



JSC CHELYABINSK ZINC PLANT
 24, Sverdlovskiy Trakt,
 Chelyabinsk, 454008, Russia
 Tel.: +7 (351) 799-00-00
 Fax: +7 (351) 799-00-65
 www.zinc.ru

NEWS RELEASE

For Immediate Release – December 20, 2007

JSC Chelyabinsk Zinc Plant Announces Results For The Nine Months Ended September 30, 2007

Chelyabinsk, Russia – December 20, 2007 – Chelyabinsk Zinc Plant (LSE: CHZN, RTS: CHZN), Russia's largest producer of zinc and zinc alloys, is pleased to announce its results for the nine months ended September 30, 2007.

Consolidated financial results for 9 months of 2007*

	Nine Months Ended 30 September ⁽¹⁾				Change, Y-o-Y	
	2007		2006		RR	\$
	RR	\$	RR	\$		
	<i>(in millions)</i>				<i>(%)</i>	
Revenue	11,658	450	10,464	382	11%	18%
Gross Profit	3,195	123	4,008	146	(20)%	(16)%
	<i>gross margin, %</i>		<i>gross margin, %</i>			
	27%	27%	38%	38%		
EBITDA⁽²⁾	3,261	126	3,500	128	(7)%	(1)%
	<i>EBITDA margin, %</i>		<i>EBITDA margin, %</i>			
	28%	28%	33%	33%		
Profit/(loss) before income tax	2,435	94	2,819	103	(14)%	(9)%
Net Income	1,782	69	2,163	79	(18)%	(13)%
	<i>net margin, %</i>		<i>net margin, %</i>			
	15%	15%	21%	21%		

* Unaudited accounts.

CZP's financial statement for the nine months of 2006 and nine months ended September 30, 2007 reflect the consolidation of Nova Zinc, from 1 April 2006.

(1) Solely for the convenience of the reader, certain information derived from the consolidation financial statements included in the press release has been converted into U.S. dollars at the rate of RR 25.9 per \$1.00 for the 9th months of 2007 and RR 27.4 per \$1.00 for the 9th months of 2006.

(2) EBITDA, for any relevant period, represents operating profit before depreciation and amortisation. EBITDA is presented because CZP considers it an important supplemental measure of CZP's operating performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in CZP's industry. EBITDA has limitations as an analytical tool, and it should not be considered in isolation, or as a substitute for analysis of CZP's operating results as reported under IFRS. Some of these limitations are as follows:

- EBITDA does not reflect the impact of financing costs, which are significant and could further increase if CZP incurs more debt, on CZP's operating performance.
- EBITDA does not reflect the impact of income taxes on CZP's operating performance.
- EBITDA does not reflect the impact of depreciation and amortisation on CZP's operating performance. The assets of CZP's business which are being depreciated and/or amortised will have to be replaced in the future and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. By

excluding this expense from EBITDA, EBITDA does not reflect CZP's future cash requirements for these replacements.

- Other companies in CZP's industry may calculate EBITDA differently or may use it for different purposes than CZP does, limiting its usefulness as a comparative measure.

CZP compensates for these limitations by relying primarily on its IFRS operating results and using EBITDA only supplementally. See CZP's consolidated statements of income and consolidated statements of cash flows included in the current press release.

EBITDA is a measure of CZP's operating performance that is not required by, or presented in accordance with, IFRS. EBITDA is not a measurement of CZP's operating performance under IFRS and should not be considered as an alternative to profit for the year, operating profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of CZP's liquidity. In particular, EBITDA should not be considered as a measure of discretionary cash available to CZP to invest in the growth of its business.

