



CZP – Russia's Leading Zinc Producer

Company Presentation

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: 5,419,541 RUR

Common Shares Outstanding: 5,419,541⁽¹⁾

Ticker: CHZN

GDR:ORD ratio: 10:1

Stock: LSE, RTS

(1) 1,273,592 Shares are traded in the form of GDRs

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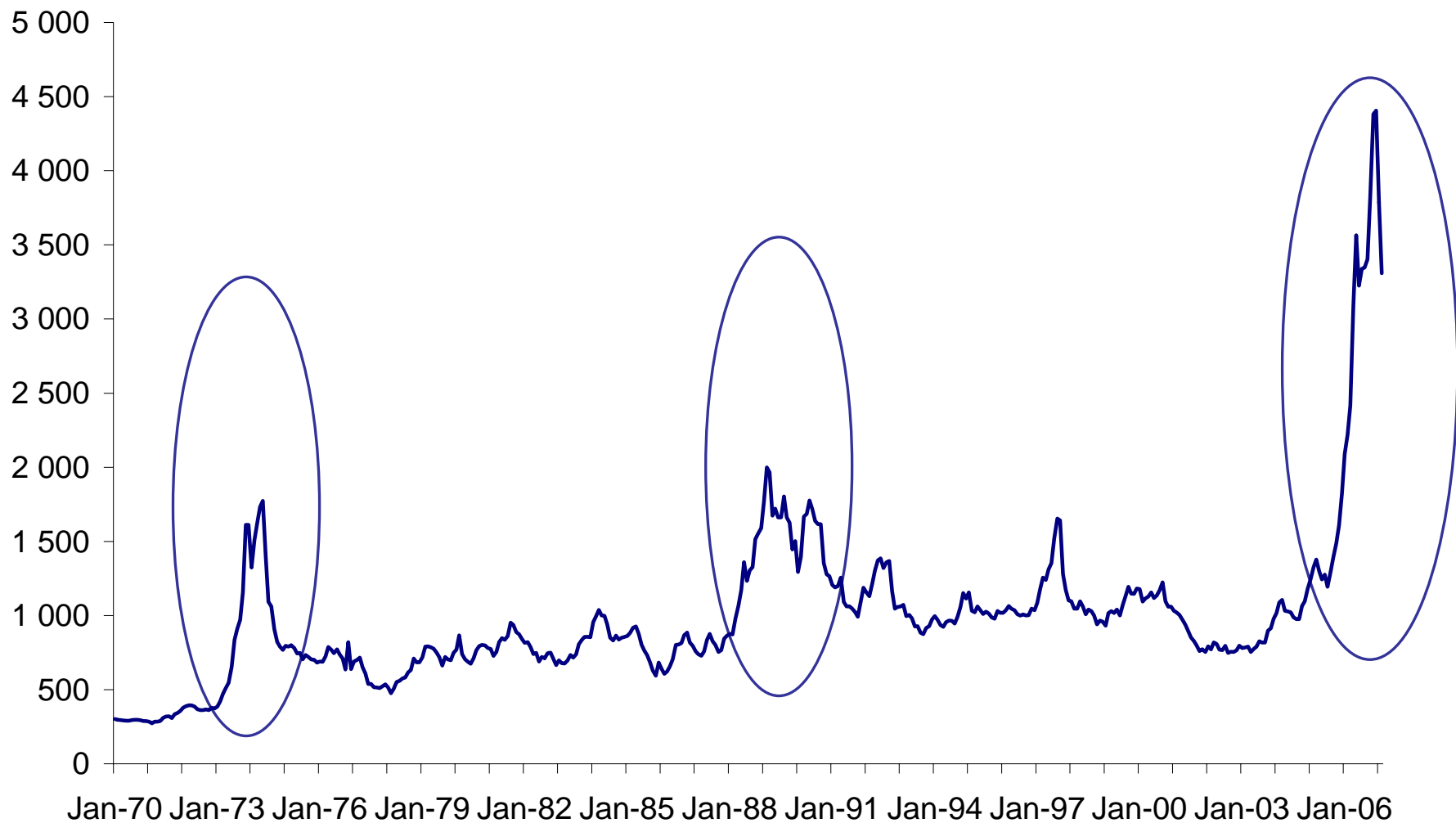
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Zinc Market Update

Zinc Price Environment



Source: LME, Brook Hunt.

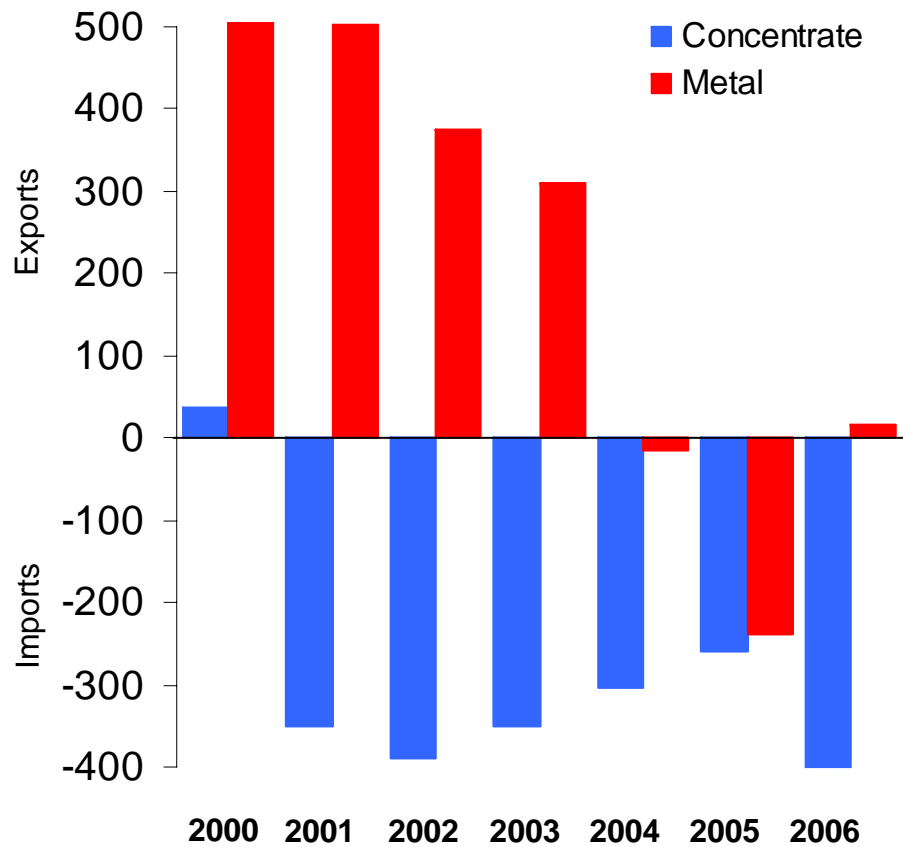
Note: Average cash LME price. Historical prices without adjustment for inflation



