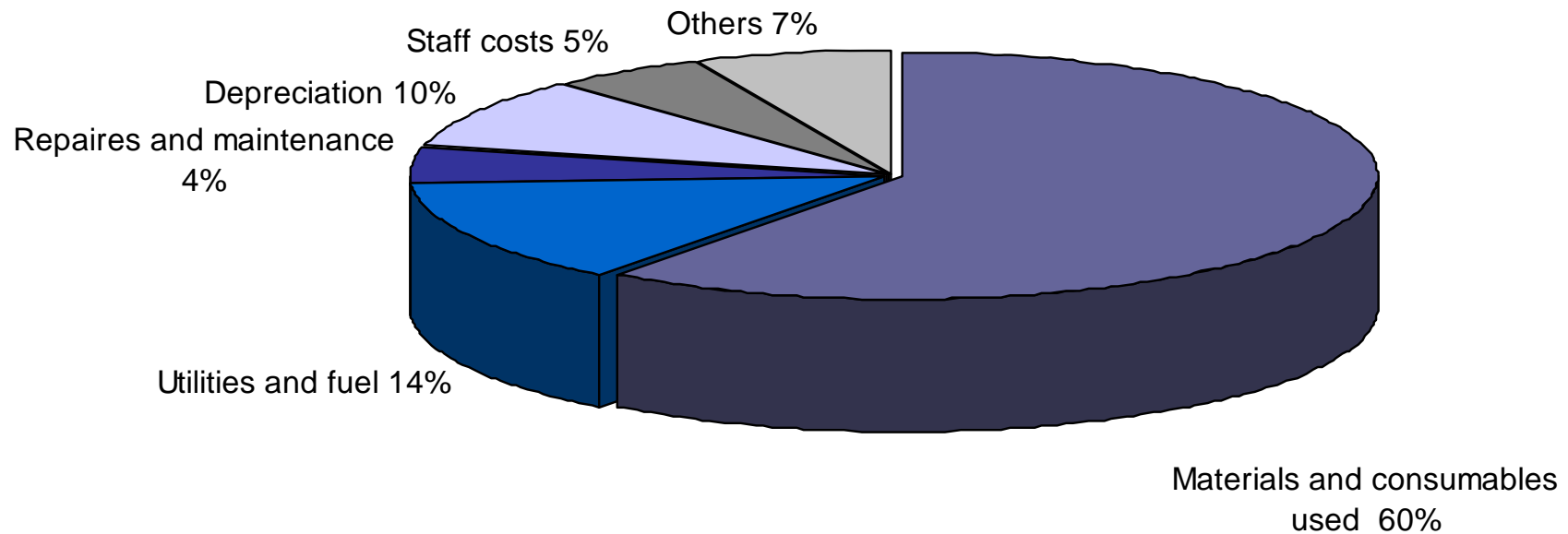
# Revenue structure by products

<i>(RUR in millions)</i>	Q1 '08	Q1 '07	Q4 '07
<b>Zinc and zinc alloys</b>	2,607	3,427	3,195
<b>Lead Concentrate</b>	-	107	68
<b>Others</b>	302	109	606
<b>Total sales</b>	2,909	3,643	3,869