Reconciliation of EBITDA to net income is as follows for the periods indicated:

	Nine months ended 30 September			
	2007		2006	
	RR	\$	RR	\$
	<i>(in millions)</i>			
Profit/(loss) for the period	1,782	69	2,163	79
Add:				
Depreciation and amortisation	733	28	530	19
Finance income and costs, net	92	4	150	5
Income tax expense	653	25	656	24
EBITDA	3,261	126	3,500	128

In January-September 2007 Chelyabinsk Zinc Plant (CZP) produced 122,676 tonnes of zinc, 11% more than for the same period of 2006 (110,178 tonnes). CZP sales for the nine months of 2007 totaled 109,494 tonnes, an increase of 10% compared with the corresponding period last year (99,953 tonnes). CZP's domestic sales accounted for 48% of the total sales or 52,451 tonnes, export sales totaled 57,043 tonnes or 52% of CZP's total sales for the nine months ended September 30, 2007 (9M 2006: domestic sales – 60,325 tonnes, export sales – 39,628 tonnes of zinc and zinc based alloys).

Since the beginning of the year all zinc concentrate produced by CZP's subsidiary, Nova Zinc, operator of Akzhal mine in Kazakhstan, has been supplied to the Chelyabinsk Zinc Plant. For the nine months of 2007 Akzhal's supply to CZP totaled 23.6 thousand tonnes of zinc in zinc concentrate, production of lead in lead concentrate by Akzhal mine totaled 3,9 thousands tonnes for the same period of 2007.

CZP's revenues increased by 18% to \$450 million in the nine months of 2007 as compared to the same period of 2006 (9M 2006: \$382 million). The main reasons for this increase were increase in LME zinc prices (LME zinc average price: 9M 2006 - \$2,965.5 per tonne, 9M 2007 - \$3,451.7 per tonne) and growth in volume of zinc sales. Revenue for the nine months of 2007 also includes \$12.3 million (or 3% of the total revenues) generated from sales of lead concentrate by Nova Zinc (9M 2006 - \$5.1 million) and \$23.1 million (or 5% of the total revenues) received from the sales of by-products which include primarily sulphuric acid, cadmium and indium (\$16.8 million in the nine months of 2006).

CZP's gross profit for the nine months of 2007 decreased by 20% to \$123 million compared to \$146 million for the same period of the previous year. Gross profit margin for the nine months was 27% (9M 2006 Gross profit margin – 38%), EBITDA margin decreased from 33% to 28%. This was caused by an increase in costs and change in the sales structure (domestic vs export sales).

Cost of sales increased by \$91 million to \$327 million (9M 2006 – \$236 million), primarily as a result of an increase in costs of materials and consumables used due to the higher prices for zinc concentrate and an increase in costs of repairs and maintenance.

Increase in repairs and maintenance costs was mainly attributed to the deferred repairs and maintenance expenses incurred in 2003 - 1H 2006, as a result of unfavorable LME zinc prices.

Starting from July 2006 Nova Zinc increased stripping operations (i.e. overburden and other waste removal) in order to reduce the lag in stripping. This increase also impacted consolidated amount of cost of sales.

Distribution costs for the nine months of 2007 totaled \$11 million, an increase of 92% compared to the same period of 2006 due to an increase in export sales volume.

Net Income for the nine months ended September 30, 2007 totaled \$69 million compared to \$79 million for the same period of the year 2006.

CZP will host an Investor Conference Call to discuss its IFRS consolidated interim financial statements for the 9 months ended 30 September 2007 (unaudited) and comment on current operations today, December 20, 2007 at 6pm Moscow time (3pm London time, 10am New York time). Media are invited to attend on a listen-only basis.

To participate in the conference call dial one of the dial-in numbers as follows:

- **If dialing from Russia: (495) 981-0871**
- **If dialing from UK: 0800 678 1160 (toll free)**
- **If dialing from the USA: 1 866 297 7327 (toll free)**

If dialing from countries other than specified please refer to <http://www.conferencing.bt.com/bt/50/eng/automated/bridge.jsp>.

Once connected, the participant should enter the passcode: 450 536#

To join the web conference, paste the following link into the address bar of your web browser: https://www.livemeeting.com/cc/btconferencing_eventsssl3, then enter your Meeting ID/Meeting number: K2139169 and Password: 450536A.

The recording of the conference call and the presentation will be available on CZP's website (www.zinc.ru) in the Investor Relations section.