Global Zinc Market Overview

China Zinc Trade

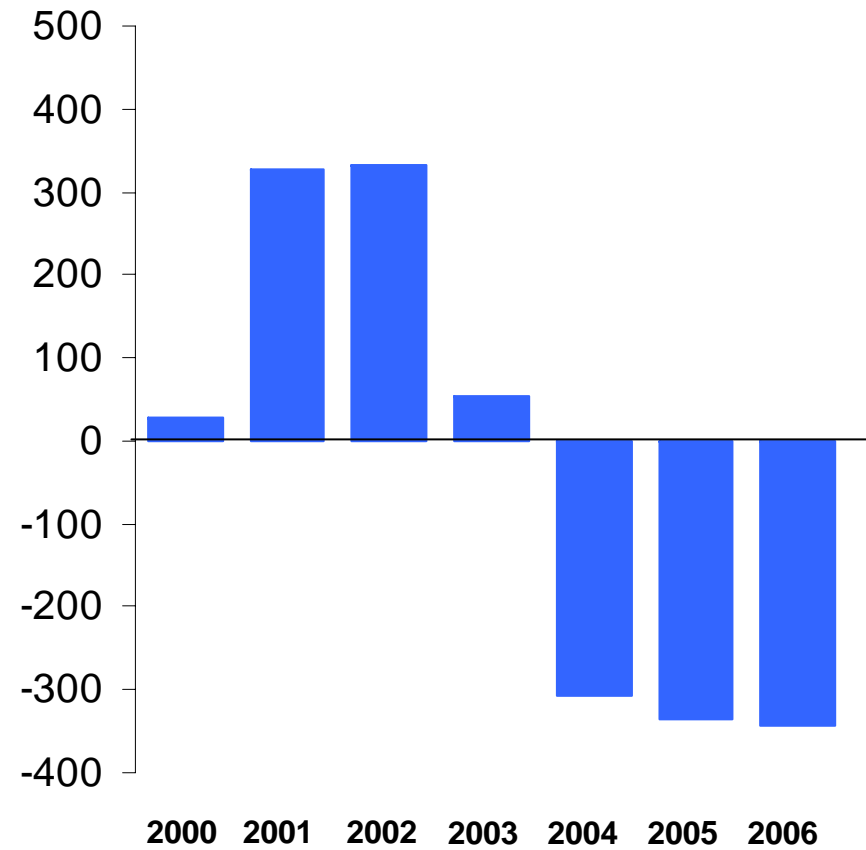
(tonnes in thousands)



Source: International Lead and Zinc Study Group (ILSG)

