



# **CHELYABINSK ZINC PLANT**

**Interim Report  
January-June 2010**

# Disclaimer

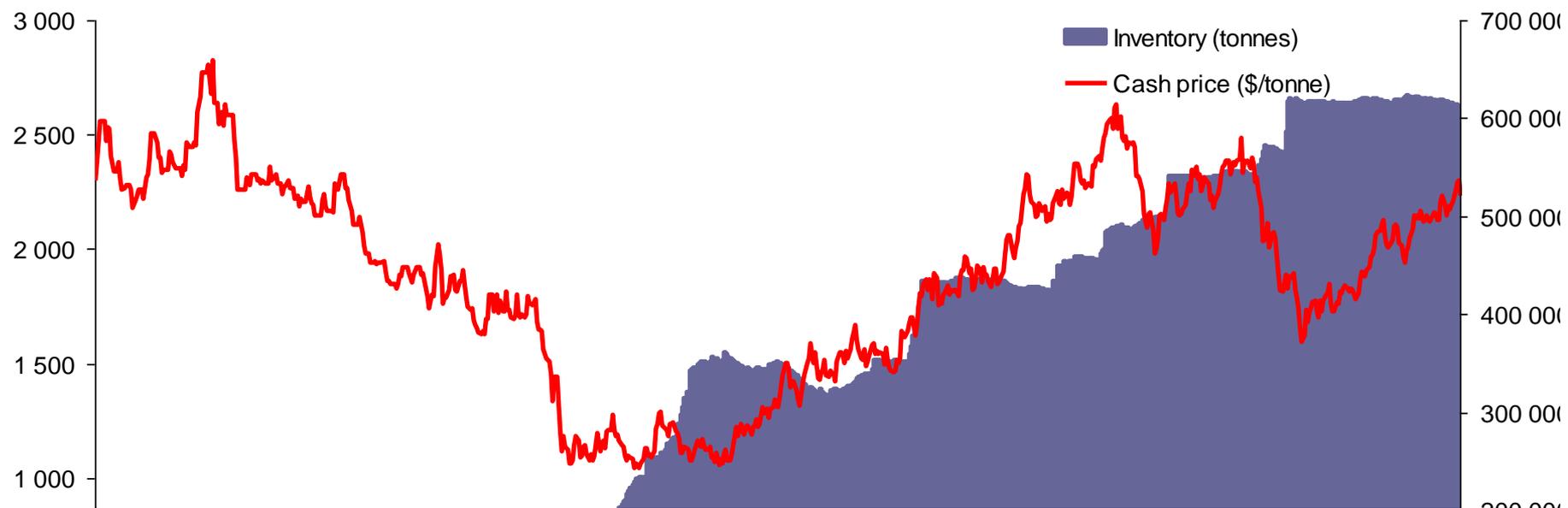
This Presentation (the “Presentation”) of JSC “Chelyabinsk Zinc Plant” (the “Company”) has been prepared solely for informational purposes in connection with the announcement of the Company’s 1H 2010 results.

Certain statements in this Presentation may constitute “forward-looking statements”. Actual results of CZP’s activity may differ significantly from ones given or forecast in forward looking statements contained herein. Inferred statements by their nature feature risks and uncertainty factors as they refer to events and depend on the circumstances that may either happen or not in the future. Forward looking statements do not guarantee achievement of certain indicators in the future. Even if the actual results correspond to inferred statements set forth in the Presentation, such results may not be characteristic results and events in future periods. CZP shall not update forward looking statements to reflect the events and circumstances that have occurred upon completion of this Presentation.



