



CHELYABINSK ZINC PLANT

MORGAN STANLEY

RUSSIAN METALS AND MINING CONFERENCE

Moscow, September 18, 2007

Table of Contents

Global Zinc Market Overview

CIS Zinc Market Overview

Operations Overview

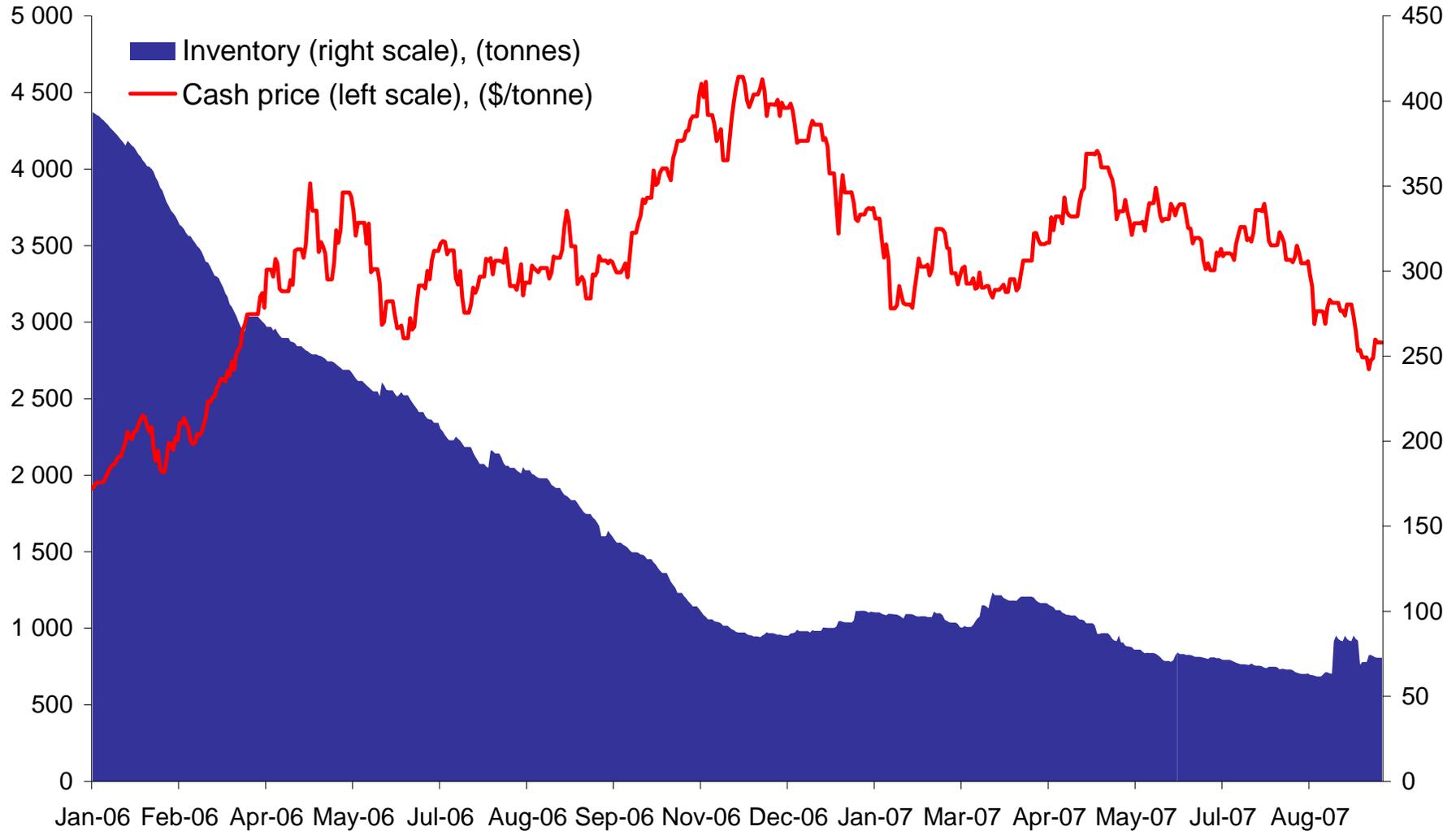
Financial Review

1H 2007 Outlook



Global Zinc Market Overview

LME Zinc Price and Inventory



Source: London Metal Exchange



Global Zinc Metal Market Overview

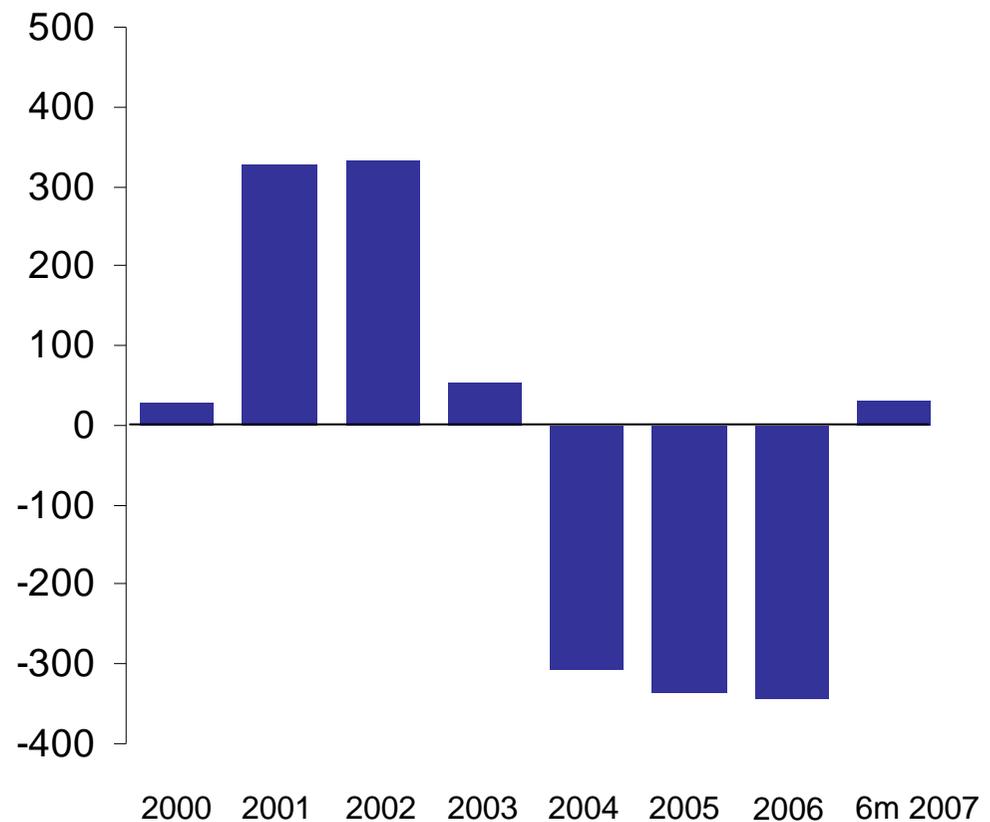
From 2004 zinc demand started to rise. Mine production capacity was insufficient to meet smelters' needs and, therefore, metal demand

Majority of the increased demand has come from zinc-coated steel production

Extraordinary development in Asia, mainly China, was the key industry driver

Zinc Metal World Balance

(tonnes in thousands)



Source: International Lead and Zinc Study Group (ILSG)

Chinese Impact on Global Zinc Market

China was the largest single producer in 2006 with 3.1 million tonnes of zinc (30% of global zinc production)

