



## **CHELYABINSK ZINC PLANT**

**Interim Report  
January-September 2008**

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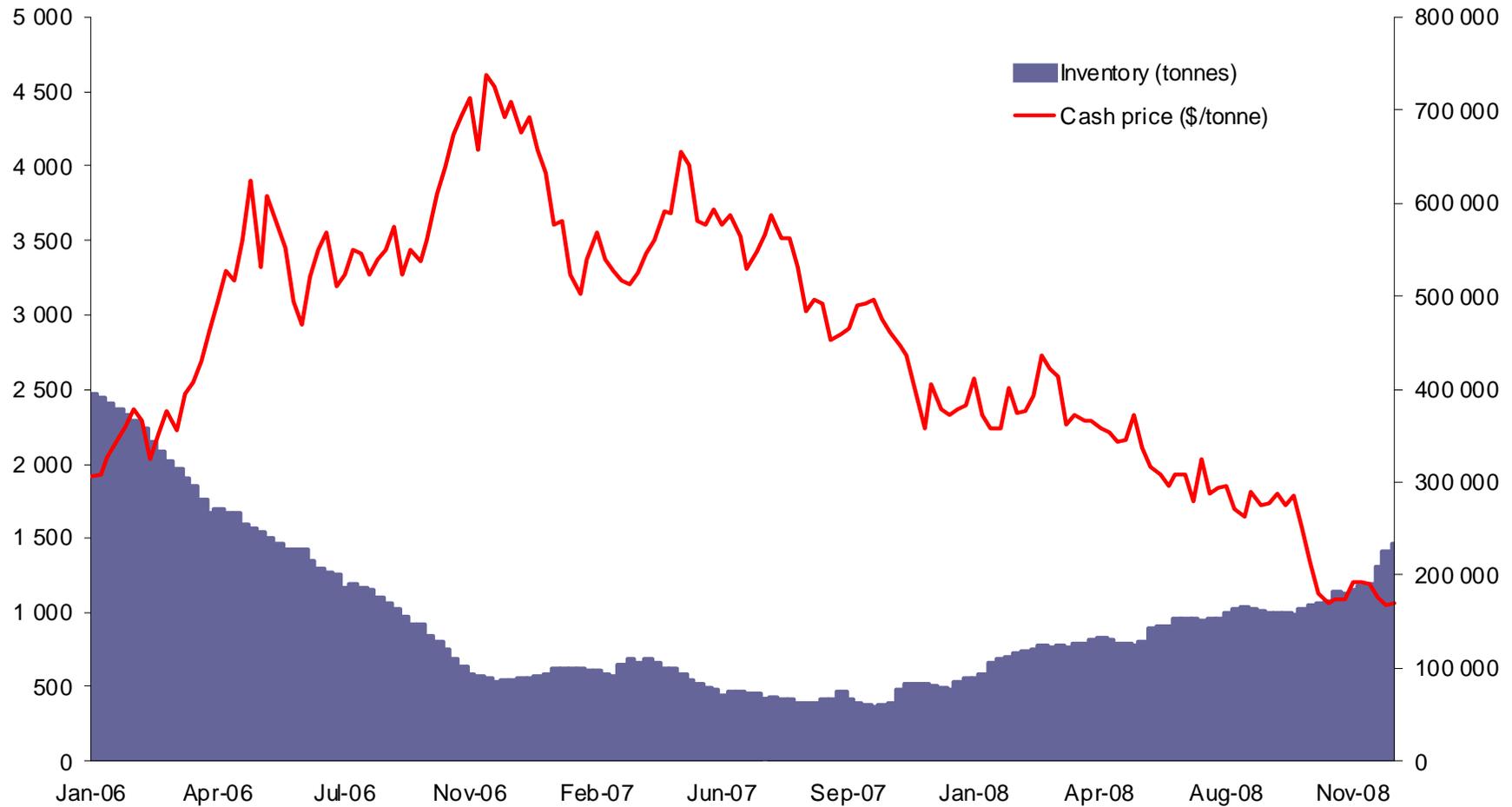
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## **Zinc and Lead Market Update**