About Chelyabinsk Zinc Plant

Chelyabinsk Zinc Plant OJSC is a leading Russian zinc producer. It is responsible for approximately 60% of Russian zinc production volume. In 2006 the plant produced 148,384 tons of SHG zinc. According to consolidated IFRS accounts, revenues in 2006 were RUB 14.985 billion, and net profit was RUB 2,871.7 million.

NF Holdings B.V. (The Netherlands) controls 54.7% of shares of CZP. 50% shares of NF Holdings B.V. belong to Arkley Capital S.à r.l., Luxembourg.

Ordinary shares of CZP are traded on the RTS exchange, under ticker CHZN, and Global Depository Receipts (GDR) are traded on the London Stock Exchange under ticker CHZN.

Investor and Media Contacts:

Anna Levitanskaya, PR Director, Anna.Levitanskaya@zinc.ru

Tatyana Krasnousova, IR, Tatyana.Krasnousova@zinc.ru

Tel: +7 495 933 27 80

JSC CHELYABINSK ZINC PLANT
Consolidated Interim Balance Sheet
as of 30 September 2007

In thousands of Russian Roubles

30 September 2007 31 December 2006

UNAUDITED

ASSETS		
Non-current assets		
Property, plant and equipment	7 202 964	7 061 332
Advances for capital construction	113 081	134 693
Goodwill	831 176	831 986
Other intangible assets	183 020	22 584
Other non-current assets	199 999	603 181
Total non-current assets	8 530 241	8 653 776
Current assets		
Inventories	2 694 489	2 252 927
Accounts receivable	2 416 655	1 321 947
Profit tax recoverable	24 416	-
Loans receivable and promissory notes	440	589 064
Short-term investments	406 578	-
Bank deposits	800 000	500 606
Cash and cash equivalents	640 330	443 553
Restricted cash	10 290	402 707
Total current assets	6 993 198	5 510 804
TOTAL ASSETS	15 523 438	14 164 580
Equity		
Share capital	78 860	78 860
Share premium	1 375 231	1 375 231
Legal reserve	572	572
Cumulative translation reserve	(224 522)	(189 515)
Retained earnings	8 885 007	7 102 628
TOTAL EQUITY	10 115 146	8 367 776
LIABILITIES		
Non-current liabilities		
Borrowings	2 031 089	2 767 959
Provision for asset retirement obligations and site restoration	39 257	38 386
Deferred income tax liability	1 226 108	1 350 619
Other non-current liabilities	1 273	4 122
Total non-current liabilities	3 297 727	4 161 086
Current liabilities		
Borrowings	813 529	702 312
Accounts payable, accrued expenses and advances from customers	1 217 891	729 761
Current income tax payable	2 021	131 846
Other taxes payable	77 124	71 799
Total current liabilities	2 110 565	1 635 718
TOTAL LIABILITIES	5 408 292	5 796 804
TOTAL LIABILITIES AND EQUITY	15 523 438	14 164 580

JSC CHELYABINSK ZINC PLANT
Consolidated Interim Statement of Income
for the nine months ended 30 September 2007

<i>In thousands of Russian Roubles</i>	Nine months ended 30 September 2007	Nine months ended 30 September 2006
	(UNAUDITED)	
Revenue	11 657 604	10 463 916
Cost of sales	(8 462 116)	(6 455 970)
Gross profit	3 195 488	4 007 946
Distribution costs	(293 995)	(152 865)
General and administrative expenses	(439 533)	(986 788)
Operating profit	2 461 961	2 868 293
Finance income	146 751	2 688
Finance costs	(238 842)	(152 888)
Net foreign exchange gain	65 580	101 256
Profit before income tax	2 435 450	2 819 349
Income tax charge	(653 072)	(656 420)
Profit for the period	1 782 378	2 162 928
Profit attributable to:		
Shareholders of the Company	1 782 378	2 162 928
Profit for the period	1 782 378	2 162 928
Earning per share - basic and diluted (in RR)	329	425

