



CZP – Russia's Leading Zinc Producer

Company Presentation

March 2007

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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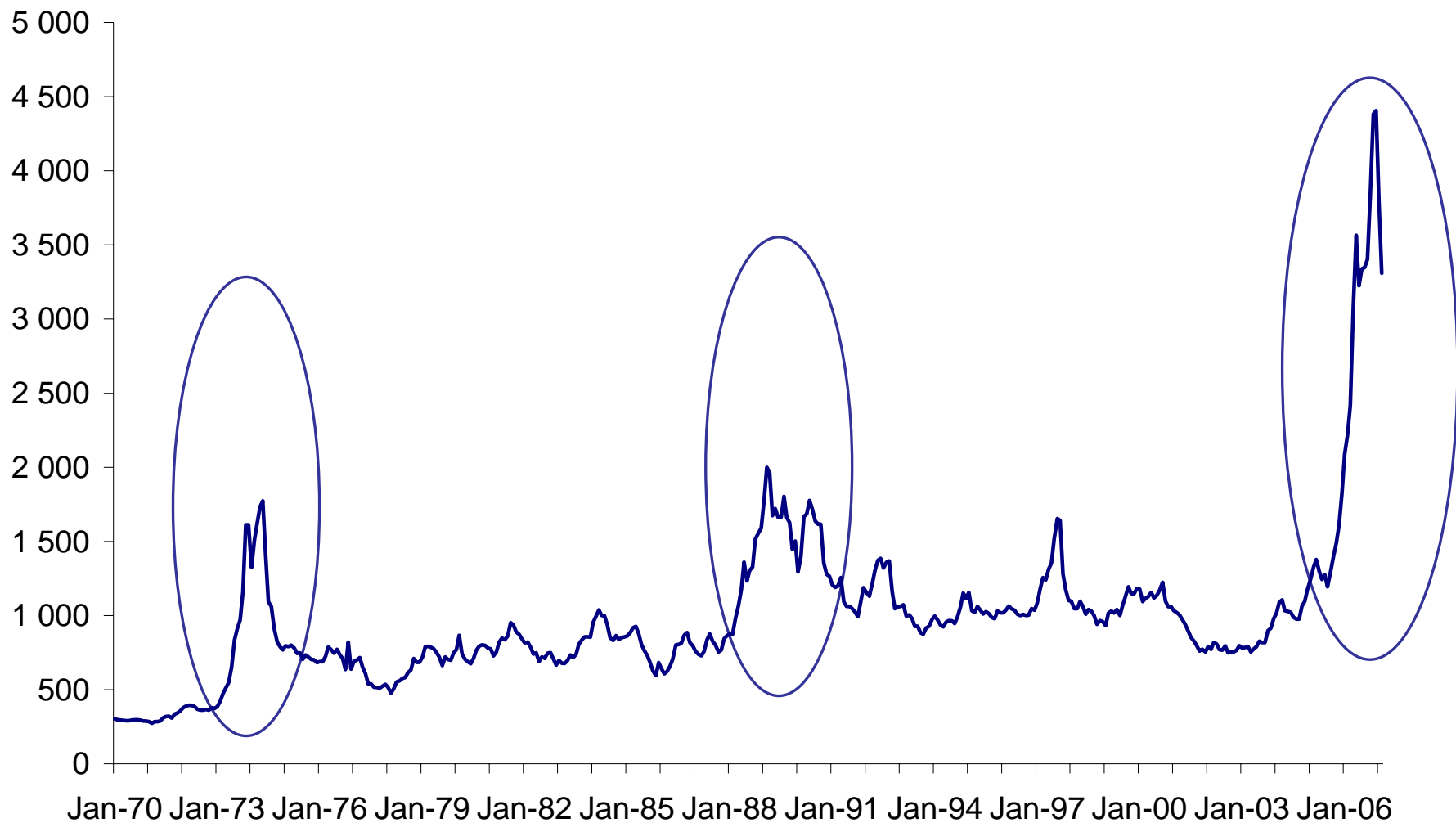


Zinc Market Update and Outlook

2006 Zinc Market Overview

- Zinc price hit new highs on 23 November 2006 (US\$4,619), more than double analysts' expectations at the start of the year
- LME zinc inventories hit new lows and reached 84.8kt on December 1st, equivalent to just 3 stock days
- Growth has been driven mainly by the extraordinary development in China
- Majority of increased demand has come from zinc-coated steel production
- Increasing interest from funds helped drive base metal prices