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

Total cost of sales = 2,593 RUR in millions



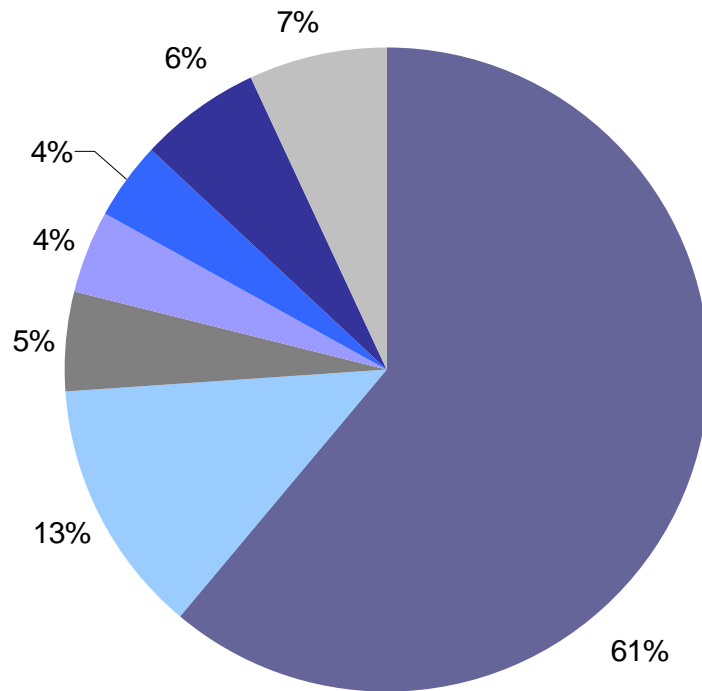
# 1Q '08 performance by segments

<i>(RUR in millions)</i>	<b>Chelyabinsk Zinc stand-alone</b>	<b>Nova Zinc stand-alone</b>	<b>Brock Metal stand-alone</b>
<b>Revenue</b>	2,639	182	535
<b>Gross Profit</b>	334	26	43
<i>Margin, %</i>	13%	14%	8%
<b>Operating Profit</b>	148	(8)	17
<i>Margin, %</i>	6%	(5%)	3%
<b>EBITDA</b>	360	29	20
<i>Margin, %</i>	14%	16%	4%
<b>Net Income</b>	149	28	11
<i>Margin, %</i>	6%	15%	2%