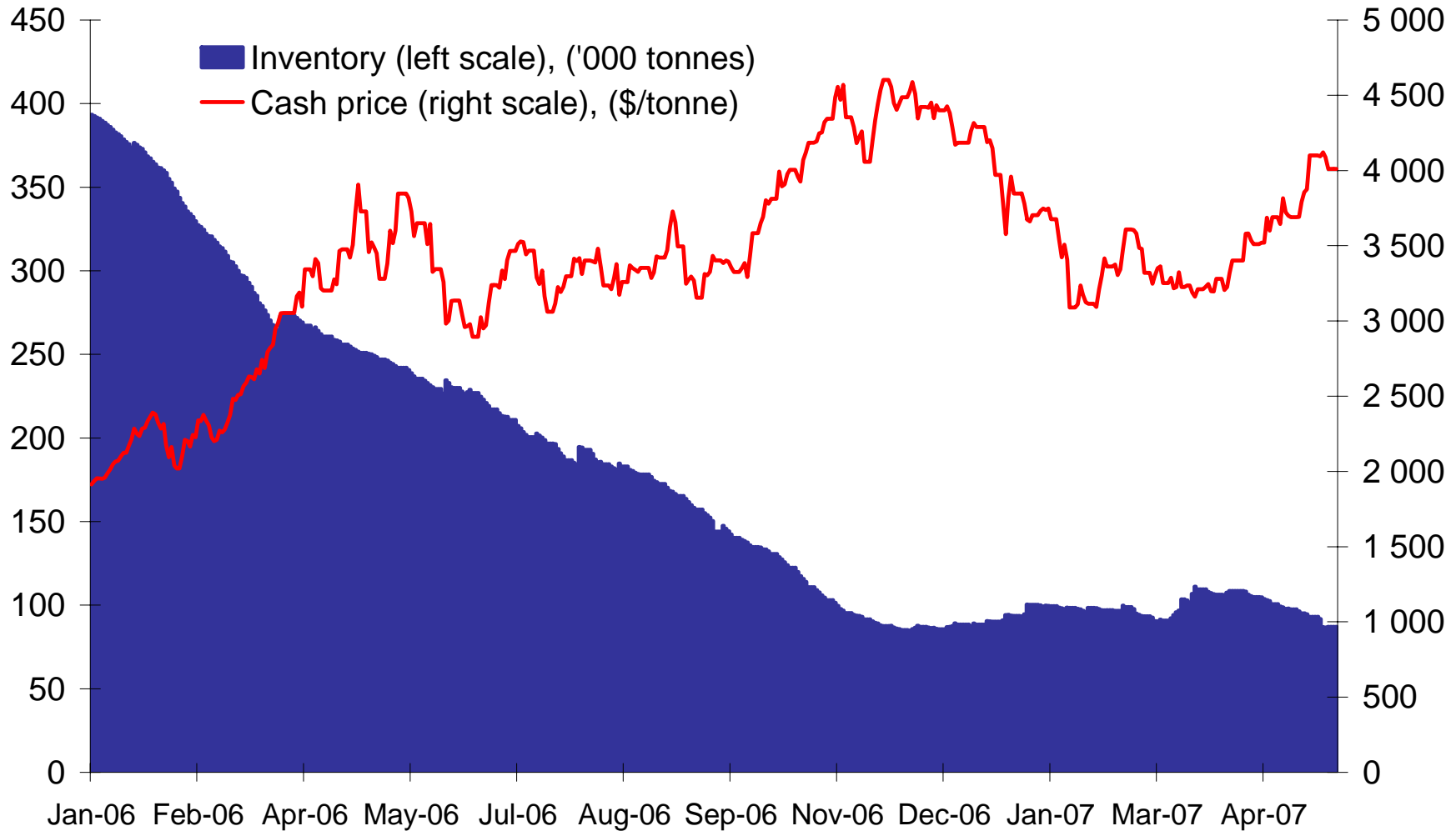
Zinc Metal World Balance

(tonnes in thousands)



Source: International Lead and Zinc Study Group (ILSG)

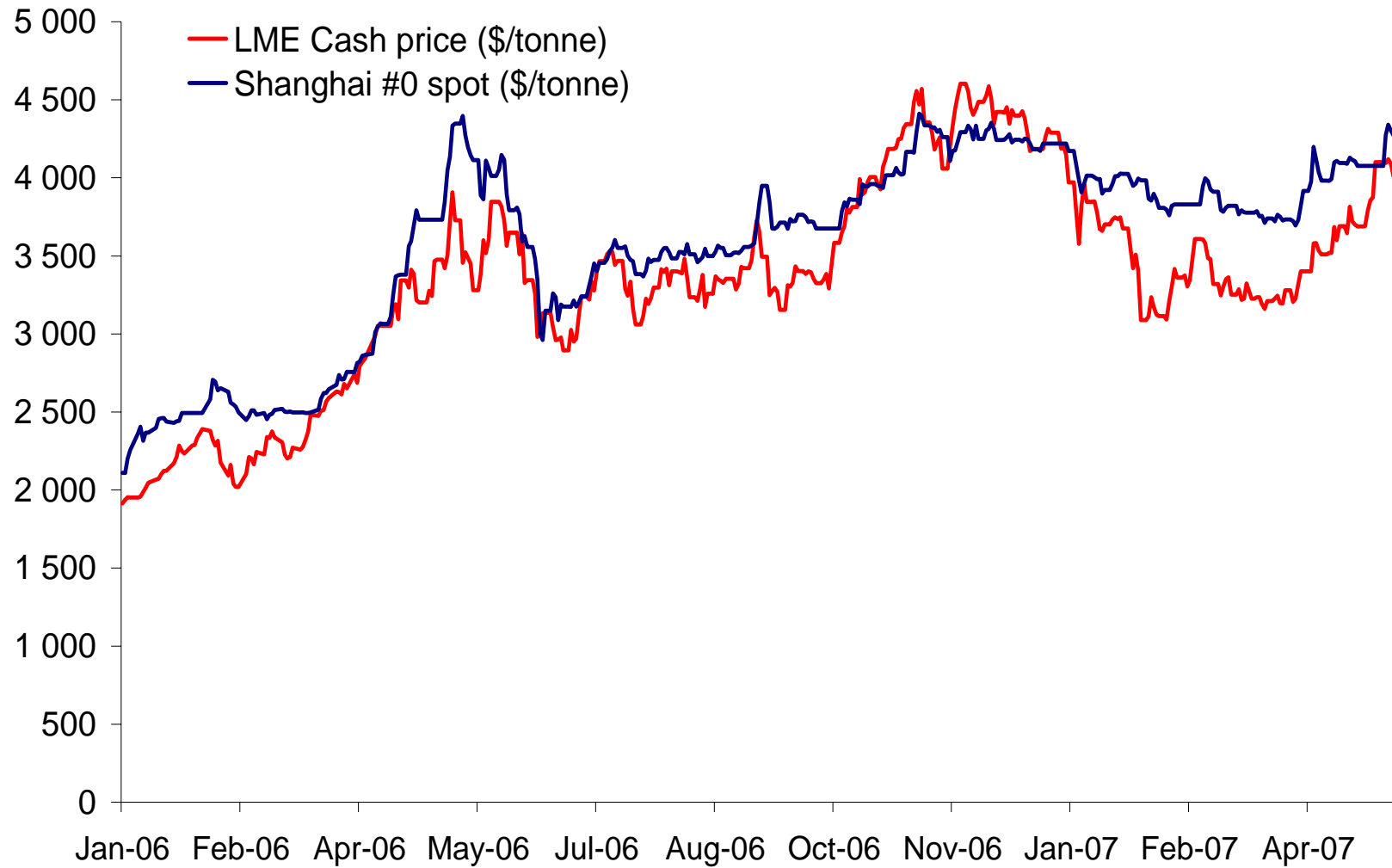
Zinc Price and Inventory



Source: London Metal Exchange



Shanghai #0 spot vs LME cash



Source: London Metal Exchange, Bloomberg



CIS Zinc Market Overview

Most zinc producers survived after collapse of USSR

One new plant was built – Balkhash

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

All plants, except Almalyk, became private and passed through some structural changes