Zinc Price Environment

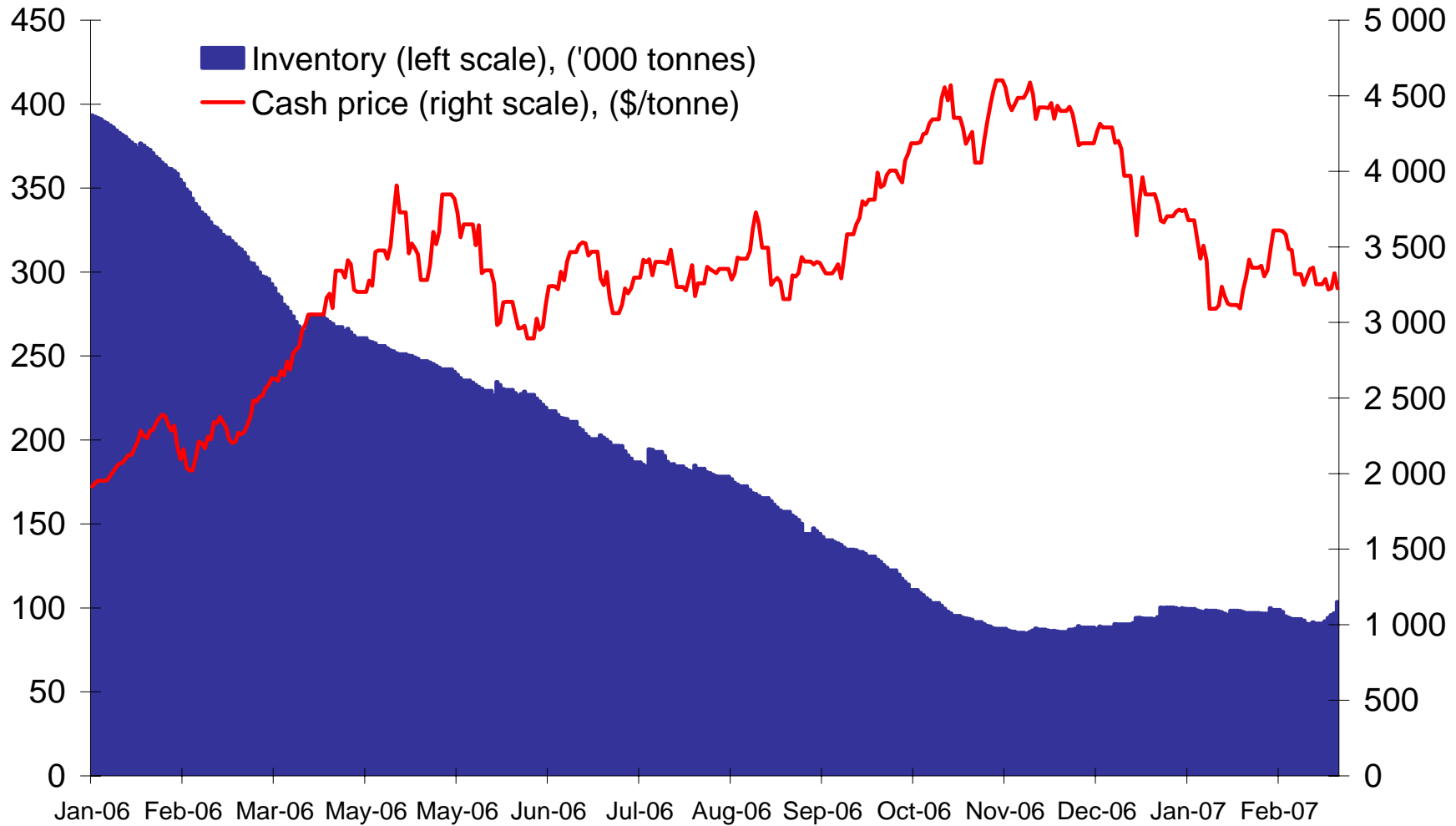


Source: LME, Brook Hunt.