# 1Q '08 costs structure by segments

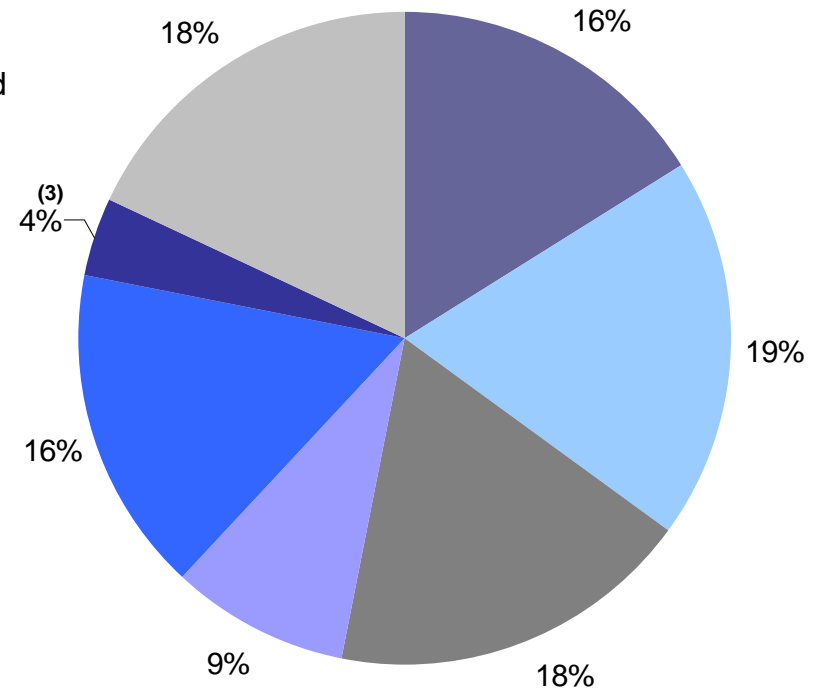
**Chelyabinsk Zinc (Stand alone)**



RUR 67,158/t <sup>(1)</sup>

**Nova Zinc (Stand alone)**

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



RUR 27,451/t <sup>(2)</sup>

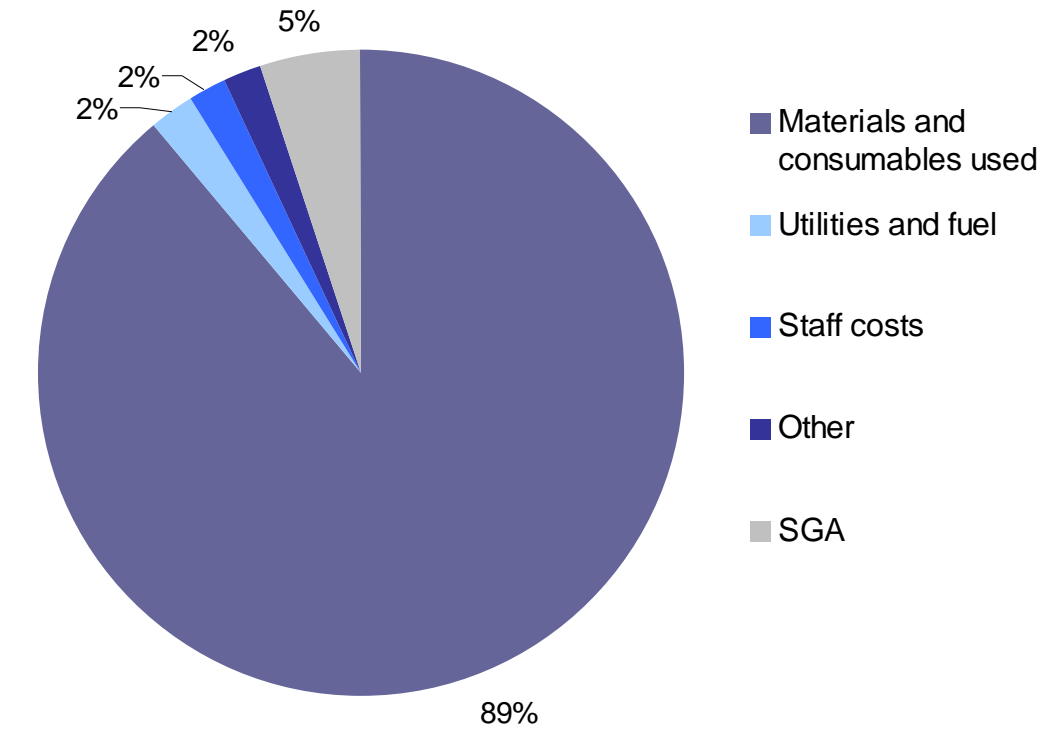
Note: (1) per tonne of zinc

(2) per tonne of zinc in zinc concentrate (RUR 569/t per tonne of ore processed)

(3) includes transportation that represents 17% of total costs

# 1Q '08 Costs structure by segments

## Brock Metal (Stand alone)



RUR 70,080/t <sup>(1)</sup>

Note: (1) per tonne of alloys



# Balance sheet highlights

<i>(RUR in millions)</i>	<b>March 31, 2008</b>	<b>December 31, 2007</b>
<b>Total Assets</b>	14,393	14,658
<b>Total Debt</b>	2,303	2,602
<b>Net Debt</b>	1,084	1,664
<b>Shareholder's Equity</b>	10,106	10,173



# Cash flow highlights

<i>(RUR in millions)</i>	1Q '08	1Q '07
<b>Net cash from operating activities</b>	1,048	7
<b>Net cash from/(used in) investing activities</b>	(169)	179
<b>Net cash from/(used in) financing activities</b>	(195)	(69)





# 1Q '08 Capex Programme

## Investment highlights:

Expansion capex aimed at de-bottlenecking and increasing zinc production

- Sulphuric Acid Unit #4 (RUR 89 mln)
- Amursky deposit (RUR 46 mln)
- Akzhal Mine (RUR 17 mln)



# Amursky Deposit at a Glance

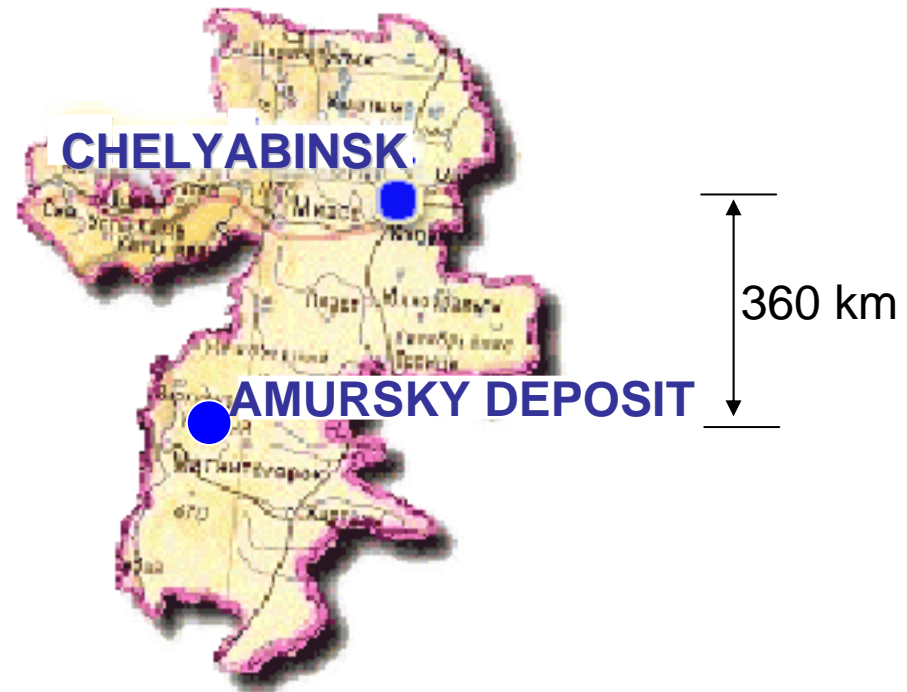
The majority part of geological and geophysical exploration has been done

All data was submitted for Exploration Report and economic-geological evaluation of deposit

SRK Consulting (UK) Ltd confirmed that:

- the drilling data has been recorded in a robust and professional manner
- sufficient documentation on the ore mineralogy and petrology exists in the data received
- good quality plans of the region exist

Accordingly, SRK estimates that inferred JORC compliant resource will be available by the end of September, 2008





**THANK YOU**