Zinc metal production in CIS

(‘000 tonnes)

Producer	Projected capacity	Production	
		2005	2006
Chelyabinsk Zinc Plant <i>(Russia)</i>	200	116	148
Electrozinc (UMMC) <i>(Russia)</i>	100	90	88
Kazzinc <i>(Kazakhstan)</i>	300	287	289
Balkhash zinc plant <i>(Kazakhstan)</i>	100	51	59
Almalyk MMC <i>(Uzbekistan)</i>	120	42	46
Total	810	590	630

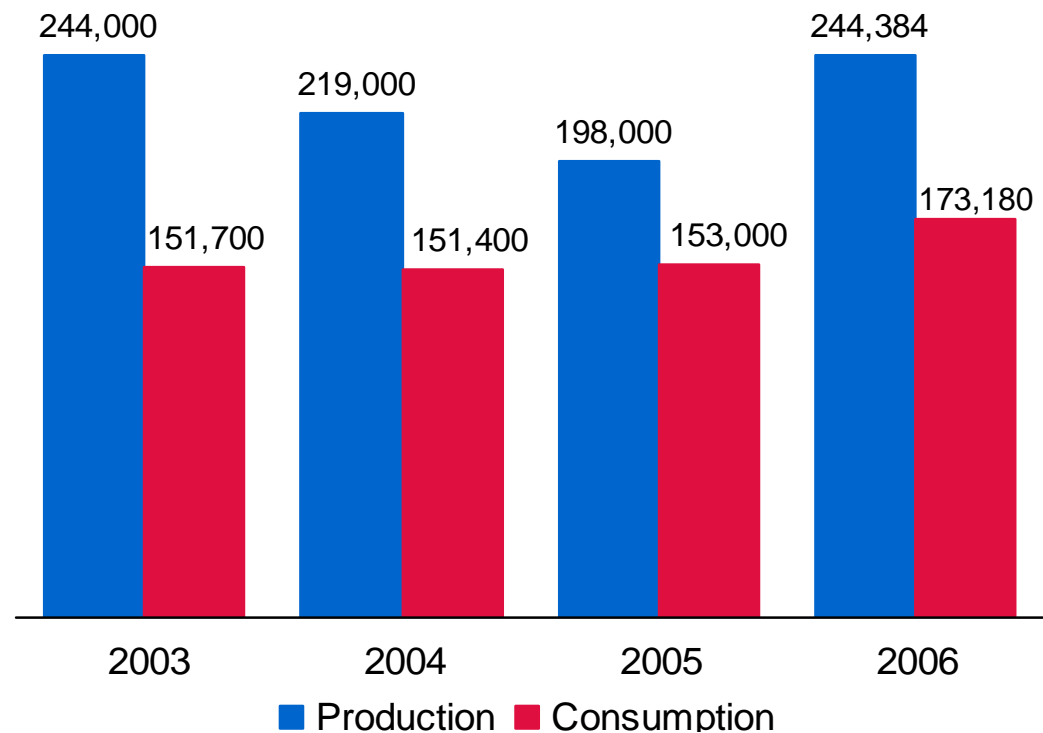
Russian Zinc Market Overview

Russian zinc sector accounted for 9% and 2% of the European and global zinc production in 2006, respectively (Source: Brook Hunt)

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

Zinc Production and Zinc Consumption

(in tonnes)



Russian Zinc Market Overview



Russian Zinc Market Overview

Zinc in concentrates production and mines under construction

(*000 tonnes)