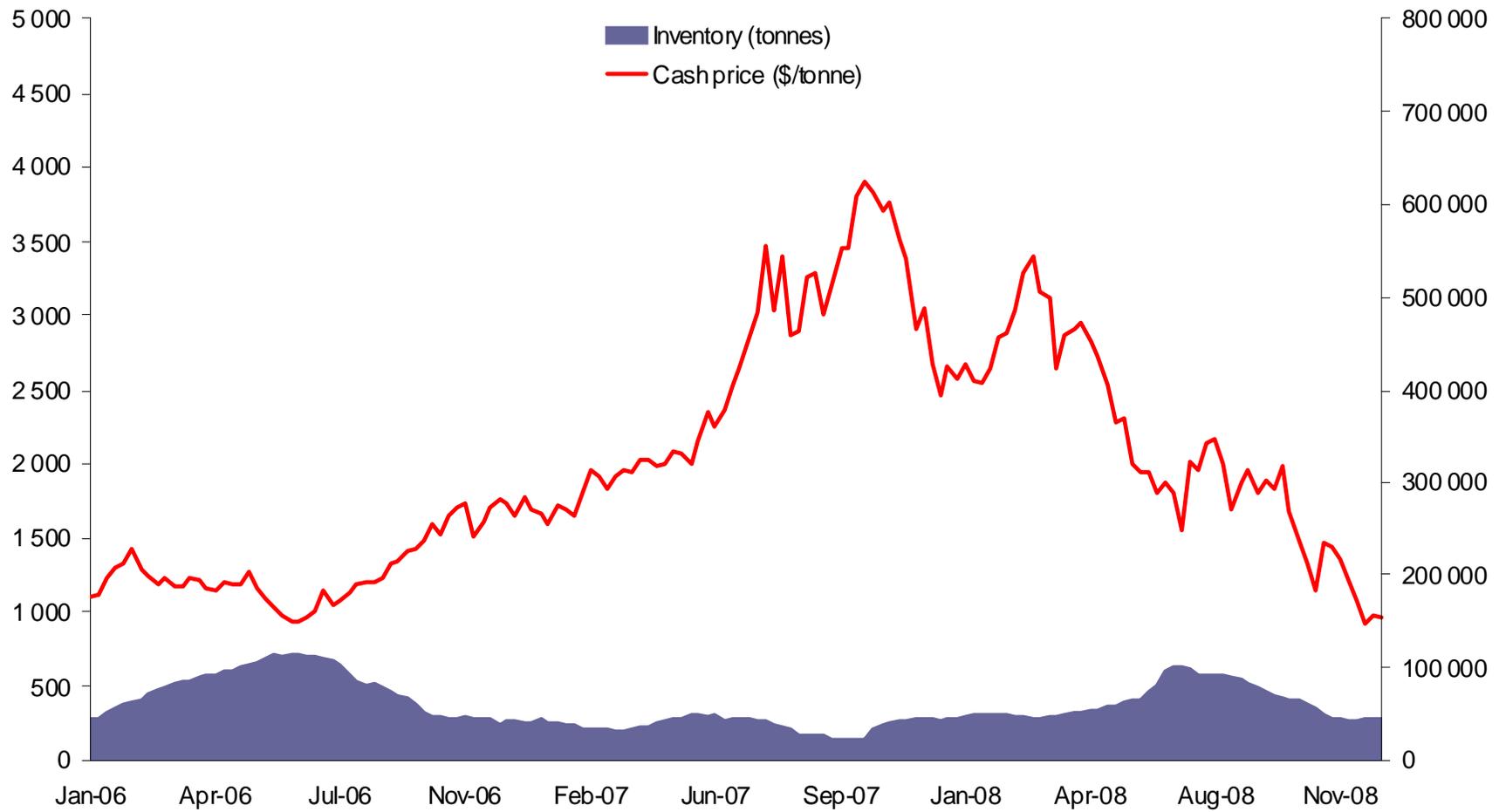
# Zinc daily price and stock levels (LME)



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>9M '08</b>	<b>9M '07</b>	<b>Q3 '08</b>	<b>Q2 '08</b>
<b>Zinc</b>	2,099.4	3,451.7	1,770.4	2,113.5
<b>Lead</b>	2,365.5	2,372.6	1,912.3	2,306.8
<b>RUR/USD</b>	24.0	25.9	24.3	23.6
<b>KZT/USD</b>	120.3	123.2	120.0	120.6