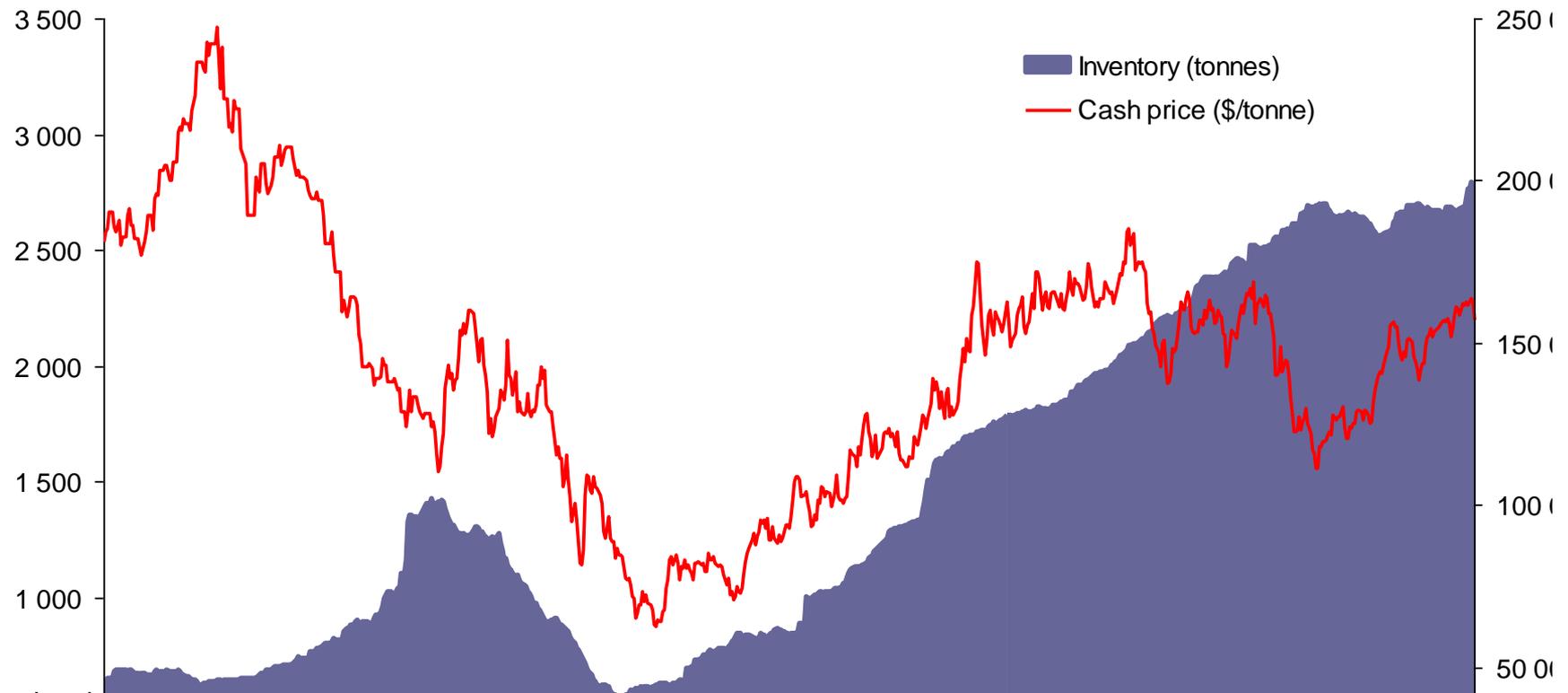
## **Zinc and Lead Market Update**

# 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>1H '10</b>	<b>1H '09</b>	<b>2H '09</b>
<b>Zinc</b>	2,155.1	1,322.4	1,982.3
<b>Lead</b>	2,083.5	1,330.0	2,106.9
<b>RUR/USD</b>	30.1	33.1	30.4
<b>KZT/USD</b>	147.3	144.7	150.3