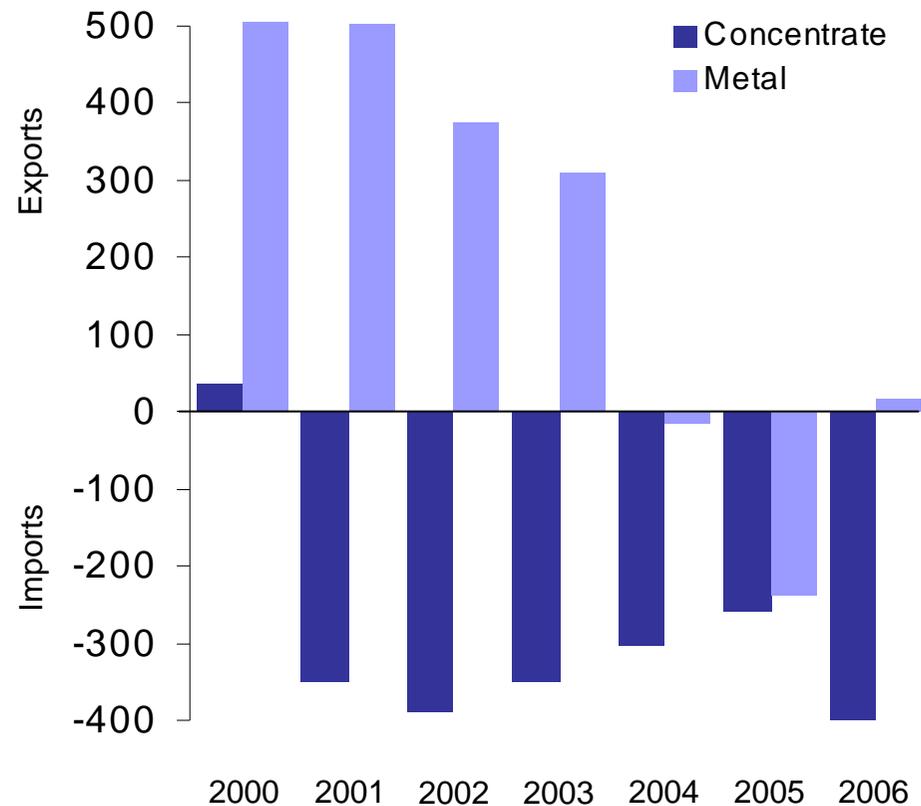
Both metal and concentrates production capacity is increasing

Forecasts of zinc production in China in the medium-term have to be taken with caution due to :

- energy shortage
- undeveloped infrastructure
- environmental issues
- government control

China Zinc Trade

(tonnes in thousands)



Source: International Lead and Zinc Study Group (ILSG)



CIS Zinc Market Overview

CIS Zinc Market Overview

Most zinc producers survived after collapse of USSR

One new plant was built – Balkhash

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

All plants, with the exception of Almalyk, were privatized and restructured

Zinc metal production in CIS

(tonnes in thousands)

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	820	586	630

Russian Zinc Market Overview

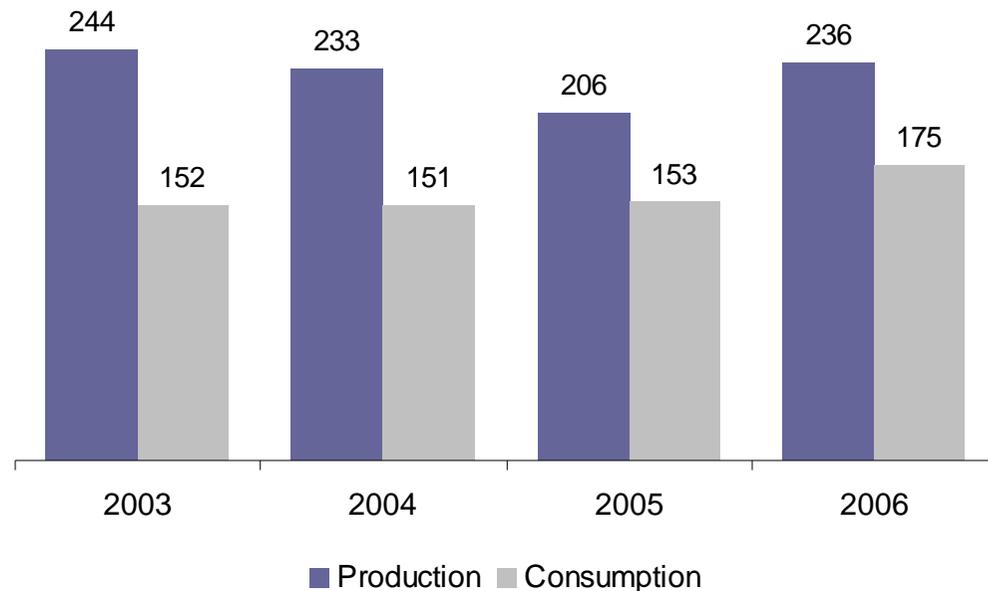
Russian zinc production recovered, since the decline of the early 1990s, due to increased demand from the steel producers and the construction sector