Zinc and Lead are LME cash settlement prices



## **Operations Overview**

## Smelting segment – Raw materials supply

<i>(tonnes in thousands)</i>	<b>9M '08</b>	<b>9M '07</b>	<b>Q3 '08</b>	<b>Q2 '08</b>
<b>Akzhal</b>	22.6	23.6	8.9	7.3
<b>UMMC</b>	48.9	42.3	15.6	17.3
<b>RCC</b>	9.2	11.1	2.7	3.0
<b>Dalpolimetal</b>	-	9.5	-	-
<b>Other Domestic</b>	0.4	1.5	-	0.2
<b>Imports</b>	27.0	25.4	18.9	6.7
<b>Secondaries</b>	15.3	17.0	4.9	5.6
<b>Total</b>	<b>123.4</b>	<b>130.4</b>	<b>51.0</b>	<b>40.1</b>



Note: Volume of zinc in concentrate

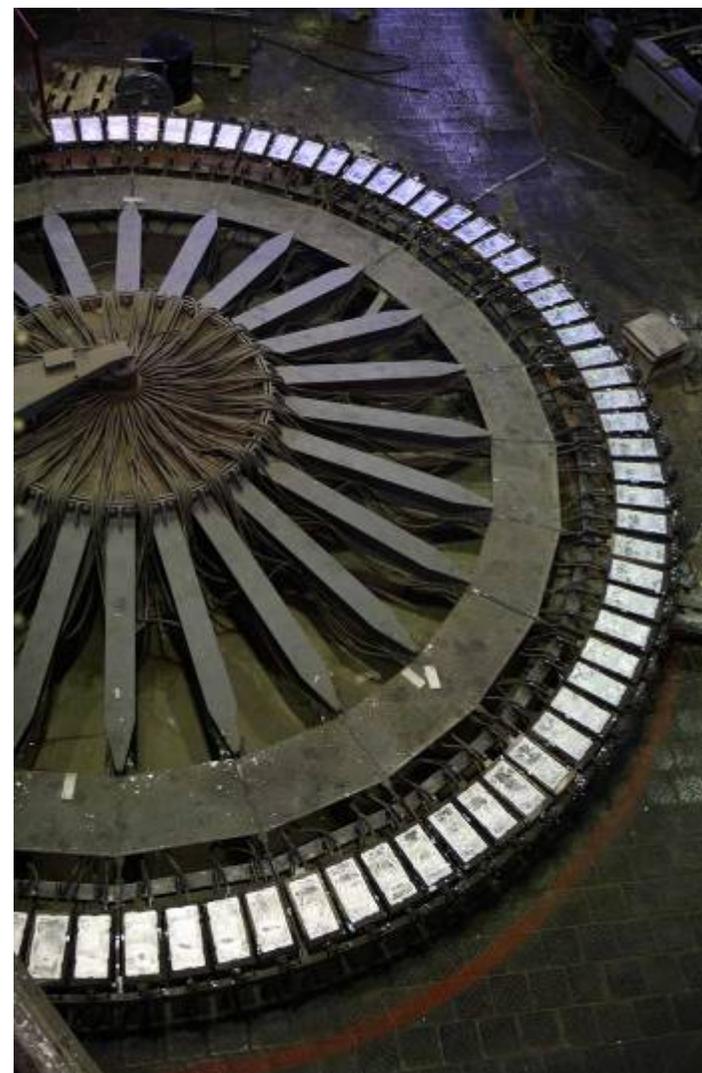
## Smelting segment – Zinc and by-products production

<i>(tonnes in thousands, except otherwise noted)</i>	<b>9M '08</b>	<b>9M '07</b>	<b>Q3 '08</b>	<b>Q2 '08</b>
<b>Zinc (incl. Zinc Alloys)</b>	130.1	122.7	45.3	42.5
<b>Indium (kg)</b>	3,112	2,072	1,121	1,021
<b>Cadmium</b>	0.4	0.4	0.1	0.1
<b>Sulphuric Acid</b>	177.1	175.7	61.4	58.8
<b>Lead Cake</b>	5.8	6.5	2.2	1.7
<b>Copper Clinker</b>	75.9	64.0	25.9	23.0