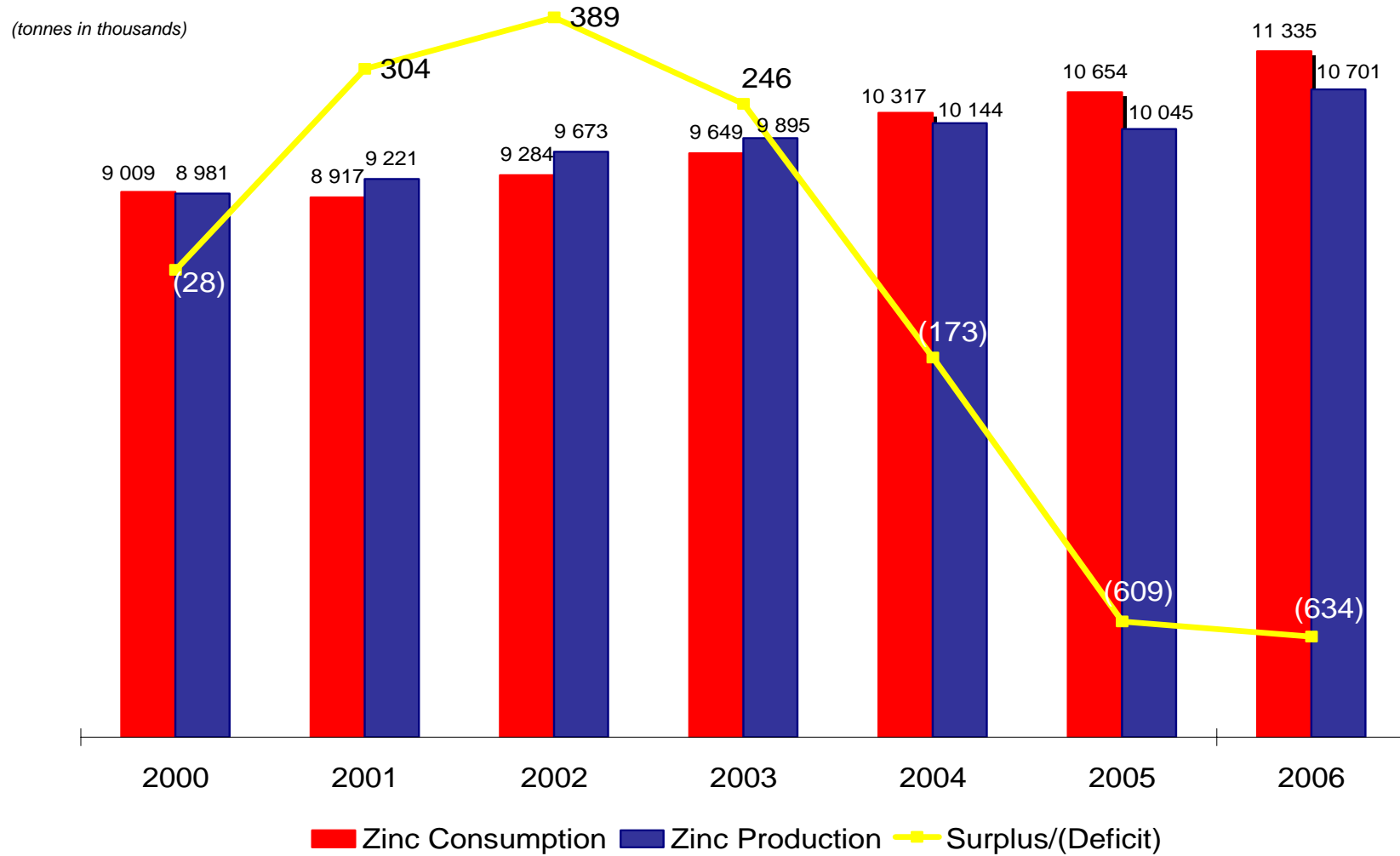
Note: Average cash LME price. Historical prices without adjustment for inflation



Zinc Price and Inventory



Global Zinc Market Overview



Source: Standard Bank (for 2000 – 2001), Brook Hunt (for 2002 –2006)
 Note: Brook Hunt 12m 2006 data is based on estimate