Zinc and Lead are LME cash settlement prices



## **Operations Overview**

# Smelting segment – Raw materials supply

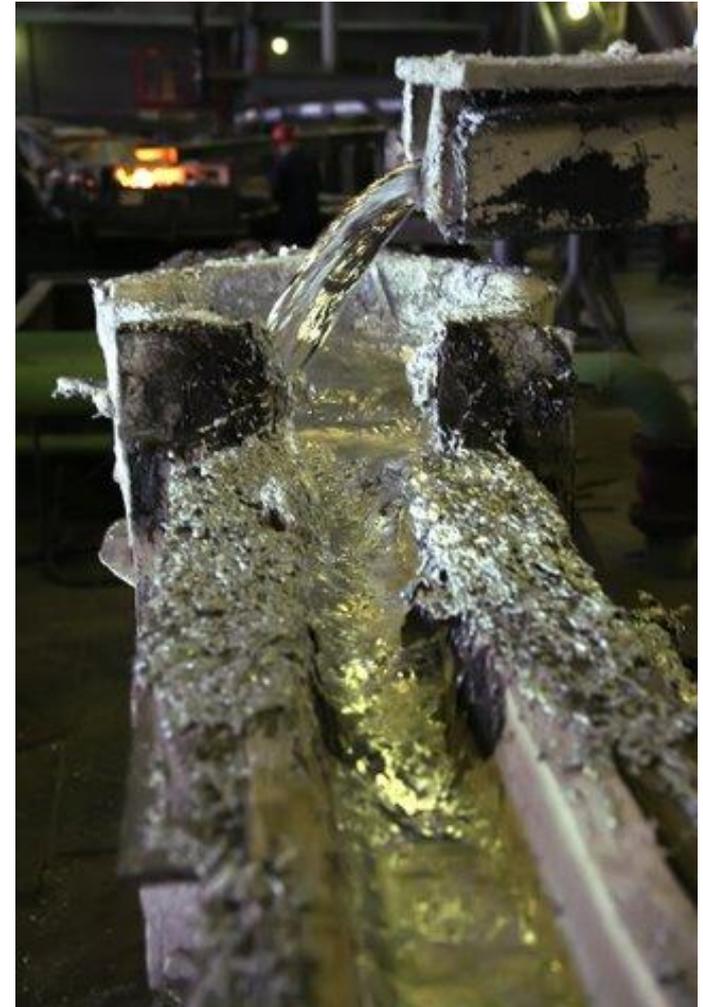
<i>(tonnes in thousands)</i>	<b>1H '10</b>	<b>1H '09</b>	<b>2H '09</b>
<b>Akzhal</b>	16.3	12.9	14.6
<b>UMMC (tolling)</b>	43.0	-	-
<b>UMMC (purchase)</b>	7.0	9.8	49.6
<b>RCC</b>	3.6	4.7	3.5
<b>Other Domestic</b>	0.9	0.6	0.8
<b>Imports</b>	-	1.6	-
<b>Secondaries</b>	7.3	4.6	9.6
<b>Total</b>	<b>78.1</b>	<b>34.2</b>	<b>78.1</b>



Note: Volume of zinc in concentrate

# Smelting segment – Zinc and by-products production

<i>(tonnes in thousands, except otherwise noted)</i>	<b>1H '10</b>	<b>1H '09</b>	<b>2H '09</b>
<b>Zinc (incl. Zinc Alloys)</b>	80.6	51.7	68.2
<b>Indium (kg)</b>	3,887	1,746	4,214
<b>Cadmium</b>	0.3	0.3	0.3
<b>Sulphuric Acid</b>	126.7	71.4	95.5
<b>Lead Concentrate</b>	5.2	4.0	6.6
<b>Copper Clinker</b>	50.8	44.7	45.5



# Smelting segment – Zinc sales

<i>(tonnes in thousands)</i>	1H '10	1H '09	2H '09
<b>Total sales</b>	<b>77.9</b>	<b>50.9</b>	<b>68.9</b>
Domestic sales	35.8	29.1	47.3
Tolling	40.9	-	-
Export sales	1.2	21.8	21.6
<b>Customer</b>			
Magnitogorsk	20%	24%	29%
Severstal	15%	22%	23%
UMMC (tolling)	53%	-	-
Euromin	-	38%	20%
Brock Metal	-	3%	-
Others	12%	13%	28%