## Smelting segment – Zinc sales

<i>(tonnes in thousands)</i>	9M '08	9M '07	Q3 '08	Q2 '08
<b>Total sales</b>	<b>117.6</b>	<b>109.5</b>	<b>41.3</b>	<b>39.3</b>
Domestic sales	64.4	52.5	24.8	21.8
Export sales	53.2	57.0	16.5	17.5
<b>Customer</b>				
Brock Metal	9%	2%	9%	10%
Magnitogorsk	17%	17%	18%	17%
Novolipetsk	10%	10%	10%	9%
Severstal	15%	16%	16%	16%
Euromin	32%	43%	29%	33%
Others	17%	12%	18%	15%



## Mining segment – Operational performance

<i>(tonnes in thousands)</i>	<b>9M '08</b>	<b>9M '07</b>	<b>Q3 '08</b>	<b>Q2 '08</b>
<b>Ore mined</b>	1,008.6	953.4	354.6	320.6
<b>Ore processed</b>	1,010.5	965.5	341.6	333.2
<b>Ore grade processed</b>				
<b>Zinc</b>	2.49%	2.62%	3.09%	2.35%
<b>Lead</b>	0.50%	0.49%	0.45%	0.70%
<b>Concentrate production (metal)</b>				
<b>Zinc</b>	22.9	23.4	9.6	7.1
<b>Lead</b>	4.0	3.9	1.2	1.9





## **Financial Review**

## Income statement highlights

<i>(RUR in millions)</i>	<b>9M '08</b>	<b>9M '07</b>	<b>Q3 '08</b>	<b>Q2 '08</b>
<b>Revenue</b>	8,318	11,646	2,654	2,755
<b>Gross Profit</b>	722	3,219	170	235
<i>Margin, %</i>	9%	28%	6%	9%
<b>EBITDA <sup>(1)</sup></b>	706	3,255	52	239
<i>Margin, %</i>	8%	28%	2%	9%
<b>Net Income</b>	(1,089)	1,782	(182)	(1,016)
<i>Margin, %</i>	(NA)	15%	(NA)	(NA)

<sup>(1)</sup> Adjusted for RUR 779 mln goodwill impairment in Q2'08 and RUR 296 mln exploration and evaluation write off for 9M 2008 (Q2'08 – RUR 268 mln, Q3'08 – RUR 28 mln)