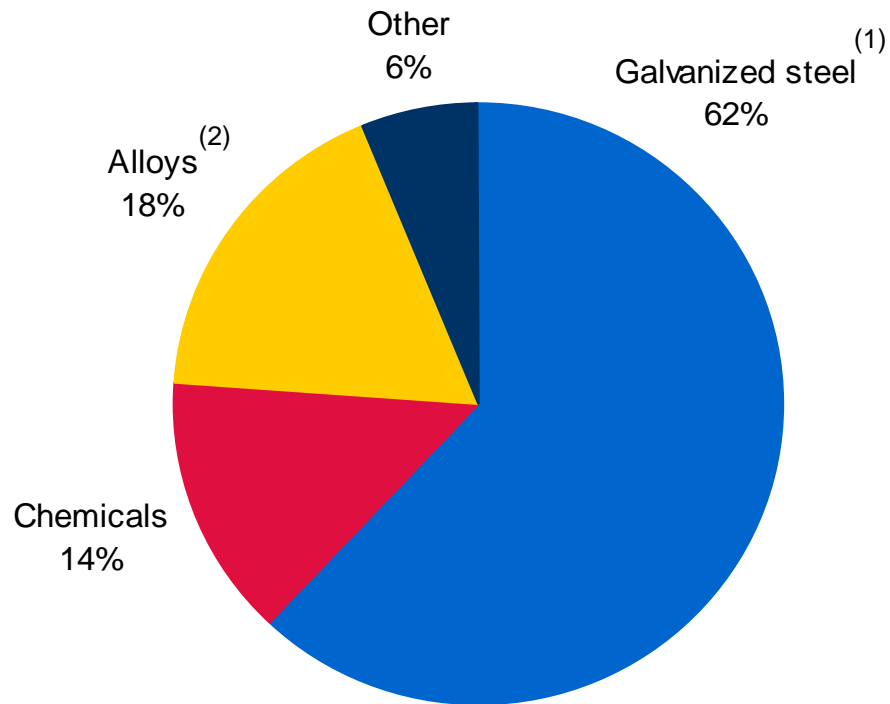
Company	Mine	Location	2006	Expected start up	Expected ⁽¹⁾ production
CZP	Akzhalsky	Rep. of Kazakhstan	32		
	Amurskoe	Chelyabinsk region	–	2010	50
UMMC	Altaisky	Altaisky kray	4		
	Gaisky	Orenburg region	9		
	Severny	Sverdlovsk region	–	2008	30
	Uchalinsky	Bashkortostan	119		
	Sibaisky	Bashkortostan	2		
RCC	Alexandrinsky	Chelyabinsk region	7		
	Orsky	Orenburg region	14		
	Priorsky	Rep. of Kazakhstan	–	2008	20
	Chebachie	Chelyabinsk region	–	2010	150
Dalpolimetal	–	Primorsky kray	16		
Metropol	Ozyornoe deposit	Altaisky kray	–	2012	250
	Kholodninskoe	Altaisky kray	–		250
Summa	Sardana	Yakutiya	–	2015	150
Total			203		

Source: CZP, Russian deposits cadastre

(1) Expected production at full capacity

Russian Zinc Market Overview

Russian Zinc Market Structure

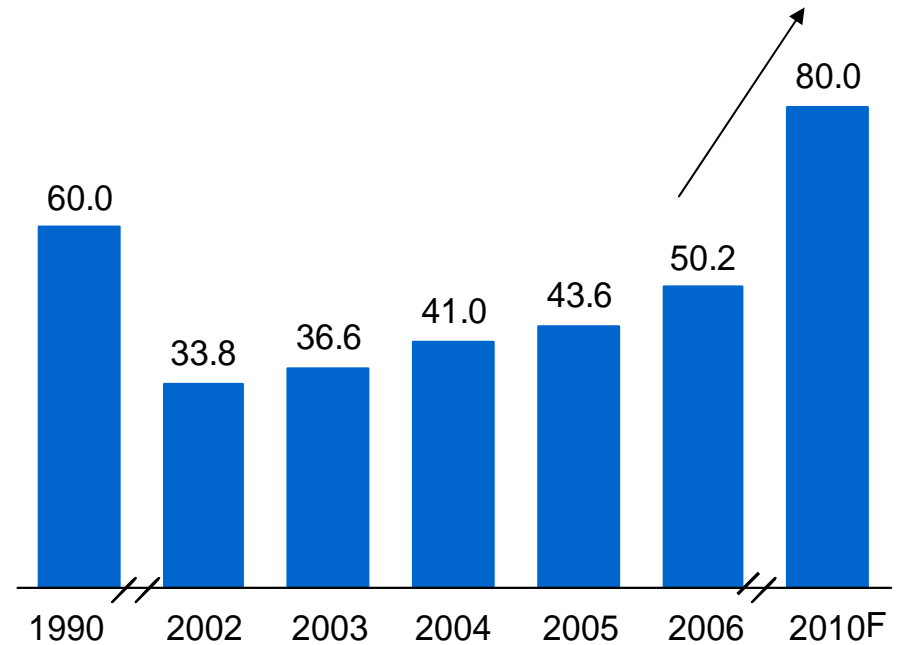


- (1) Includes 10% of galvanized steel produced using dipping method
- (2) Includes Brass

Housing Construction in Russia

(million of sq m)