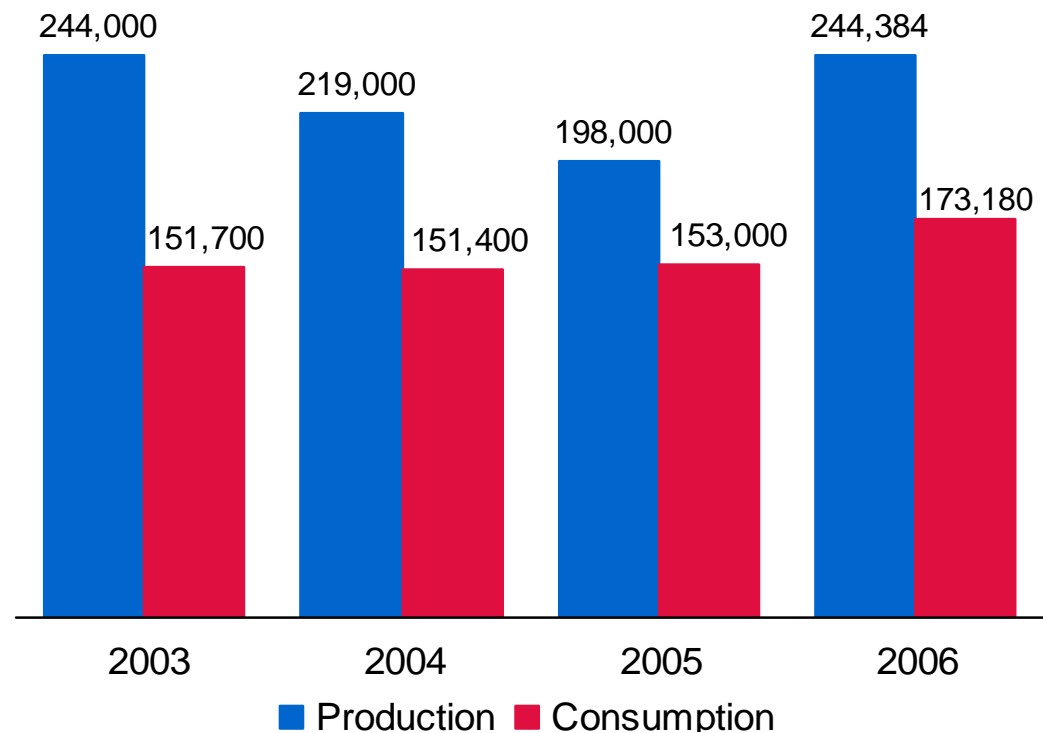
Russian Zinc Market Overview

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

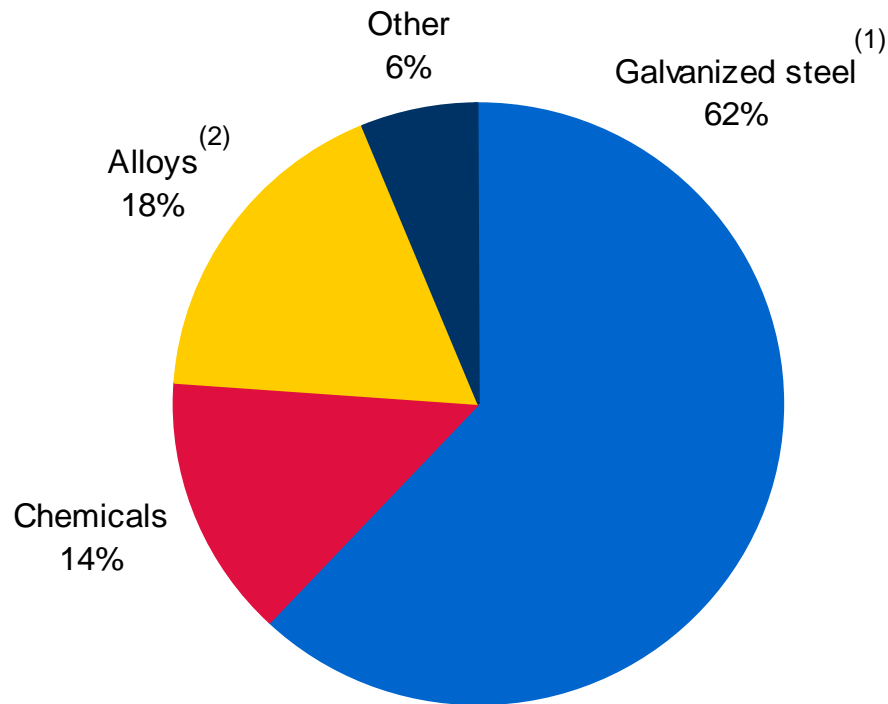
Zinc Production and Zinc Consumption

(in tonnes)