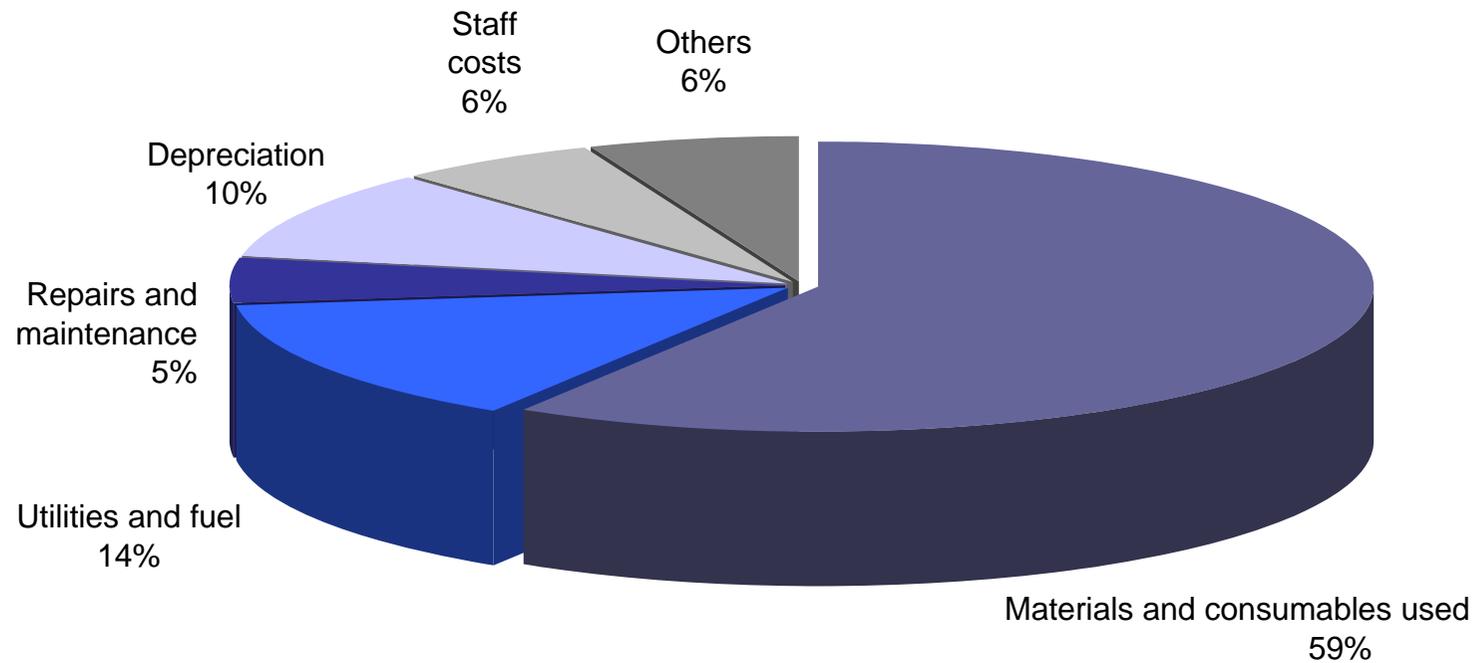
## Revenue structure by products

<i>(RUR in millions)</i>	<b>9M '08</b>	<b>9M '07</b>	<b>Q3 '08</b>	<b>Q2 '08</b>
<b>Zinc and zinc alloys</b>	7,230	10,740	2,232	2,391
<b>Lead Concentrate</b>	46	321	46	-
<b>Others</b>	1,042	585	376	364
<b>Total sales</b>	<b>8,318</b>	<b>11,646</b>	<b>2,654</b>	<b>2,755</b>



## Consolidated cost of sales structure (9M '08)

Total cost of sales = 7,596 RUR in millions



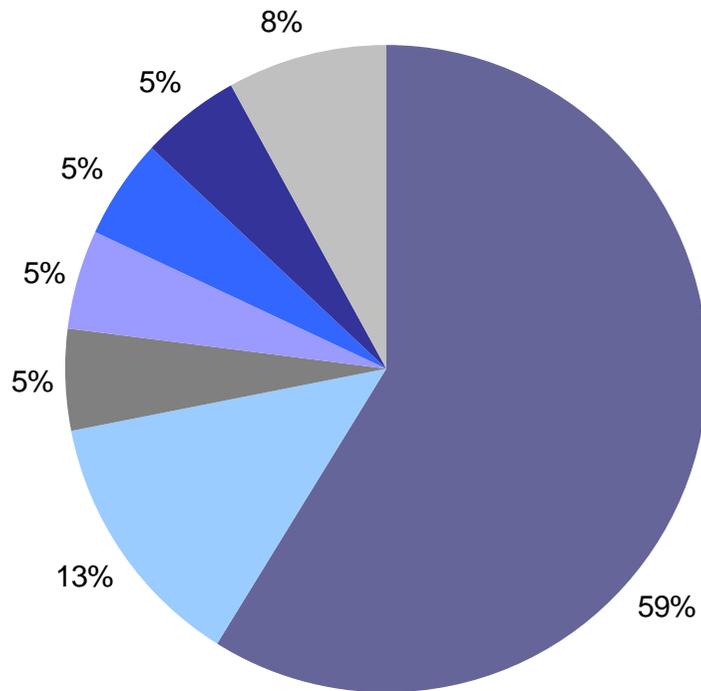
## 9M '08 performance by segments

<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>	7,440	573	1,421
<b>Gross Profit</b>	793	16	89
<i>Margin, %</i>	11%	3%	6%
<b>Operating Profit</b>	(98)	(86)	9
<i>Margin, %</i>	(NA)	(NA)	0.6%
<b>EBITDA</b>	589 <sup>(1)</sup>	16	17
<i>Margin, %</i>	8%	3%	1%
<b>Net Income</b>	(154)	(58)	4
<i>Margin, %</i>	(NA)	(NA)	0.3%

