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Recent Developments and Outlook of the Russian Zinc Sector

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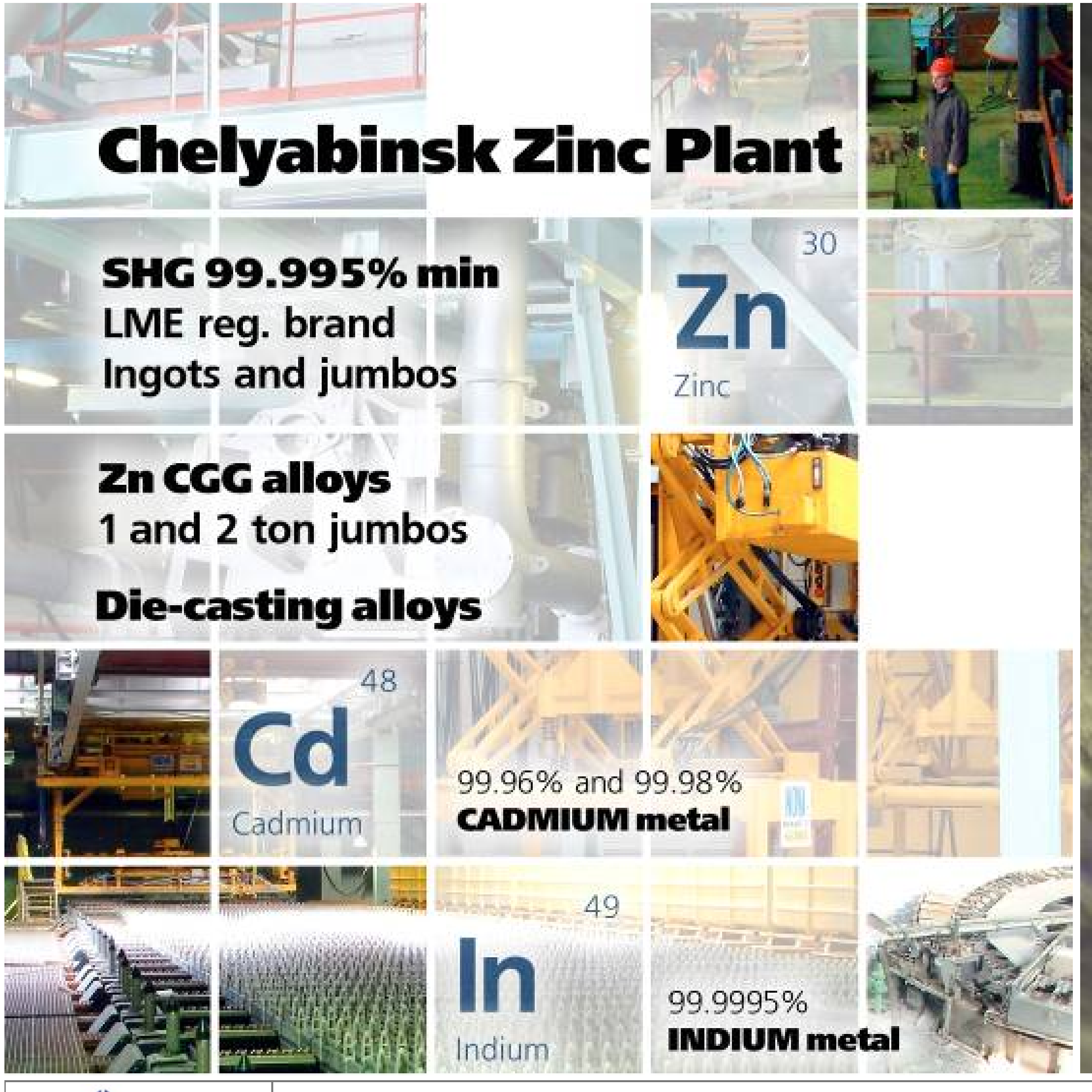
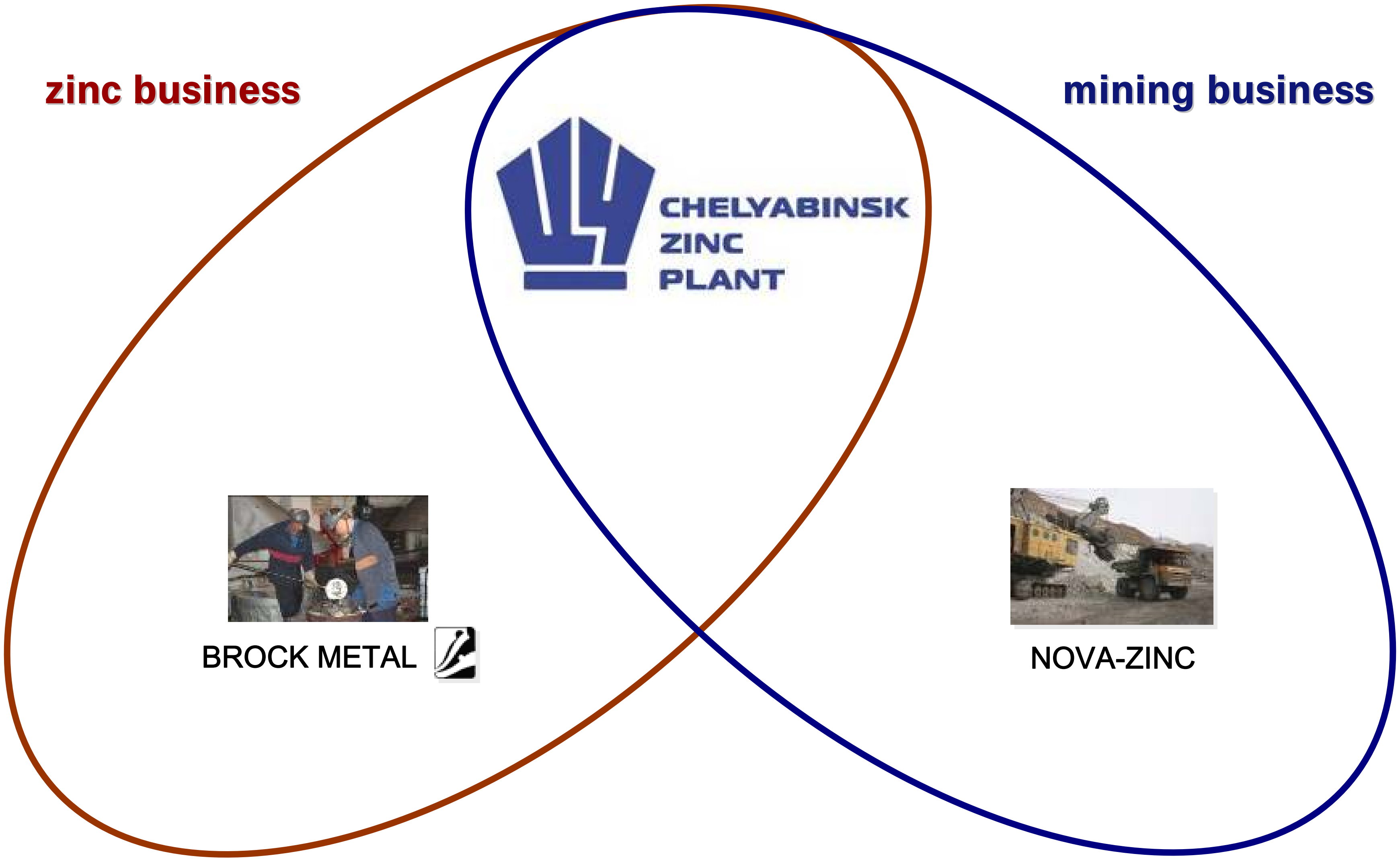
Chelyabinsk Zinc Plant Overview