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

Consumption increased due to expansion of continuous galvanizing capacity

Zinc Production and Zinc Consumption

(tonnes in thousands)

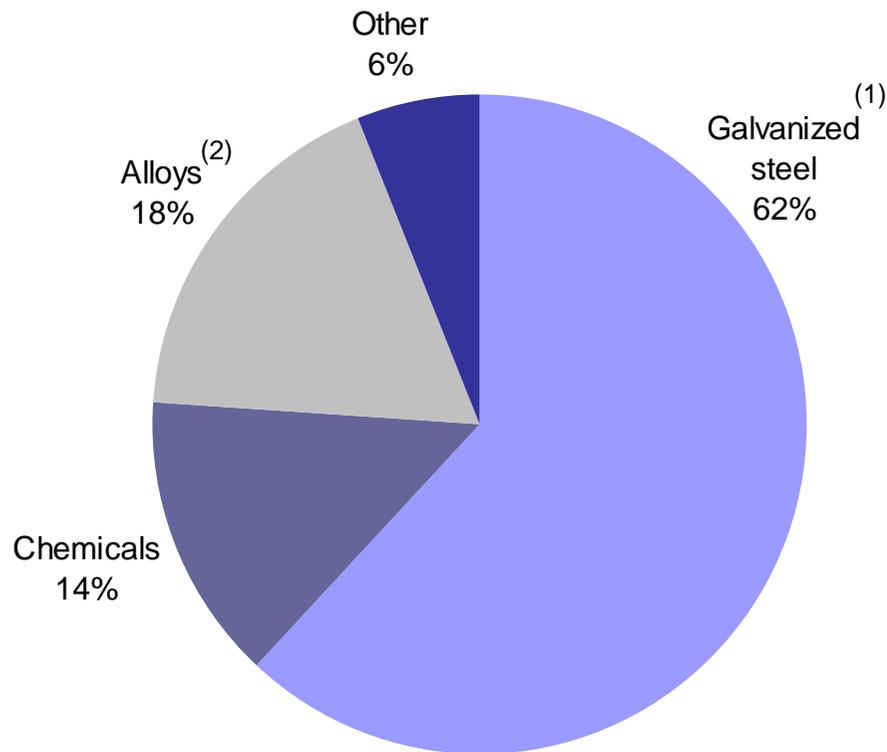


Russian Zinc Market Overview



Russian Zinc Market Overview

Russian Zinc Market Structure

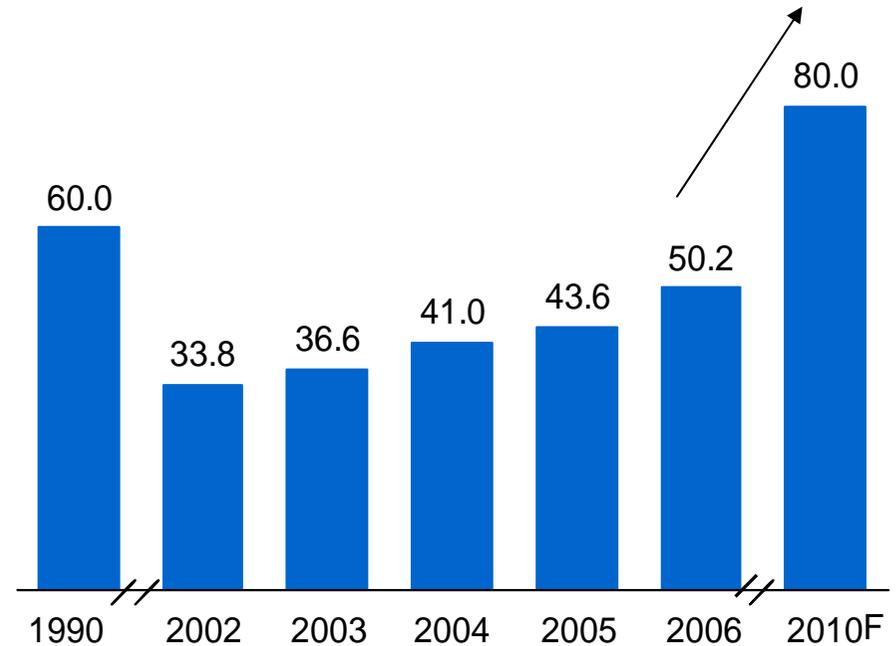


- (1) Includes 10% of galvanized steel produced using dipping method
- (2) Includes Brass