<sup>(1)</sup> Adjusted for RUR 296 mln exploration and evaluation write off

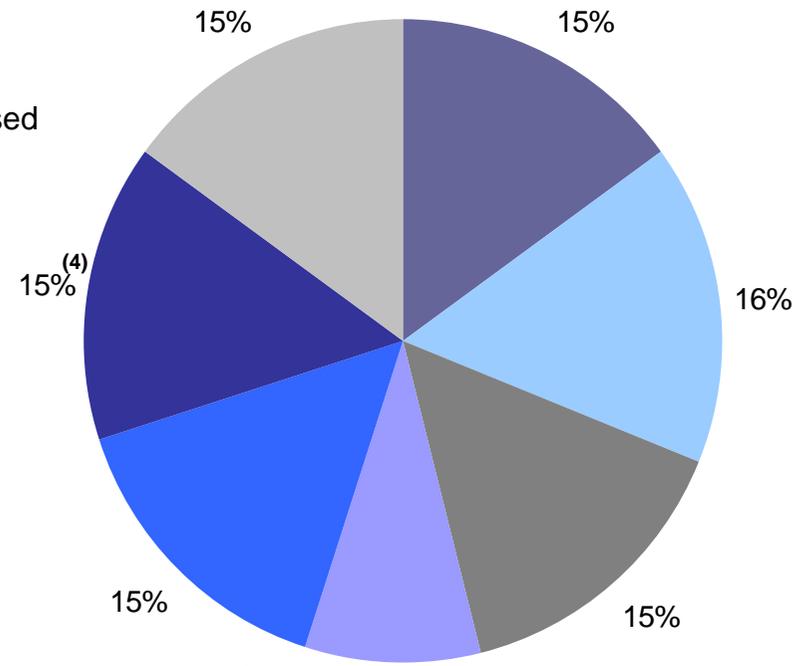
# 9M '08 costs structure by segments

**Chelyabinsk Zinc (Stand alone)**



RUR 61,549/t <sup>(1)</sup>

**Nova Zinc (Stand alone)**

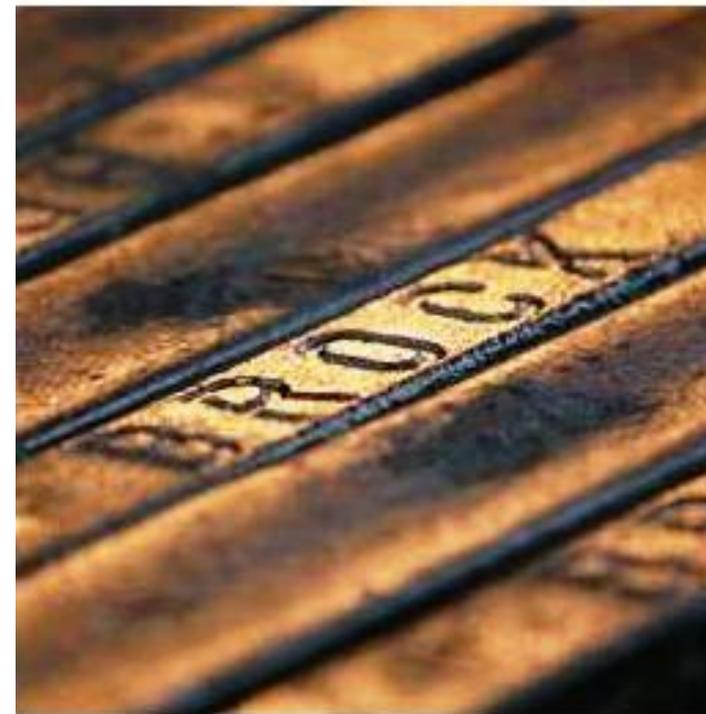
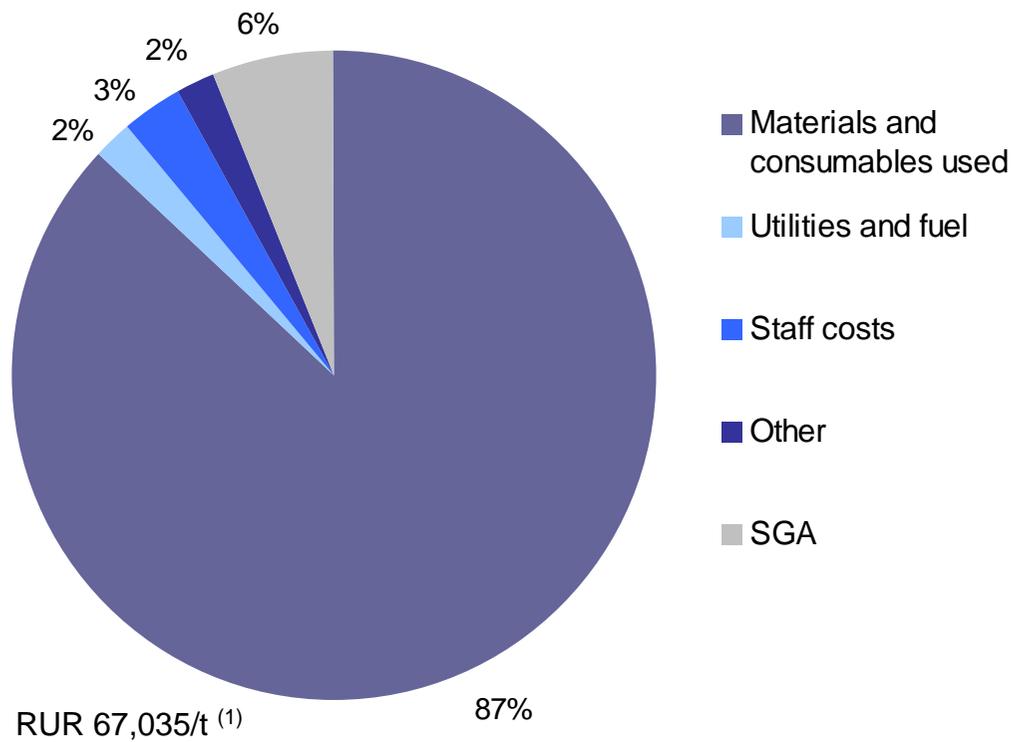