JSC CHELYABINSK ZINC PLANT

Consolidated Interim Statement of Cash Flows for the nine months ended 30 September 2007

<i>In thousands of Russian Roubles</i>	Nine months ended 30 September 2007	Nine months ended 30 September 2006
	UNAUDITED	
Cash flows from operating activities		
Profit before income tax	2 435 450	2 819 349
Adjustments for:		
Depreciation and amortization	733 478	530 339
Net loss on disposal of property, plant and equipment	9 727	111 922
(Reversal)/impairment of trade and other receivables	(16 514)	5 353
Inventory write-down to net realisable value	1 685	1 168
Finance gains and losses, net	92 091	147 156
Precious metals revaluation	(15 565)	-
Foreign exchange gains	(65 580)	19 061
Other non-cash items	(30 823)	-
Operating cash flows before changes in working capital	3 143 948	3 634 349
Increase in trade and other receivables	(483 863)	(1 244 168)
Decrease/(increase) in inventory	(204 910)	(234 437)
Increase in trade and other payables	3 110	(162 918)
Increase/(decrease) in taxes payable	5 325	223 731
Increase/(decrease) in investments	(417 356)	-
Increase in bank deposits	98 228	-
Decrease in restricted cash balance	392 417	4 073
Cash generated from operations	2 536 899	2 220 630
Interest paid	(220 205)	(152 529)
Income taxes paid	(927 017)	(406 960)
Net cash generated from operating activities	1 389 678	1 661 140
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(950 547)	(589 137)
Proceeds from sale of property, plant and equipment	1 771	2 801
Proceeds from repayment of loans and redemption of promissory notes	588 624	8 000
Interest income received	132 352	5 373
Net cash paid for acquisition of a subsidiary	(409 764)	(3 715 677)
Net cash provided used in investing activities	(637 564)	(4 288 641)
Cash flows from financing activities		
Repayment of borrowings	(483 482)	-
Proceeds from borrowings	-	3 289 583
Acquisition of treasury shares	-	(21 804)
Finance lease payments	(13 470)	-
Net cash (used in)/provided from financing activities	(496 951)	3 267 779
Effect of currency translation and exchange rate fluctuations on cash and cash equivalents	(58 386)	(19 059)
Net increase in cash and cash equivalents	196 776	621 219
Cash and cash equivalents at the beginning of the period	443 553	131 740
Cash and cash equivalents at the end of the period	640 330	752 958

JSC CHELYABINSK ZINC PLANT

Consolidated Interim Statement of Changes in Equity for the nine months ended 30 September 2007

<i>In thousands of Russian Roubles</i>	Share capital	Treasury shares	Share premium/ discount	Legal reserve	Cumulative translation reserve	Retained earnings	Total equity
Balance at 1 January 2006	74 077	-	48 192	397	-	4 235 524	4 358 190
Translation movement	-	-	-	-	(112 680)	-	(112 680)
Profit recognised directly in equity	-	-	-	-	(112 680)	-	(112 680)
Profit for the period	-	-	-	-	-	2 162 928	2 162 928
Total recognised profit for the period	-	-	-	-	-	2 162 928	2 050 248
Acquisition of treasury shares	-	21 804	-	-	-	-	21 804
Sale of treasury shares	-	(21 804)	3 634	-	-	-	(18 170)
Shares issued	4 458	-	-	-	-	(4 458)	-
Balance at 30 September 2006	78 535	-	51 826	397	(112 680)	6 393 994	6 412 072
Balance at 1 January 2007	78 860	-	1 375 231	572	(189 515)	7 102 628	8 367 776
Translation movement	-	-	-	-	(35 007)	-	(35 007)
Profit recognised directly in equity	-	-	-	-	-	(35 007)	-
Profit for the period	-	-	-	-	-	1 782 378	1 782 378
Total recognised profit for the period	-	-	-	-	-	1 782 378	1 747 371
Balance at 30 September 2007	78 860	-	1 375 231	572	(224 552)	8 885 006	10 115 147