CAGR 2006-10F = 12.4%

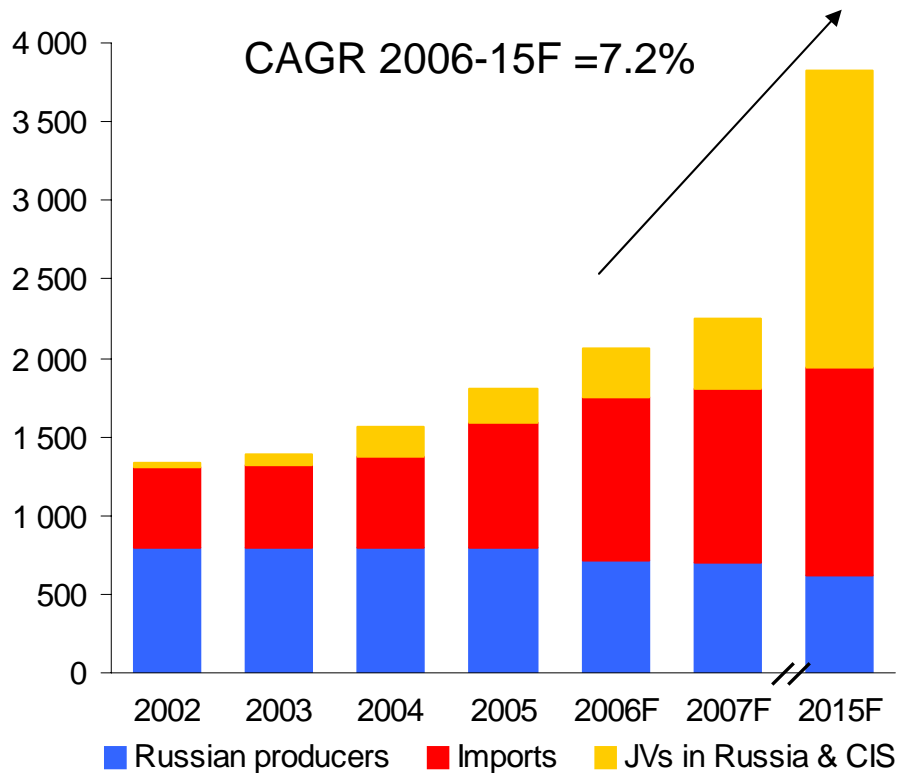


Source: The Federal Agency for Construction and Housing, www.gostroy.gov.ru

Russian Zinc Market Overview

Russian Car Market

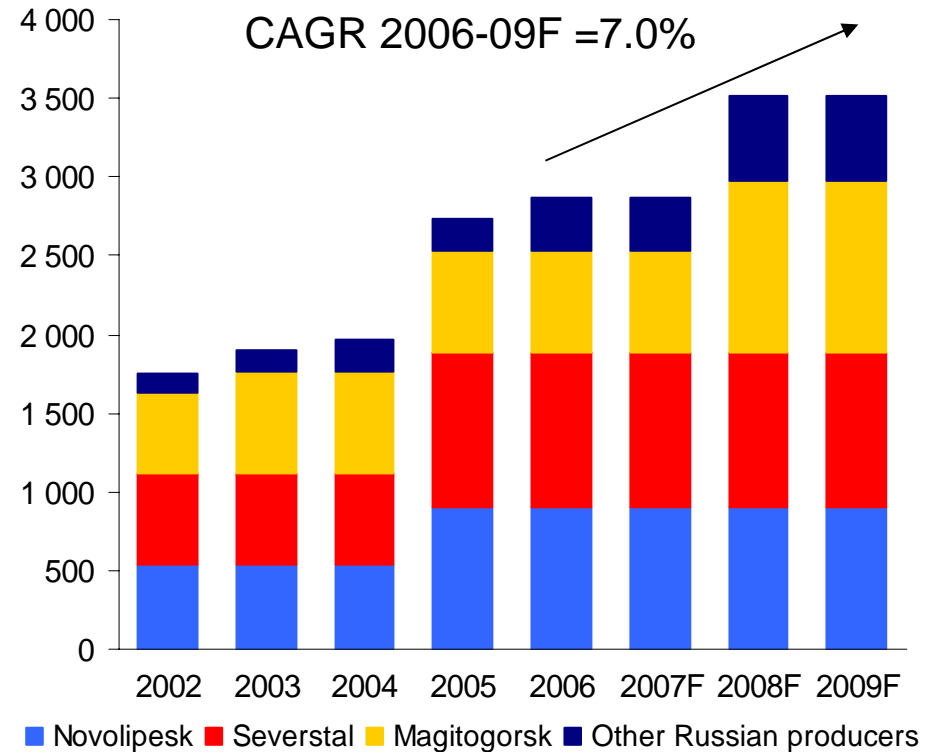
('000 units)



Source: GTK, Goskomstat, Company data, Deutsche UFG Research estimates

Growth in Galvanizing Steel Capacity

('000 tonnes)