Russian Zinc Market Overview

Russian Zinc Market Structure

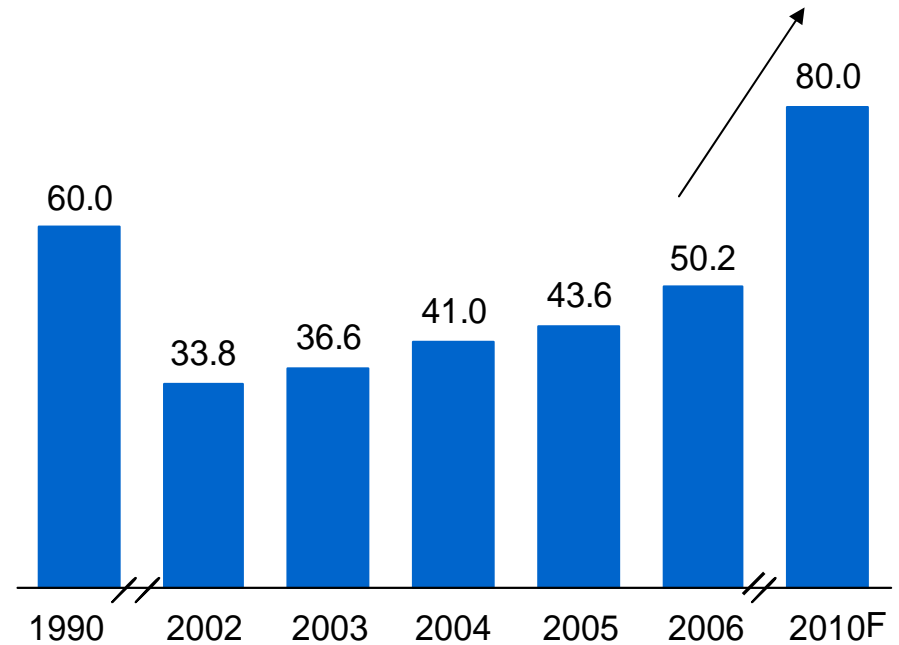


- (1) Includes 10% of galvanized steel produced using dipping method
- (2) Includes Brass

Housing Construction in Russia

(million of sq m)

CAGR 2006-10F = 12.4%

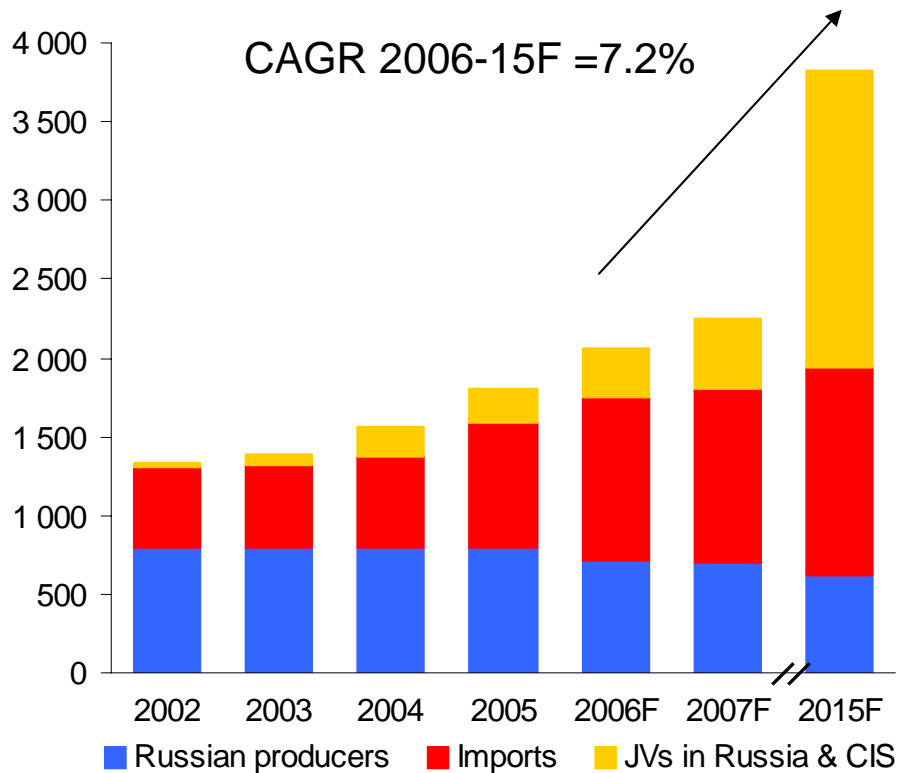


Source: The Federal Agency for Construction and Housing, www.gostroy.gov.ru

Russian Zinc Market Overview

Russian Car Market

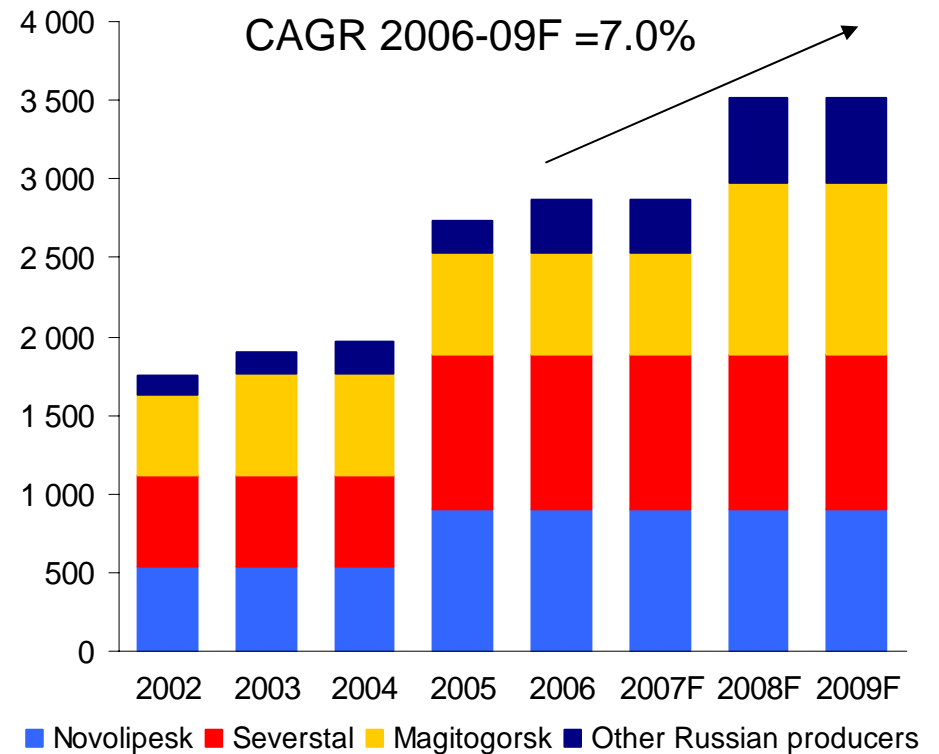
('000 units)