Housing Construction in Russia

(million of sq m)

CAGR 2006-10F = 12.4%

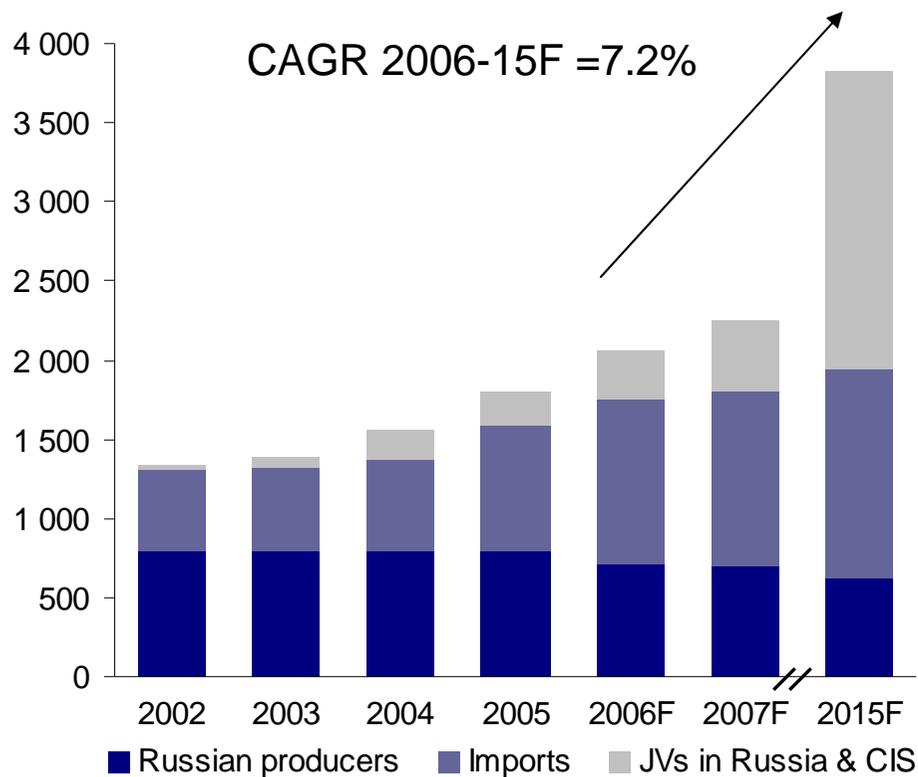


Source: The Federal Agency for Construction and Housing, www.gostroy.gov.ru

Russian Zinc Market Overview

Russian Car Market

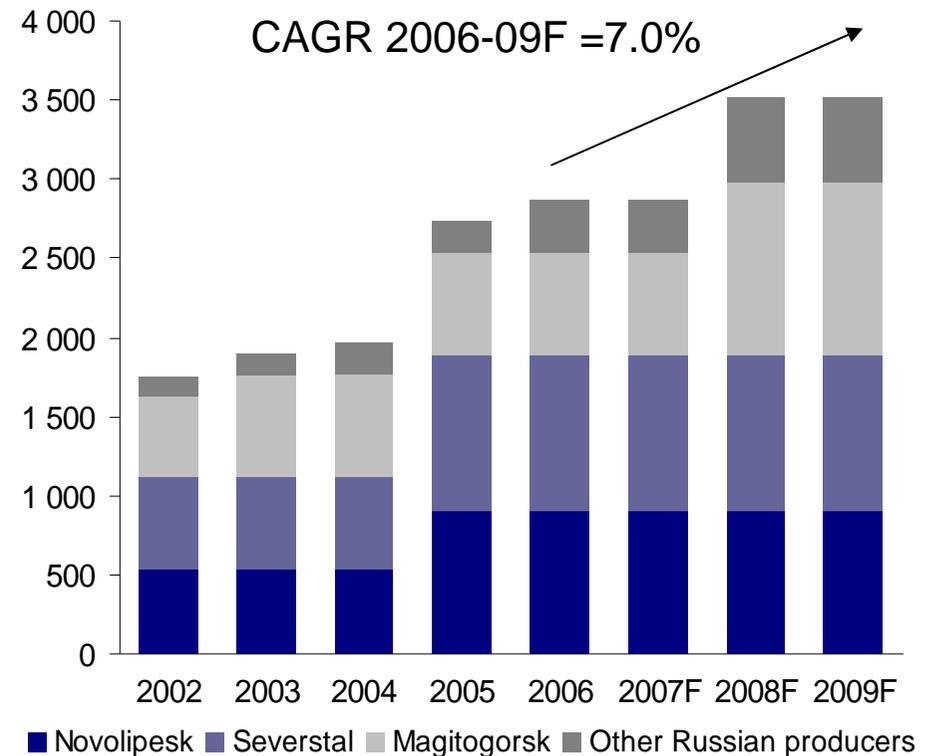
('000 units)



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

Growth in Galvanizing Steel Capacity

('000 tonnes)



Source: www.metalinfo.ru



Operations Overview

Smelting segment – Raw materials supply

<i>(tonnes in thousands)</i>	1H '07	1H '06	2006
Akzhal	15.6	-	-
UMMC	25.8	16.9	38.6
RCC	7.9	11.1	20.9