Company's Structure



Group Output Summary (2008E figures)

CZP Zinc – Metal

	(tonnes)
SHG Zinc (incl. Zinc Alloys)	170,000

Nova-Zinc – Concentrate

	(tonnes of contained metal)
Zinc Concentrate	35,000
Lead Concentrate	5,000

Brock Metal – Alloys

	(tonnes)
Zinc Alloys	21,000
Aluminium Alloys	5,000

Zinc and By-Products Output

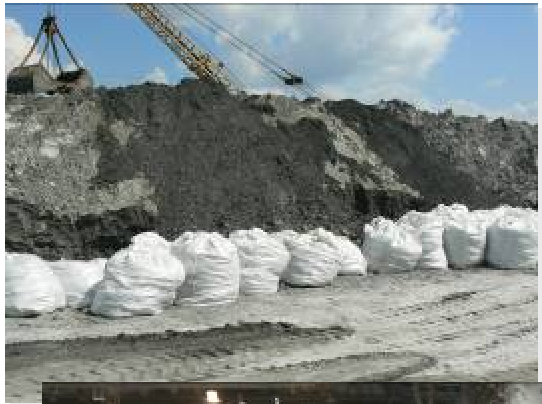
(tonnes)	2006	2007	2008E
SHG Zinc (incl. Zinc Alloys)	148,000	165,000	170,000
Indium (99.999)	3.3	2.8	3.9
Cadmium (99.95)	460	560	580
Pb Cake (35%-45% Pb content)	9,600	8,700	10,500
Sulphuric Acid	240,000	236,000	240,000

CZP Zinc and Alloy Sales

(tonnes)	2006	2007	2008E
Domestic	77,000	72,000	83,000
Export	57,000	75,000	71,000
Total Sales	**134,000**	**147,000**	**154,000**

Raw Material Sources

(contained metal in tonnes)	2006	2007	2008E
Nova-Zinc	6,000	30,000	35,000
UMMC	39,000	58,000	65,000
RCC	21,000	15,000	12,000
Dalpolimetall	12,000	9,000	-
Euromin	28,000	29,000	40,000
Secondaries	30,000	25,000	20,000
Cakes	150	3,000	7,000



Russian and Surrounding Zinc Market (CIS)

CIS Zinc Metal Production 2006-2008E

- **Production figures show increase over the given period.**
- **Kazakhmys has encountered technical difficulties in trying to produce at 100,000mt capacity.**
- **Almalyk has experienced financial difficulties.**
- **Companies have unutilized capacity that will be used in the near future.**

(tonnes)	**2006**	**2007**	**2008E**
Chelyabinsk Zinc Plant (Russia)	148,000	165,000	170,000
UMMC (Russia)	96,000	98,000	98,000
Kazzinc (Kazakhstan)	289,000	294,000	298,000
Kazakhmys (Kazakhstan)	60,000	45,000	50,000
Almalyk MMC (Uzbekistan)	47,000	72,000	70,000
Total	**640,000**	**674,000**	**686,000**

Source: CZP, UMMC, www.kazzinc.com, www.kazakhmys.com,

CIS Zinc Concentrate Production 2006-2008E

- **Modest regional increase in production during the period 2006-2008E.**
- **RCC is expecting to increase output to 40,000mt in 2009 and to 60,000mt in 2010.**
- **Dalpolimetal and Russian Mining Co. is located in the Russian Far East. Therefore high transport costs, limit concentrate sales to Russian smelters.**
- **Shalkiya is potentially a big producer (100,000mt+ ?), but the mineralization is extremely complex and the mine is operating below expectation.**

(contained metal in tonnes)	2006	2007	2008E
Chelyabinsk Zinc Plant (Russia)*	-	30,000	35,000
UMMC (Russia)	133,000	148,000	156,000
RCC (Russia)	21,000	15,000	12,000
Dalpolimetal	16,000	19,000	19,000
Russian Mining Co.	6,000	8,000	4,000
Kazzinc (Kazakhstan)	290,000	295,000	300,000
Kazakhmys (Kazakhstan)	129,000	133,000	133,000
Shalkiya Zinc	-	27,000	24,000
Total	**595,000**	**675,000**	**683,000**