Source: www.metalinfo.ru



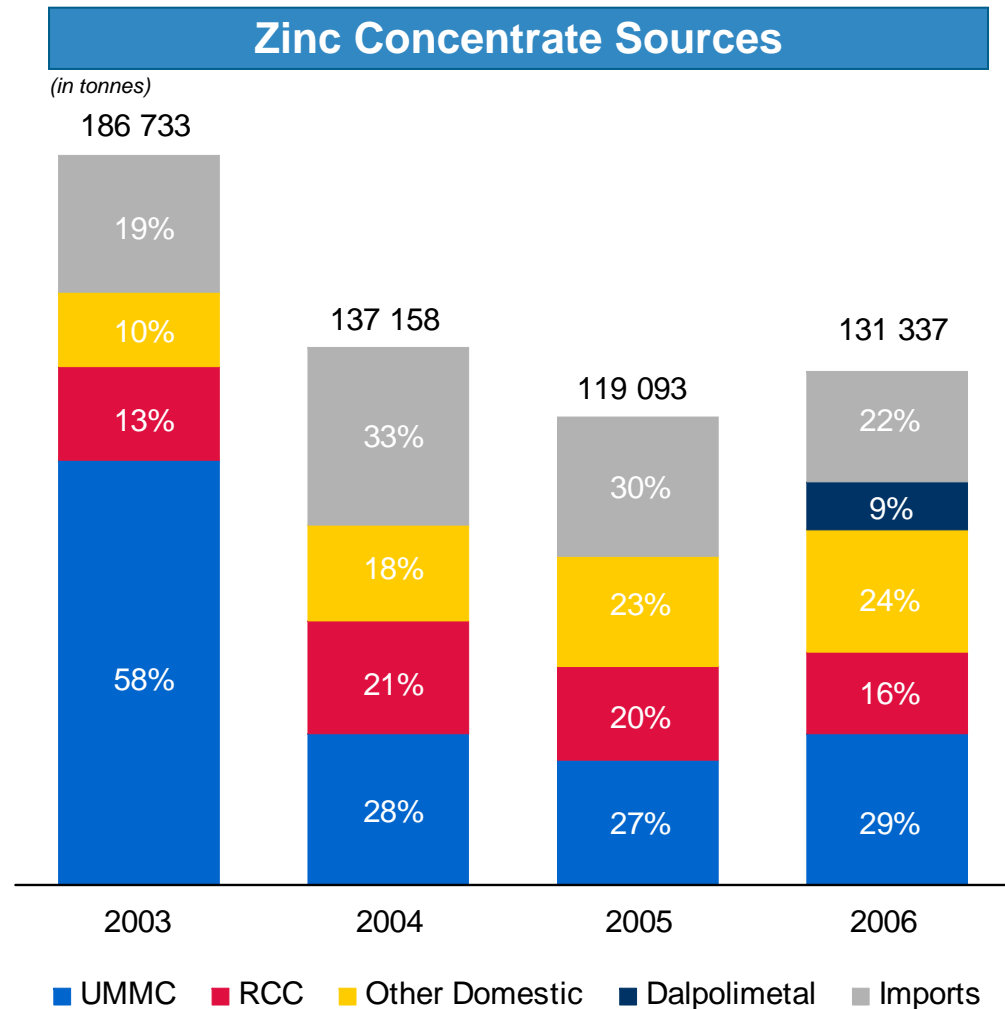
Operations Overview

Zinc Concentrate Supply

In 2006, domestic concentrate represented 78% of CZP's requirements

In 2006, CZP paid on average c. 60% of LME price for zinc concentrate

Shift to long-term contracts with core domestic suppliers – UMMC, RCC and Dalpolimetal



Zinc Operational Overview

CZP core products are SHG zinc and zinc alloys, indium and cadmium.

In addition CZP produces and sells various by-products

Product Mix

(in tonnes, except otherwise noted)

	2003	2004	2005	2006
Zinc (incl. Zinc Alloys)	177,300	152,000	116,400	148,384
Indium (kg)	6,572	3,603	3,622	3,326
Cadmium	486.7	372.3	417.7	464.3
Sulphuric Acid	311,200	249,400	157,100	240,050
Zinc in Sulphate	3,015	2,418	2,373	3,020
Lead Cake	5,919	6,726	7,234	9,622
Copper Clinker	72,904	72,923	74,346	73,820

Zinc Operational Overview

CZP is focused on its core domestic market

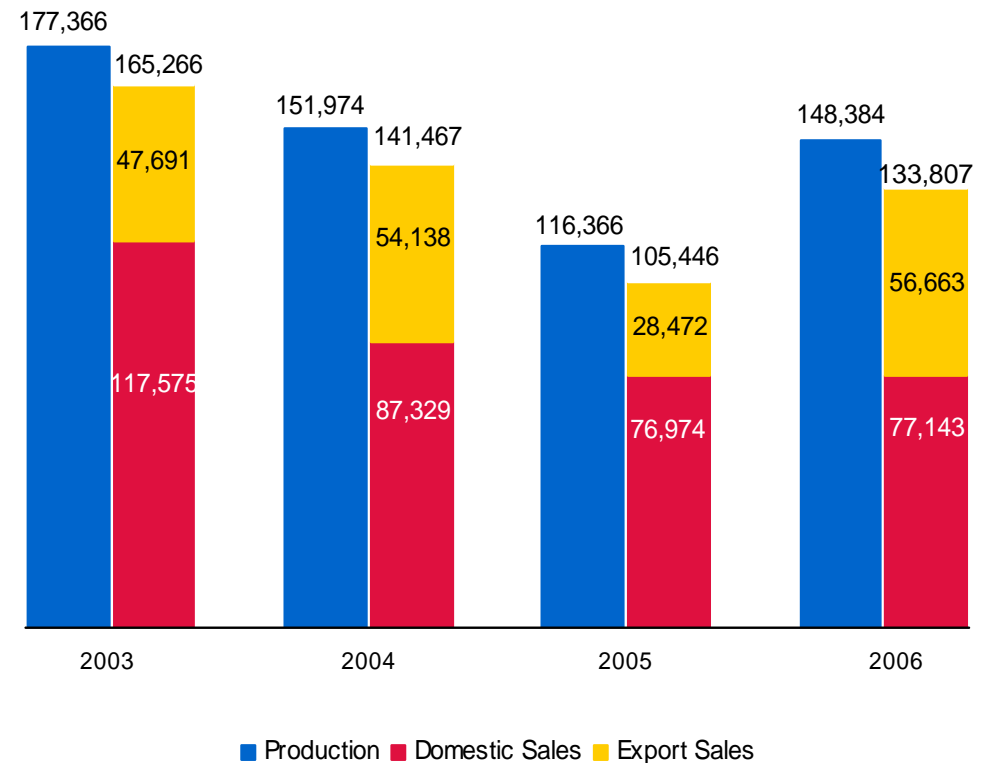
In 2006, Russia accounted for 58% of zinc sales by volume and for approximately 50% of total sales revenues

CZP enjoys long standing relationship with its largest customers

Three largest domestic customers represented c. 50% of total sales by volume

Zinc Production and Sales

(in tonnes)



Akzhal Mine at a Glance

The Akzhal lead zinc deposit is of sedimentary, stratiform type, similar to others found in Australia, Canada, Ireland and South Africa