Dalpolimetal	2.6	6.8	12.3
Other Domestic	1.1	0.4	0.6
Imports	12.6	16.1	28.3
Secondaries	9.6	12.8	30.6
Total	75.2	64.2	131.3



Note: Volume of zinc in concentrate

Smelting segment – Zinc production and sales

<i>(tonnes in thousands)</i>	1H '07	1H '06	2006
Production	80.4	70.1	148.4
Total sales	71.9	63.5	133.8
Domestic sales	35.1	37.3	77.1
Export sales	36.8	26.2	56.7



Zinc Sales by Customer

SHG zinc is sold to most Russian flat steel producers

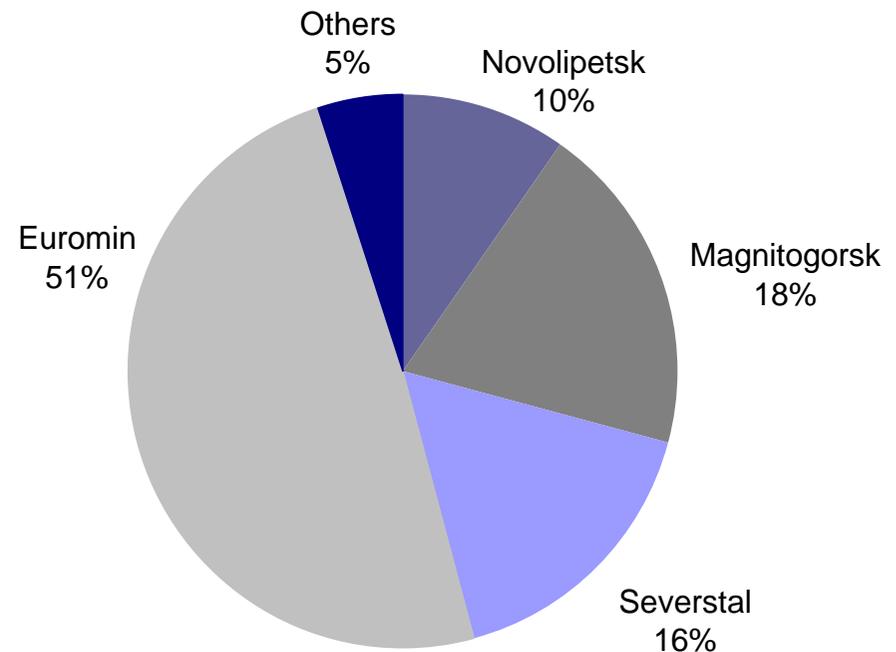
The alloys were introduced to accommodate large customers who showed preference for zinc aluminium alloys over pure zinc