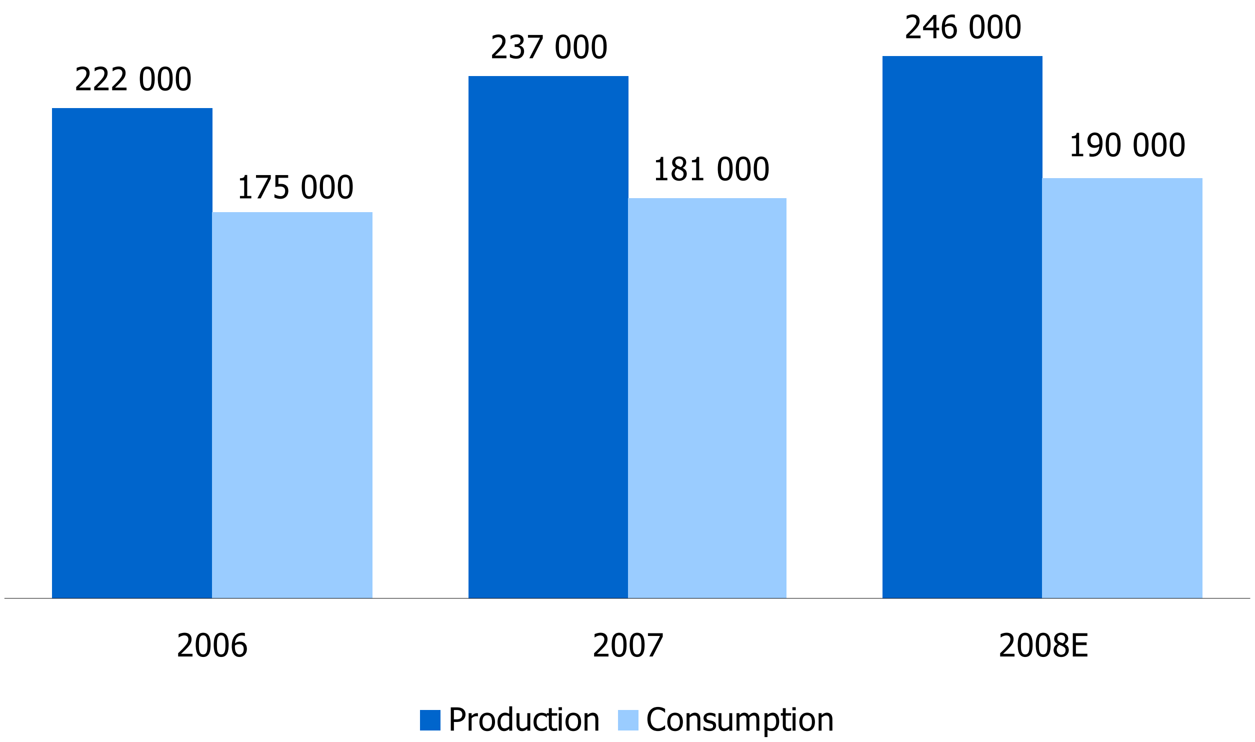
** produced in Kazakhstan by CZP own mine*

Source: CZP, UMMC

Recent Developments of the Russian Market

Sellable Zinc Production and Consumption

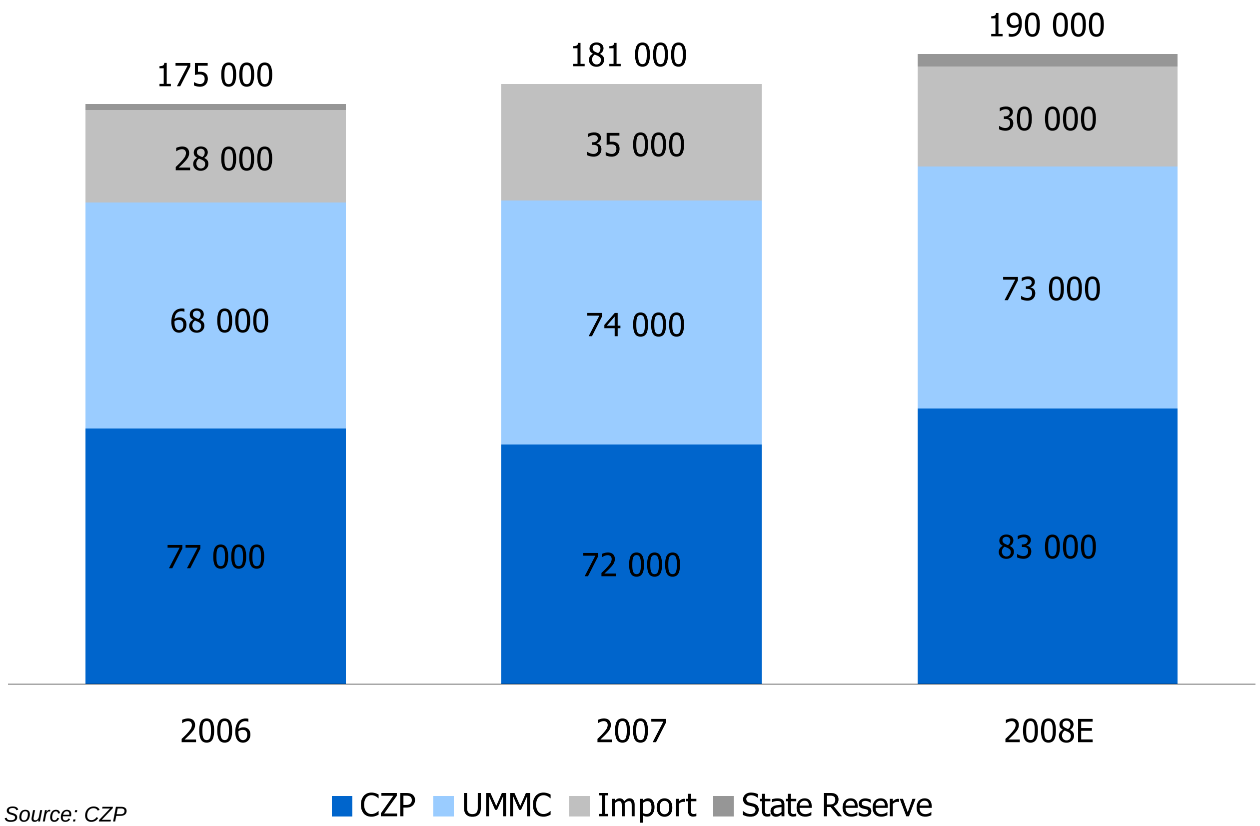
- **Russian zinc production recovered since the decline in early 1990s.**
- **Demand has increased due to expansion of continuous galvanizing capacity.**
- **Other sectors of zinc demand are underdeveloped.**