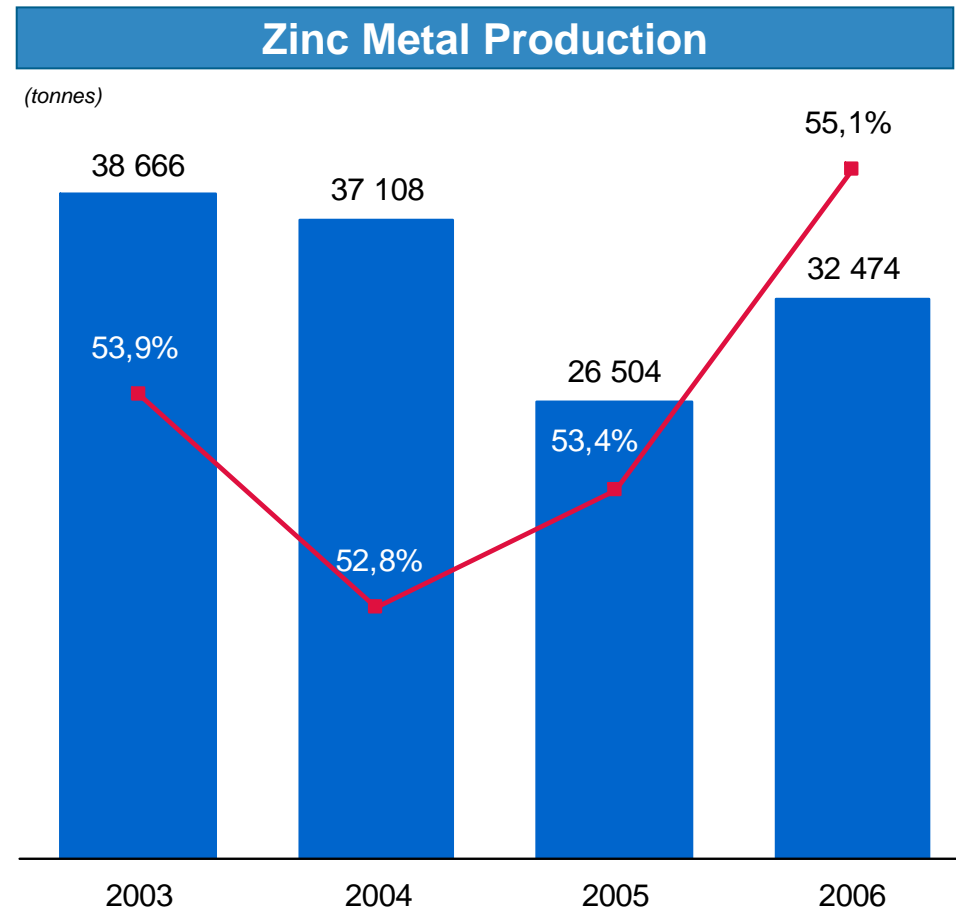
Akzhal Mine - Zinc Concentrate Production

Akzhal mine reserves:

13.6 million tonnes of probable ore reserves (*Source: SRK reserve report*)

Zinc content of 3.2% and zinc in ore of 439,000 tonnes

Lead content of 0.4% and lead in ore of 54,000 tonnes



Note: The Mineral Resource and Ore Reserve Statement of Nova Zinc were classified by UK-based SRK Consulting in accordance with the JORC Code as at 1 January 2006

■ Zinc Metal —■ Zinc in Zinc 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.

According to recent exploration studies, probable reserves at the Amursky deposit are evaluated at 1 million tonnes of zinc. The zinc content in the ore is up to 2.64%.





Financial Review

Income Statement Highlights

(RUB in millions)

	Standalone			Consolidated
	2003	2004	2005	2006E
Sales	4,101	3,972	4,791	14,985
Gross Profit	692	607	747	4,859
<i>Margin, %</i>	17%	15%	16%	32%
EBITDA	707	623	658	4,913
<i>Margin, %</i>	17%	16%	14%	33%
Net Income	205	148	147	2,872
<i>Margin, %</i>	5%	4%	3%	19%

Note: EBITDA and Net Income for 2004 are adjusted for an extraordinary item in the amount of RUB 209.3 mln that represented property insurance

Source: CZP's audited IFRS financial statements for the years ended 31 December 2003, 31 December 2004 and 31 December 2005
 CZP's IFRS consolidated financial statements for the six months ended 30 June 2006
 Unaudited IFRS consolidated financial statements for the nine months ended 30 September 2006

Balance Sheet and Cash Flow Highlights

(RUB in millions)	Standalone			Consolidated
	2003	2004	2005	2006E
Balance Sheet				
Total Assets	5,380	5,030	5,674	14,165
Total Debt	642	447	270	3,470
Net Debt	549	259	138	2,526
Shareholder's Equity	4,273	4,211	4,358	8,368
Cash Flow Statement				
Net cash from operating activities	309	561	65	1,847
Net cash from/(used in) investing activities	(346)	(306)	64	(4,991)
Net cash from/(used in) financing activities	27	(155)	(188)	4,636

Source: CZP's audited IFRS financial statements for the years ended 31 December 2003, 31 December 2004 and 31 December 2005
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CZP Capex Programme and Strategy

CZP has developed a comprehensive capex programme aimed at modernisation of the entire production process

1999-2002 Rbls 2.5 billion invested to commission the new electrolysis shop, install two Larox filters and upgrade sulphuric acid production capacity

2006-2009 expansion capex aimed at de-bottlenecking and increasing zinc production: Construction of Waelz Kiln #5, Sulphuric Acid Unit #4, Electrolysis, roasting and leaching shops. Total expansion capex of Rbls 1,8 billion

CZP Capex Programme and Strategy

On March 16, 2007 new highly efficient, large-capacity Waelz kiln was put into operation. The new facility will allow processing of additional 85,000 tons of secondary raw material a year. Total investment in construction of the Waelz kiln facility #5 has been about USD 24 million





Strategy

CZP Tomorrow – Delivering Further Value

Continued Focus on Capturing Margin	De-bottlenecking to deliver increased yields and profitability Developing mining business Maintaining Substantial premium to LME zinc price on domestic sales Ongoing rationalisation of cost base
Capitalise on Natural Location Advantages	Proximity to zinc concentrate suppliers and zinc customers Growing domestic zinc market <ul style="list-style-type: none">- Construction boom- Growing galvanising capacity

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