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

Growth in Galvanizing Steel Capacity

('000 tonnes)



Source: www.metalinfo.ru

Russian Zinc Market Overview





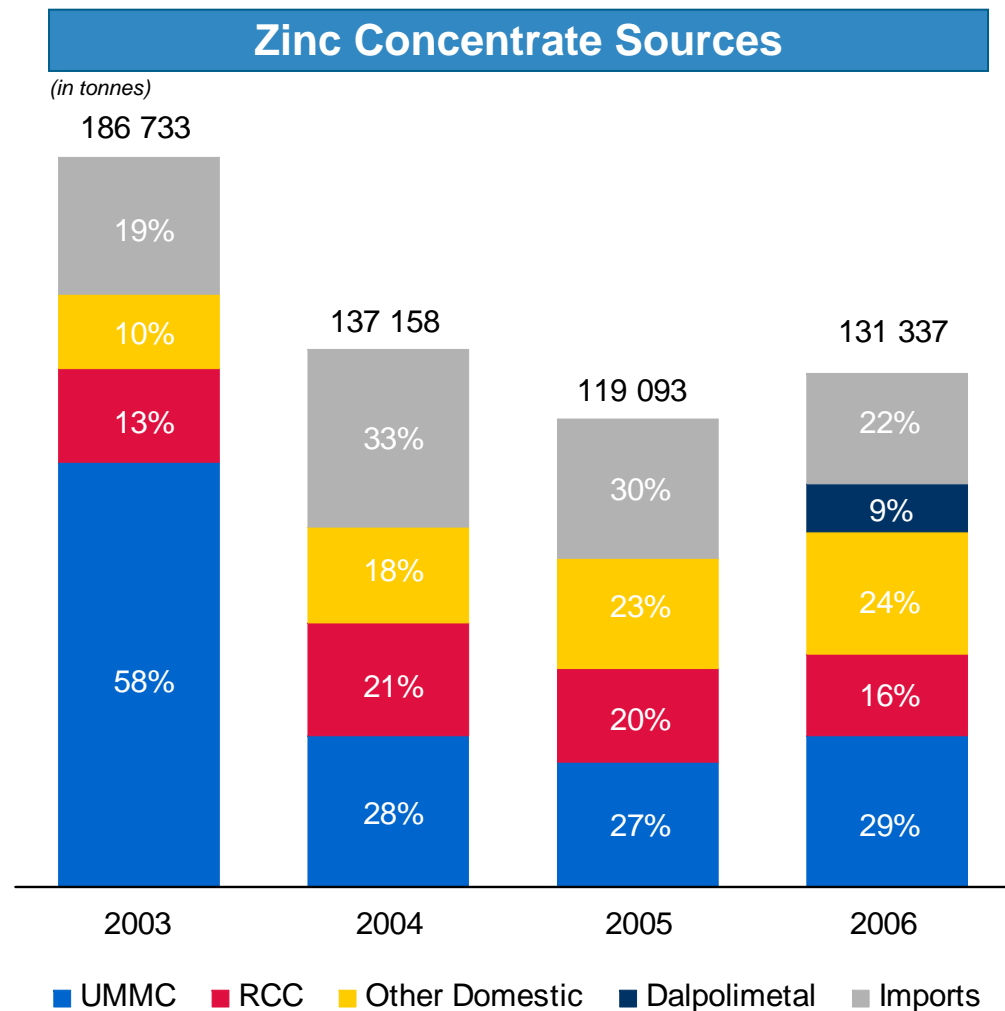
Operations Overview

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 is focused on its core domestic market