Source: CZP, UMMC

Zinc Metal Sales to the Russian market 2006-2008E

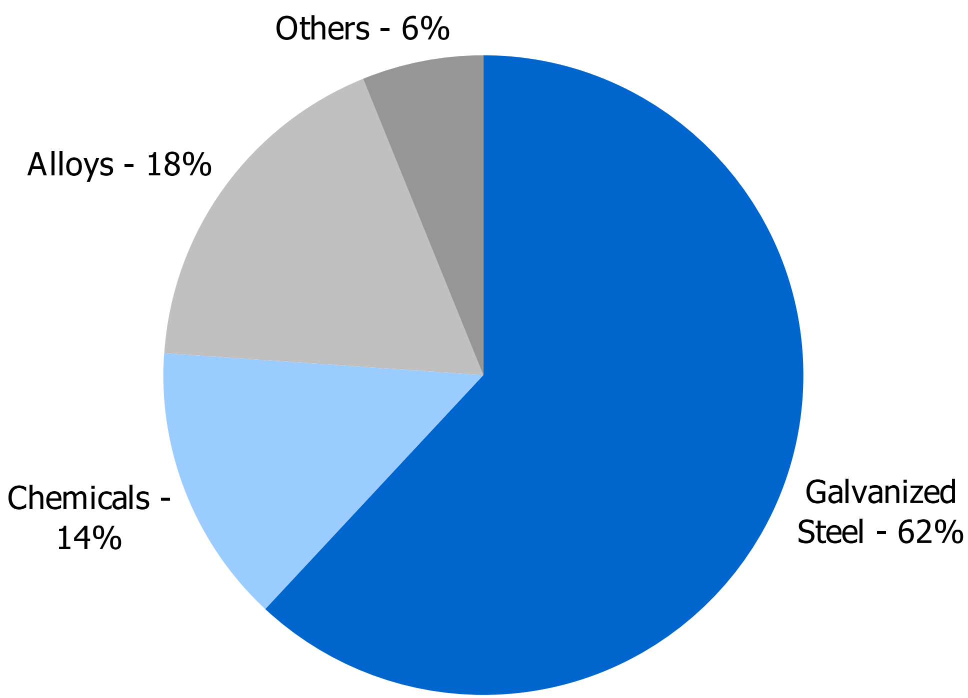
- **Economic growth is stimulating domestic sales.**
- **Russian producers are increasing their market share despite strong competition from import.**