# Mining segment – Operational performance

*(tonnes in thousands ,  
except otherwise noted)*

	1H '10	1H '09	2H '09
<b>Stripping</b>	1,885.1	1,306.6	1,451.6
<i>(cbm in thousands)</i>			
<b>Ore mined</b>	356.4	568.4	576.6
<b>Ore processed</b>	722.4	596.3	596.4
<b>Ore grade processed</b>			
<b>Zinc</b>	2.25%	3.17%	2.96%
<b>Lead</b>	0.32%	0.43%	0.41%
<b>Concentrate production (metal)</b>			
<b>Zinc</b>	14.0	17.2	17.6
<b>Lead</b>	1.8	2.1	1.9





## **Financial Review**

# Income statement highlights

<i>(RUR in millions)</i>	<b>1H '10</b>	<b>1H '09</b>	<b>2H '09</b>
<b>Revenue</b>	5,615	3,542	6,625
<b>Gross Profit</b>	1,589	608	1,570
<i>Margin, %</i>	28%	17%	24%
<b>EBITDA <sup>(1)</sup></b>	1,413	543	1,527
<i>Margin, %</i>	25%	15%	23%
<b>Net Income</b>	678	(136)	778
<i>Margin, %</i>	12%	N/A	12%

<sup>(1)</sup> One-off adjustments (asset write-downs and impairment charges) are not included in the calculation of EBITDA