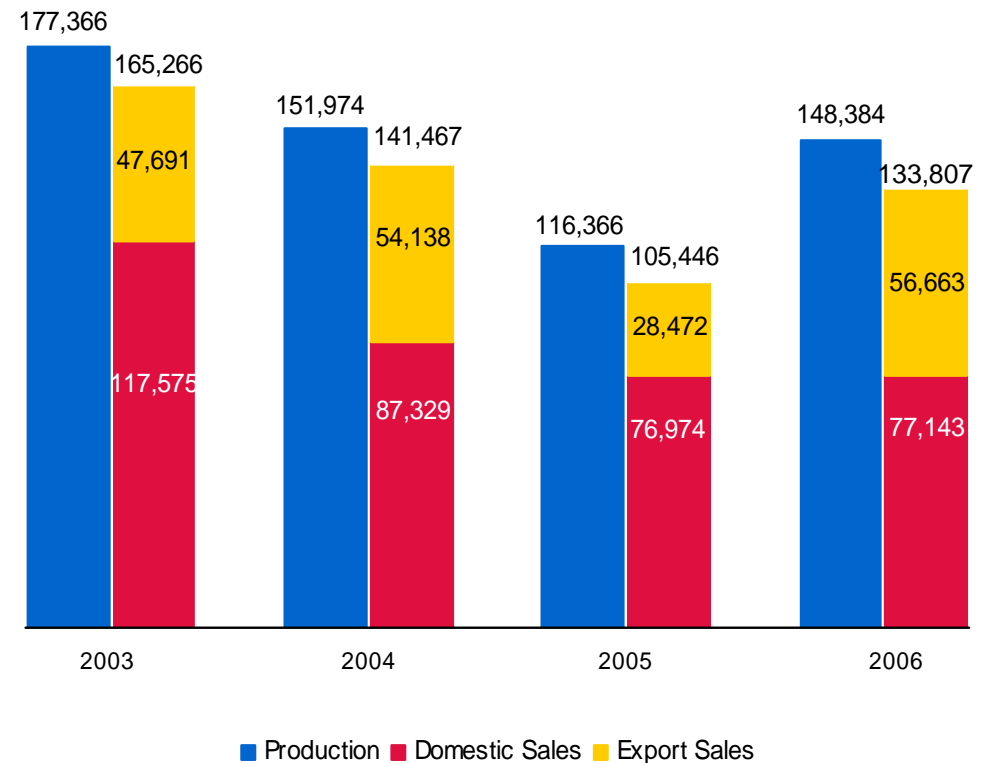
In 2006, Russia accounted for 56% of zinc sales by volume and for approximately 50% of total sales revenues

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)

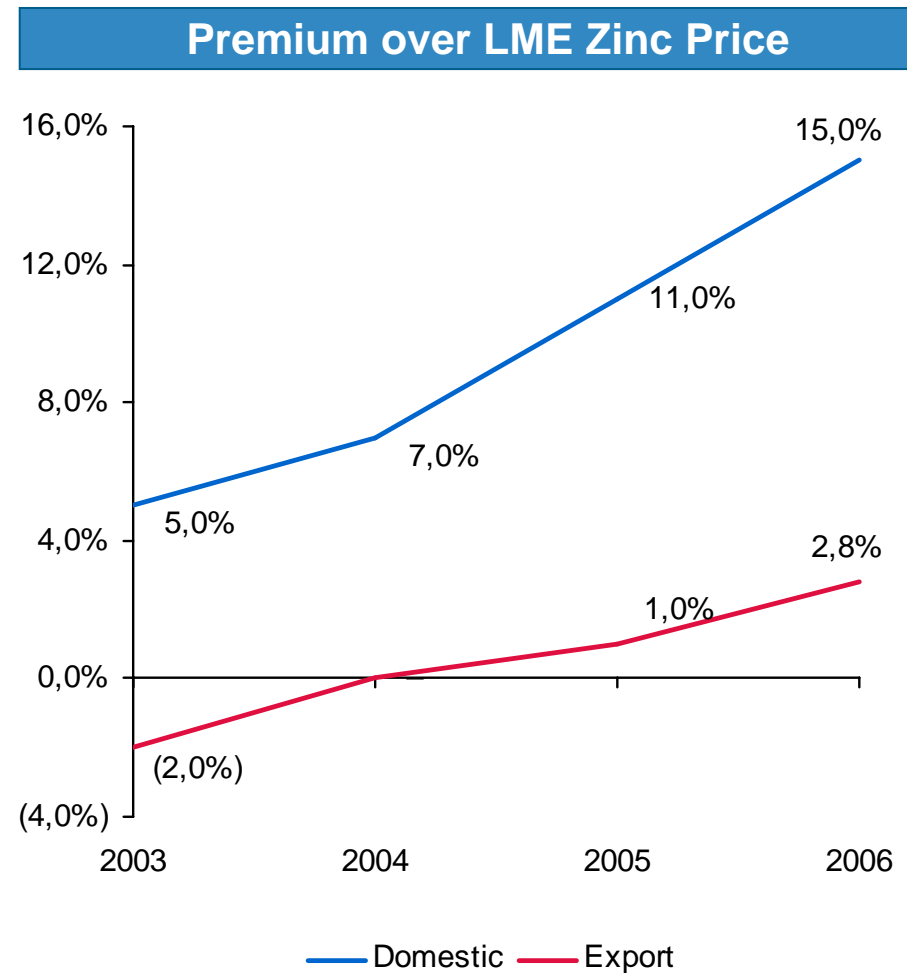


Zinc Sales: Substantial Premium over LME Price

Since registration with LME, CZP has gradually increased the premium over LME zinc price