Source: CZP

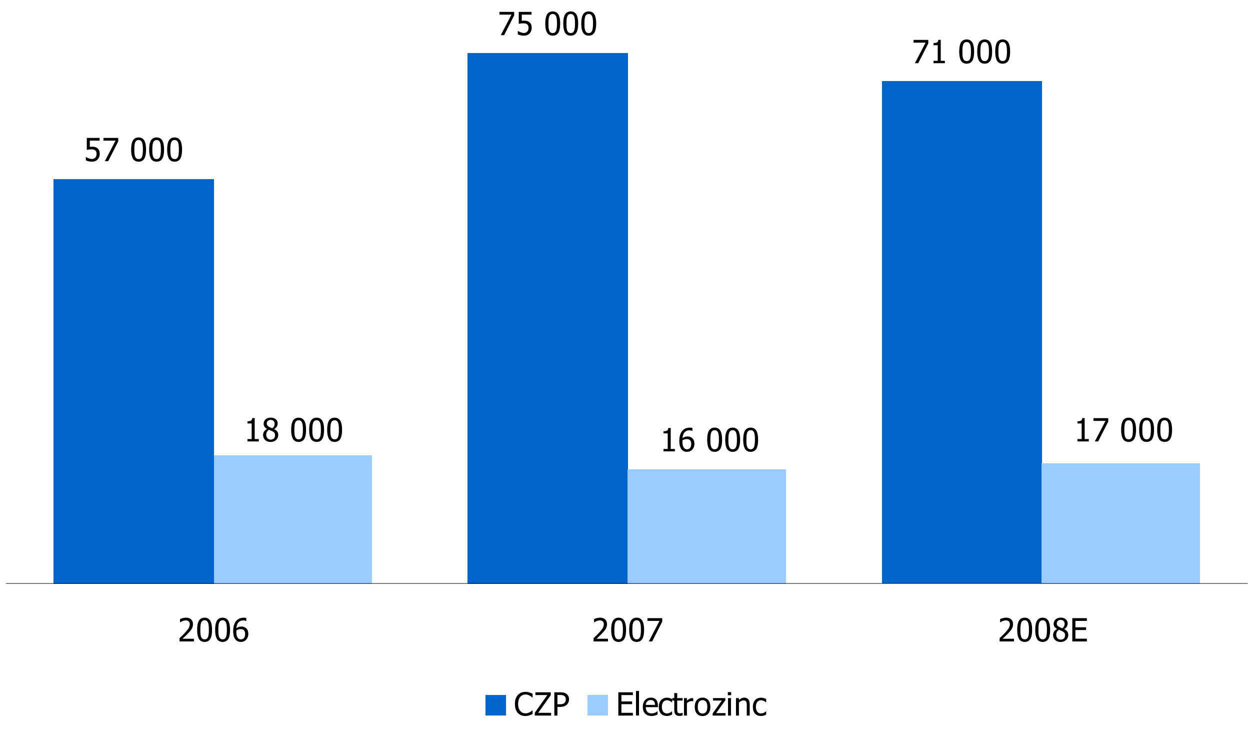
The Russian Zinc Market Structure

- **Consumption is dominated by the continuous galvanizing sector and it is forecast to increase.**
- **Markets for hot dip galvanizing, die-casting and chemicals show signs of increasing, but still have huge potential to expand.**



Russian Zinc Exports

- **The domestic market is a priority but a strong presence is maintained in export markets with strategic customers.**
- **CZP increasingly focused on long term supply contracts for added value products (CGG and Alloys).**
- **Since 2005 domestic smelters abandoned tolling contracts.**