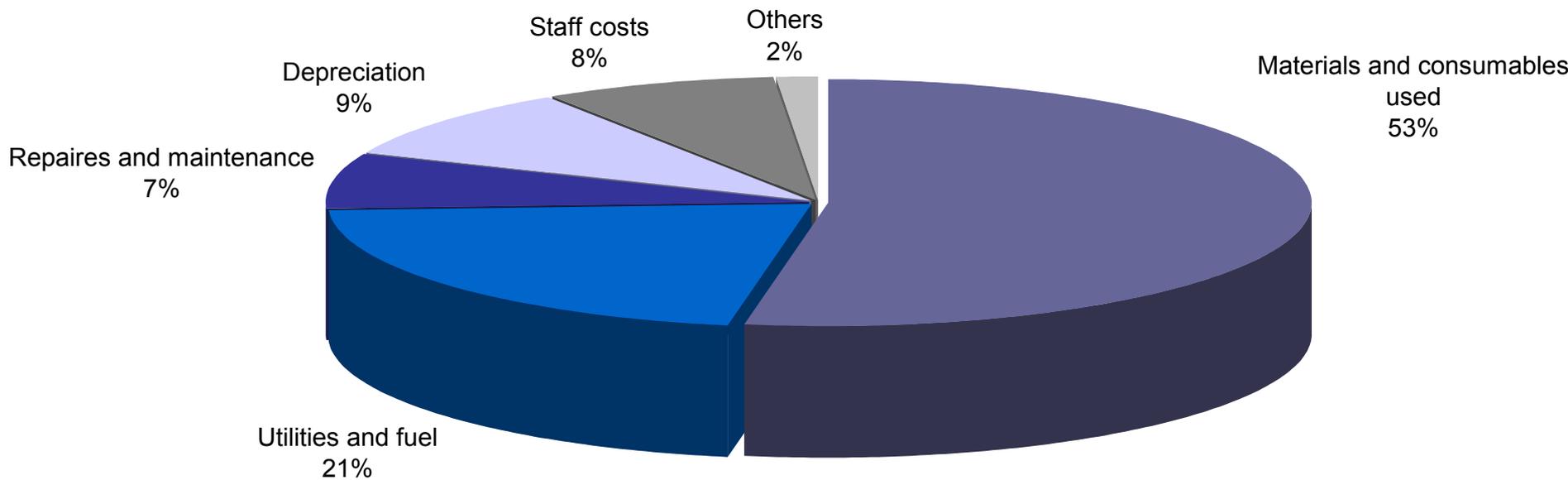
# Revenue structure by products

<i>(RUR in millions)</i>	<b>1H '10</b>	<b>1H '09</b>	<b>2H '09</b>
<b>Zinc and zinc alloys</b>	3,649	2,914	5,212
<b>Zinc tolling</b>	985	-	-
<b>Lead Concentrate</b>	209	181	390
<b>Zinc Concentrate</b>	-	-	148
<b>Others</b>	772	447	875
<b>Total sales</b>	<b>5,615</b>	<b>3,542</b>	<b>6,625</b>



# Consolidated cost of sales structure (1H '10)

Total cost of sales = 4,014 RUR in millions



# 1H '10 performance by segments

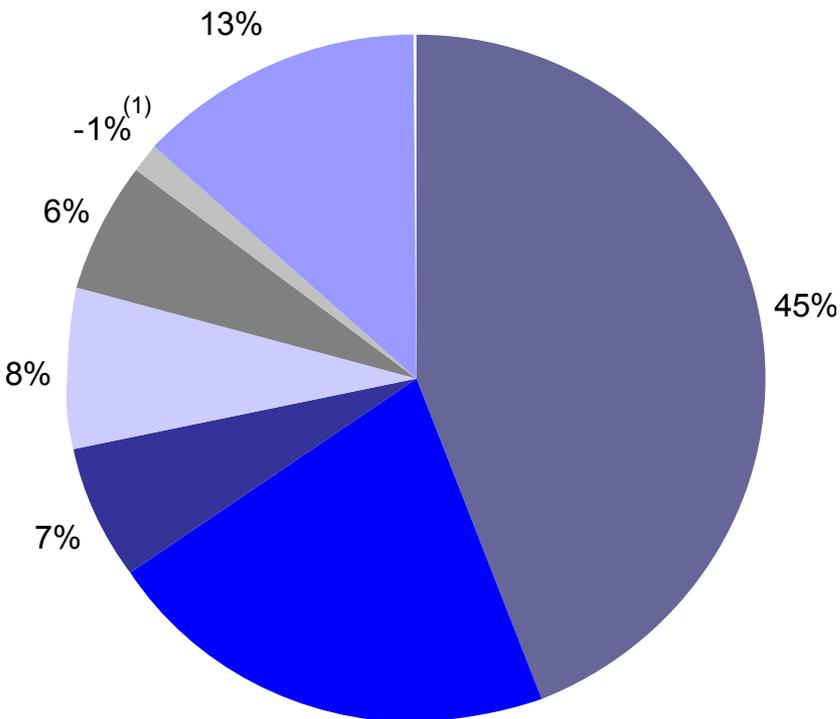
<i>(RUR in millions)</i>	<b>Chelyabinsk Zinc stand-alone</b>	<b>Nova Zinc stand-alone</b>	<b>Brock Metal stand-alone</b>
<b>Revenue</b>	4,401	635	1,042
<b>Gross Profit</b>	1,380	182	59
<i>Margin, %</i>	31%	29%	6%
<b>Operating Profit</b>	853	77	19
<i>Margin, %</i>	19%	12%	2%
<b>EBITDA <sup>(1)</sup></b>	1,224	155	21
<i>Margin, %</i>	28%	24%	2%
<b>Net Income</b>	645	42	5
<i>Margin, %</i>	15%	7%	0.5%

<sup>(1)</sup> One-off adjustments (asset write-downs and impairment charges) are not included in the calculation of EBITDA