Jointly with Euromin, CZP is developing a long-term strategy for expansion of the customer base abroad

On June 8th CZP acquired Brock Metal to secure 20,000 tonnes sales in the UK

Zinc Sales by Customer (1H 2007)

(in tonnes)



Mining segment – Operational performance

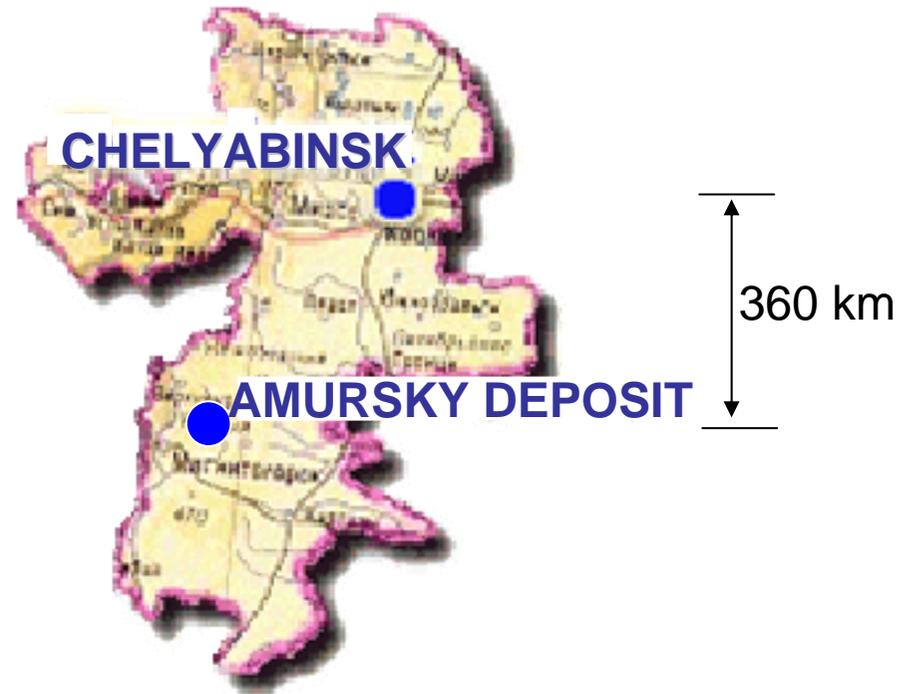
<i>(tonnes in thousands)</i>	1H '07	1H '06	2006
Ore mined	632.5	624,7	1,239
Ore processed	649.2	601,4	1,234
Ore grade processed			
Zinc	2.7%	2.96%	2.85%
Lead	0.59%	0.72%	0.68%
Concentrate production (metal)			
Zinc	16.2	16.4	32.5
Lead	3.1	3.6	7.0



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

<i>(RUR in millions)</i>	Q1 '07	Q1 '06	Q4 '06
Sales	3,643	2,149	4,521
Gross Profit	975	630	1,257
<i>Margin, %</i>	27%	29%	28%
EBITDA	1,019	522	1,425
<i>Margin, %</i>	28%	24%	32%
Net Income	551	310	709
<i>Margin, %</i>	15%	14%	16%

Note: Gross Profit for the 9 months 2006 is corrected by the amount of RUR 406 mln that represents difference of allocation of costs between cost of sales and G&A expenses in order to make 9 months result comparable with FY 2006 result audited by PWC

Revenue structure

<i>(RUR in millions)</i>	Q1 '07	Q1 '06	Q4 '06
Zinc and zinc alloys	3,427	2,012	4,020
Zinc Concentrate	-	-	252
Lead Concentrate	107	-	54
Others	109	137	195
Total sales	3,643	2,149	4,521



Balance sheet highlights

<i>(RUR in millions)</i>	March 31, 2007	December 31, 2006
Total Assets	14,563	14,165
Total Debt	3,387	3,470
Net Debt	987	1,534
Shareholder's Equity	8,947	8,368





1H 2007 Outlook

1H 2007 Outlook

6 months 2007 estimated results:

Sales – 7,900 RUR in millions

EBITDA - 2,300 RUR in millions



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