Source: UMMC, CZP

Russian Zinc Market Perspectives: The Mid-Term Outlook

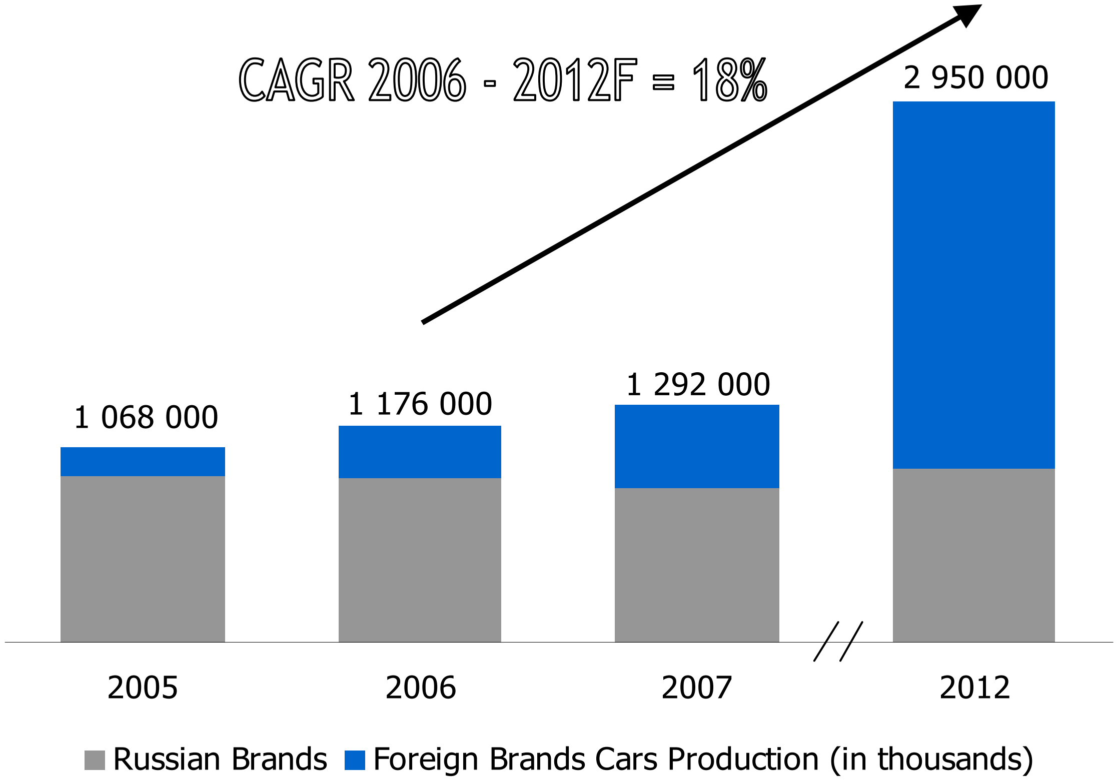
Economic Highlights

- **Russia's housing market growing rapidly.**
- **Car market booming.**
- **New Infrastructure projects are planned as well as a major program to modernize and replace.**
- **Tire market developing strongly.**
- **Good growth perspectives despite financial crisis and recession fears in the World**

- **Significant increase in Zn consumption per capita is expected from comparatively low level of 1.4kg pc.**

Russian Zinc Market Perspectives:
Car Production

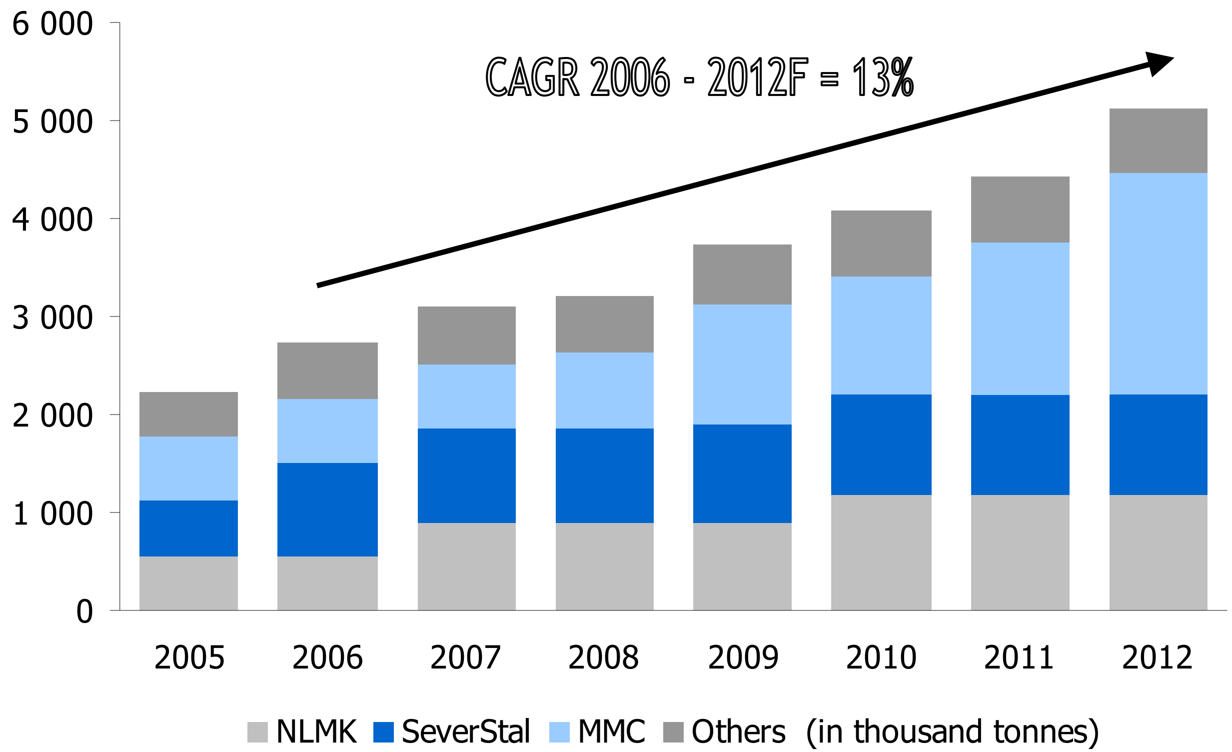
- **In 2008 the demand from the Russian Automobile Market will exceed any European country.**
- **Major car manufacturers either have production facilities in Russia or are in the process of constructing them.**