Premium over LME price was increased to 15% in 2006 from 11% in 2005

CZP introduced a premium over LME price for its export sales



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



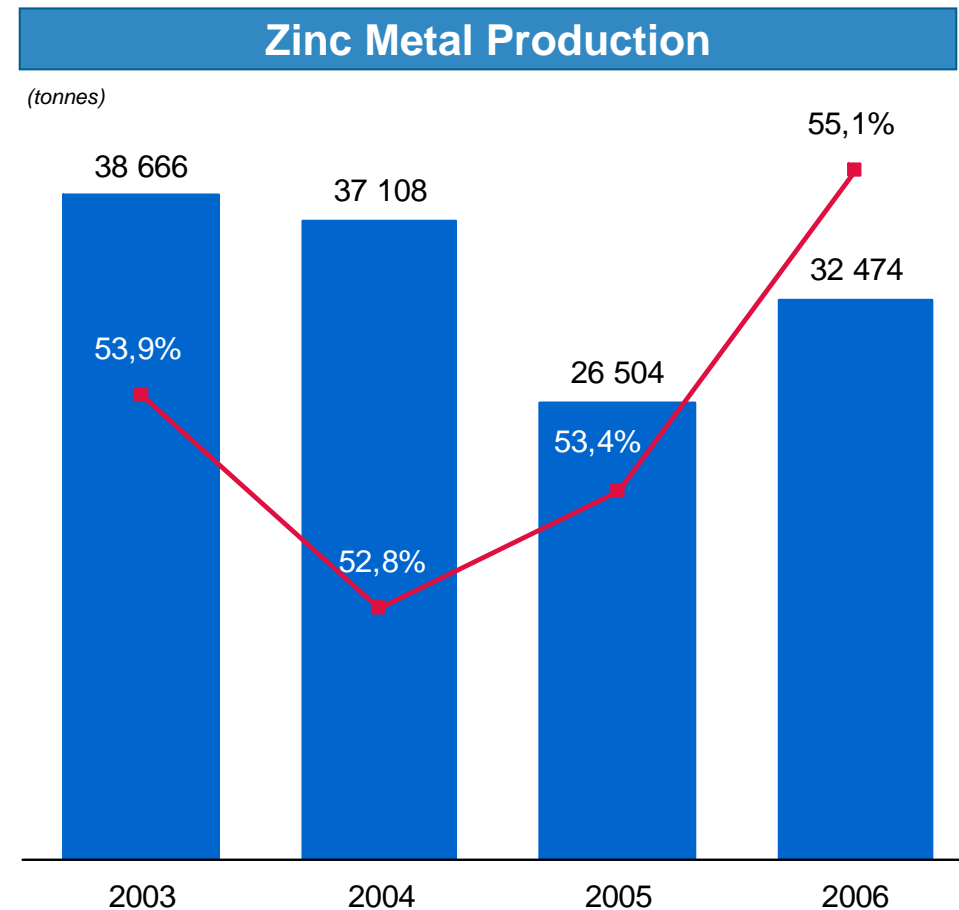
Akzhal Mine - Zinc Concentrate Production

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	1H 2006	9M 2006
Sales	4,101	3,972	4,791	6,073	10,464
Gross Profit	692	607	747	2,160	4,008
Margin, %	17%	15%	16%	36%	38%
EBITDA	707	623	658	2,169	3,505
Margin, %	17%	16%	14%	36%	33%
Net Income	205	148	147	1,313	2,163
Margin, %	5%	4%	3%	22%	21%

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	1H 2006	9M 2006
Balance Sheet					
Total Assets	5,380	5,030	5,674	11,961	12,595
Total Debt	642	447	270	3,687	3,559
Net Debt	549	259	138	3,374	2,833
Shareholder's Equity	4,273	4,211	4,358	5,885	6,412
Cash Flow Statement					
Net cash from operating activities	309	561	65	757	1,661
Net cash from/(used in) investing activities	(346)	(306)	64	(4,007)	(4,289)
Net cash from/(used in) financing activities	27	(155)	(188)	3,436	3,268

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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