# 1H '10 costs structure by segments

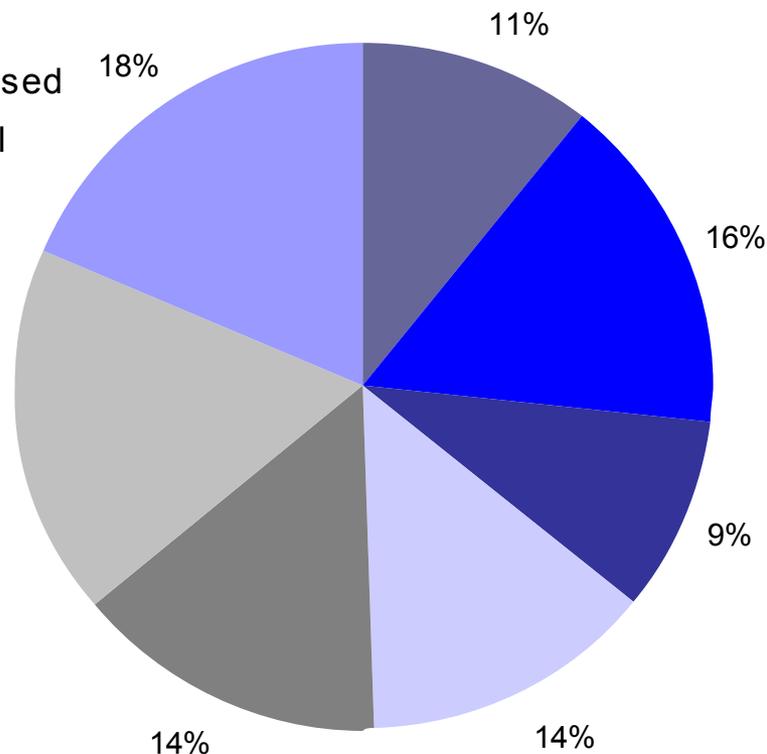
**Chelyabinsk Zinc (Stand alone)**

**Nova Zinc (Stand alone)**



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

22%  
RUR 61,914/t <sup>(2)</sup>

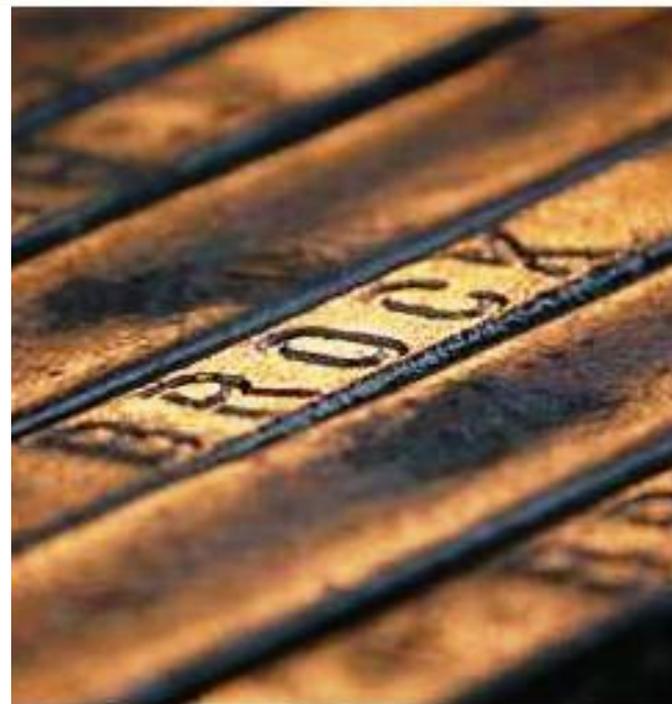
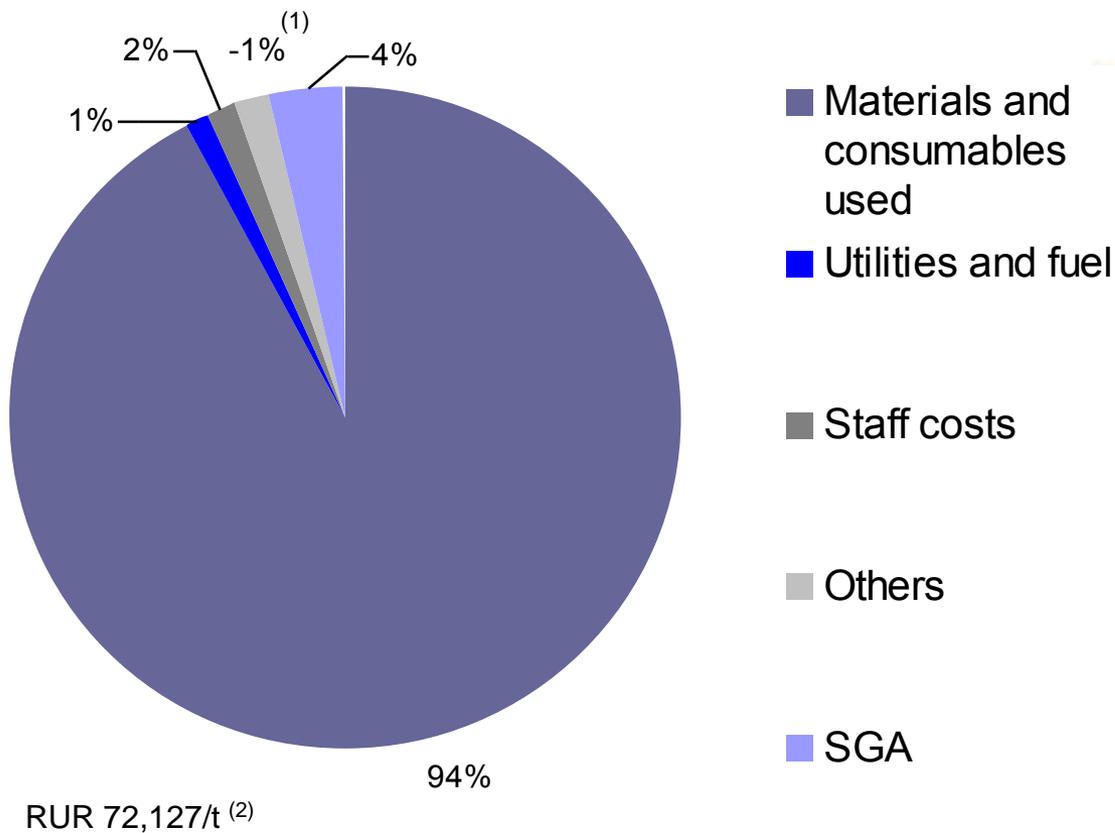


18%<sup>(3)</sup>  
RUR 31,517/t <sup>(4)</sup>  
RUR 782/t <sup>(5)</sup>

- Note: (1) due to change finished goods  
 (2) per tonne of zinc (except zinc tolling)  
 (3) includes mineral extraction tax that represents 7% of total costs  
 (4) per tonne of zinc in zinc concentrate  
 (5) per tonne of ore processed

# 1H '10 Costs structure by segments

## Brock Metal (Stand alone)



Note: (1) due to change finished goods  
(2) per tonne of alloys

# Balance sheet highlights

<i>(RUR in millions)</i>	<b>June 30, 2010</b>	<b>December 31, 2009</b>
<b>Total Assets</b>	9,144	8,828
<b>Total Debt</b>	471	921
<b>Net Debt</b>	N/A	428
<b>Shareholder's Equity</b>	8,168	7,356



# Cash flow highlights

<i>(RUR in millions)</i>	<b>1H '10</b>	<b>1H '09</b>
<b>Net cash from operating activities</b>	735	1,100
<b>Net cash from/(used in) investing activities</b>	(390)	(197)
<b>Net cash from/(used in) financing activities</b>	(11)	(297)



# 1H '10 Capex Programme

## Investment highlights:

Expansion capex aimed at de-bottlenecking and increasing zinc production

- Calcination of Waelz oxide unit (RUR 28 mln)
- Replace one unit in the sulphuric acid plant (RUR 30 mln)
- Akzhal Mine (RUR 8 mln)





**THANK YOU**