Source: Russian Automakers Union (www.oar-info.ru), PwC, CZP estimates

Russian Zinc Market Perspectives:
Galvanizing Steel Capacity

- **Continuous galvanizing capacity is growing fast.**
- **Producers are upgrading the quality of the steel sheets to meet high standards of the car industry.**
- **New continuous galvanizing lines will increase consumption by an additional 40 000 tpy of zinc metal from 2009.**



Source: CZP, MMC, NLMC

Russian Zinc Market Perspectives:

Zinc Metal Production and Consumption

- **Smelters will increase zinc metal production up to 300,000 mt by upgrading and debottlenecking existing production facilities.**

- **Planned construction of new smelters are postponed until zinc price returns to levels supporting economic feasibility.**

- **Construction of new smelters is to be backed by development of adequate zinc mine capacity in Russia.**

- **Zinc metal consumption will rise strongly despite possible World economy recession. In 4-7 years consumption should reach 300,000-400,000 mt per annum.**

Russian Zinc Market Perspectives:
Future Mine Projects

- **CZP and UMMC will increase concentrate production in coming years.**
- **RCC are expecting to increase output to 40,000mt Zn in 2009 and 60,000mt in 2010.**
- **Various deposits rich of zinc contained ore are to be opened supported by adequate zinc price and investments.**

(contained metal in tonnes per annum)	Working Mines	2007	2008E	New Mines in perspective
CZP	Akzhal	30,000	35,000	Amurskoe
UMMC	Rubtsovsky, Gaisky, Severny, Uchalinsky, Sibaisky		156,000	Uchaly 10,000 – 2010 Altay 30,000 – 2011
RCC	Aleksandrinsky, Orsky		12,000	Aktyubinsk 40,000 – 2010
Dalpolimetall	-		19,000	
Metropol	-	-	-	Ozyornoe 250,000 – 2015-2020 Kholodninskoe 250,000 – 2020
First Mining (Summa)	-	-	-	Pavlovskoye 300,000 - 2015 Sardana 150,000 – 2020
Lunshin	-	-	-	Kyzil-Tashtygskoye 60,000 - 2010

Source: CZP. UMMC

Conclusion

- The consumption will reach 300,000 to 400,000 tonnes due to a sharp increasing demand and living standards in Russia, rapidly growing home construction, an expanding car industry and growth in transportation infrastructure.
- This level of increase in consumption should stimulate both the zinc refining and mining sectors, particularly in the Urals as well as other industrial regions of Russia.
- Recent government measures to encourage industry for diversification will support the growth of small and medium size entrepreneurial enterprises which are important users of zinc.
- Long term government policy for industrial development proposed in April 2007, already has given and will continue to support value-added metallurgical and manufacturing operations.
- The Russian zinc industry should prosper!

CHELYABINSK ZINC PLANT

- **Thank you for your attention**