RUR 27,002/t <sup>(2)</sup>  
RUR 652/t <sup>(3)</sup>

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 17% of total costs

# 9M '08 Costs structure by segments

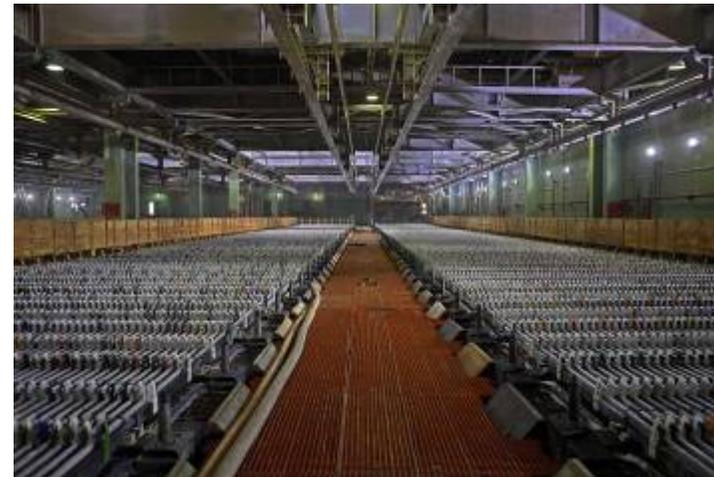
## Brock Metal (Stand alone)



Note: (1) per tonne of alloys

## Balance sheet highlights

<i>(RUR in millions)</i>	September 30, 2008	December 31, 2007
<b>Total Assets</b>	13,169	14,658
<b>Total Debt</b>	2,115	2,602
<b>Net Debt</b>	840	1,664
<b>Shareholder's Equity</b>	9,160	10,173



# Cash flow highlights

<i>(RUR in millions)</i>	9M '08	9M '07
<b>Net cash from operating activities</b>	1,424	1,390
<b>Net cash from/(used in) investing activities</b>	(880)	(638)
<b>Net cash from/(used in) financing activities</b>	(619)	(497)



# 9M '08 Capex Programme

## Investment highlights:

Expansion capex aimed at de-bottlenecking and increasing zinc production

- Sulphuric Acid Unit #4 (RUR 210 mln)
- Amursky deposit (RUR 86 mln)
- Akzhal Mine (RUR 96 mln)





**THANK YOU**