



CHELYABINSK ZINC PLANT

**Interim Report
January-March 2007**

Corporate overview

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



July 6, 2007 – CZP Board of Directors approved a 10 for 1 split (ordinary shares). As a result of this new share issue, the ratio of GDRs to common registered shares of the Company will change and amount to 1:1⁽²⁾

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

(2) Additional share issue by the Company is subject to approval by Federal Service for Financial Markets of the Russian Federation

Corporate overview

Board of Directors :

Sergei Moiseyev (Chairman)

Vsevolod V. Geikhman (General Director)

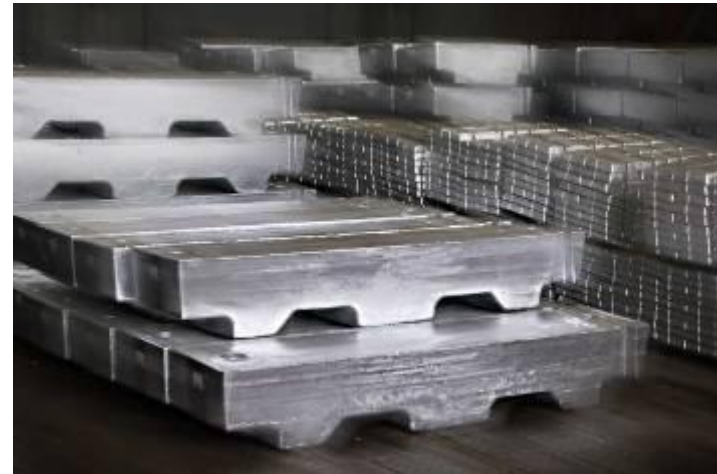
Alexander A. Fedorov

Alexei V. Shilov

Christian Schaffalitzky de Muckadell

Johann Albrecht Adriaan (Hans) Bouman

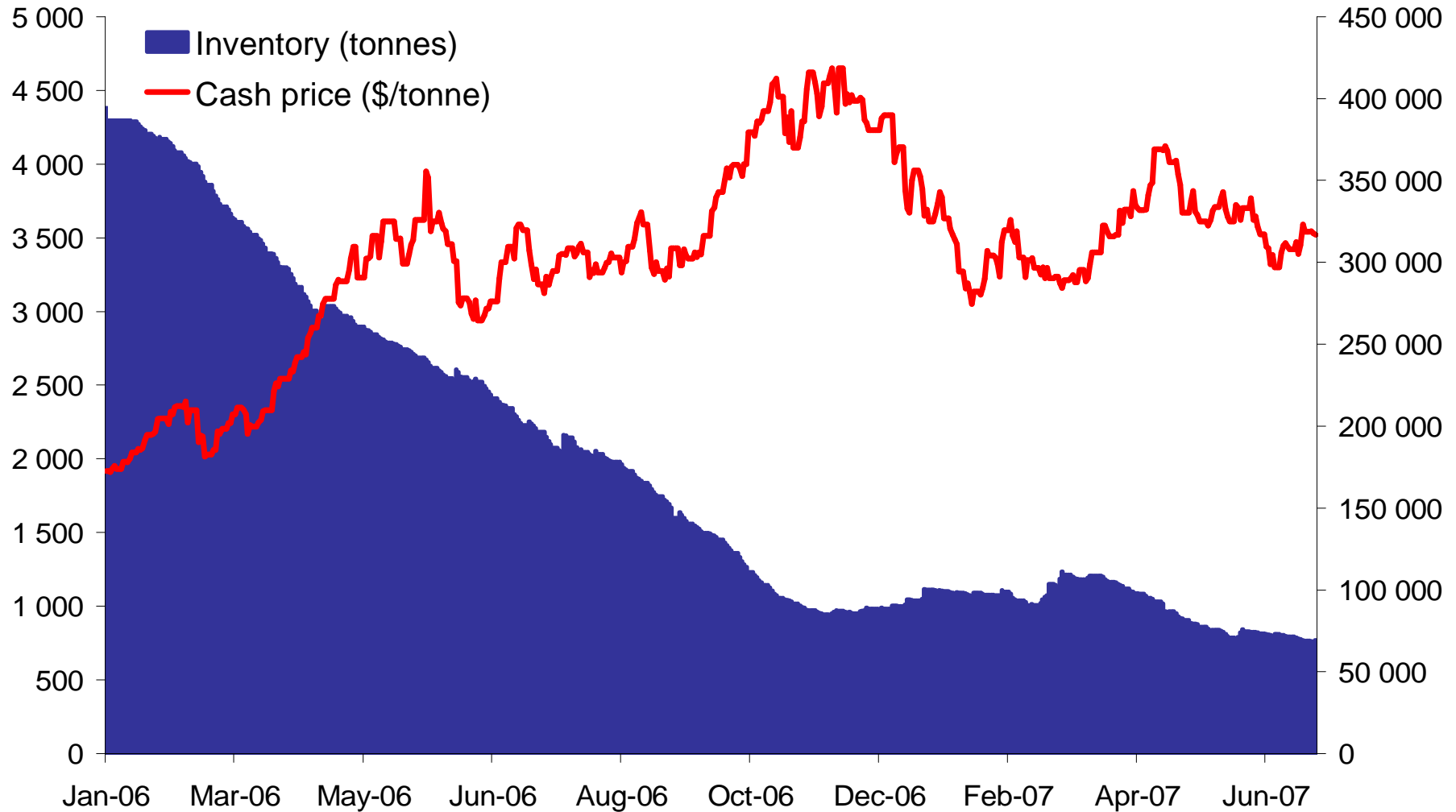
Leonid A. Kazanbaev





Zinc and Lead Market Update

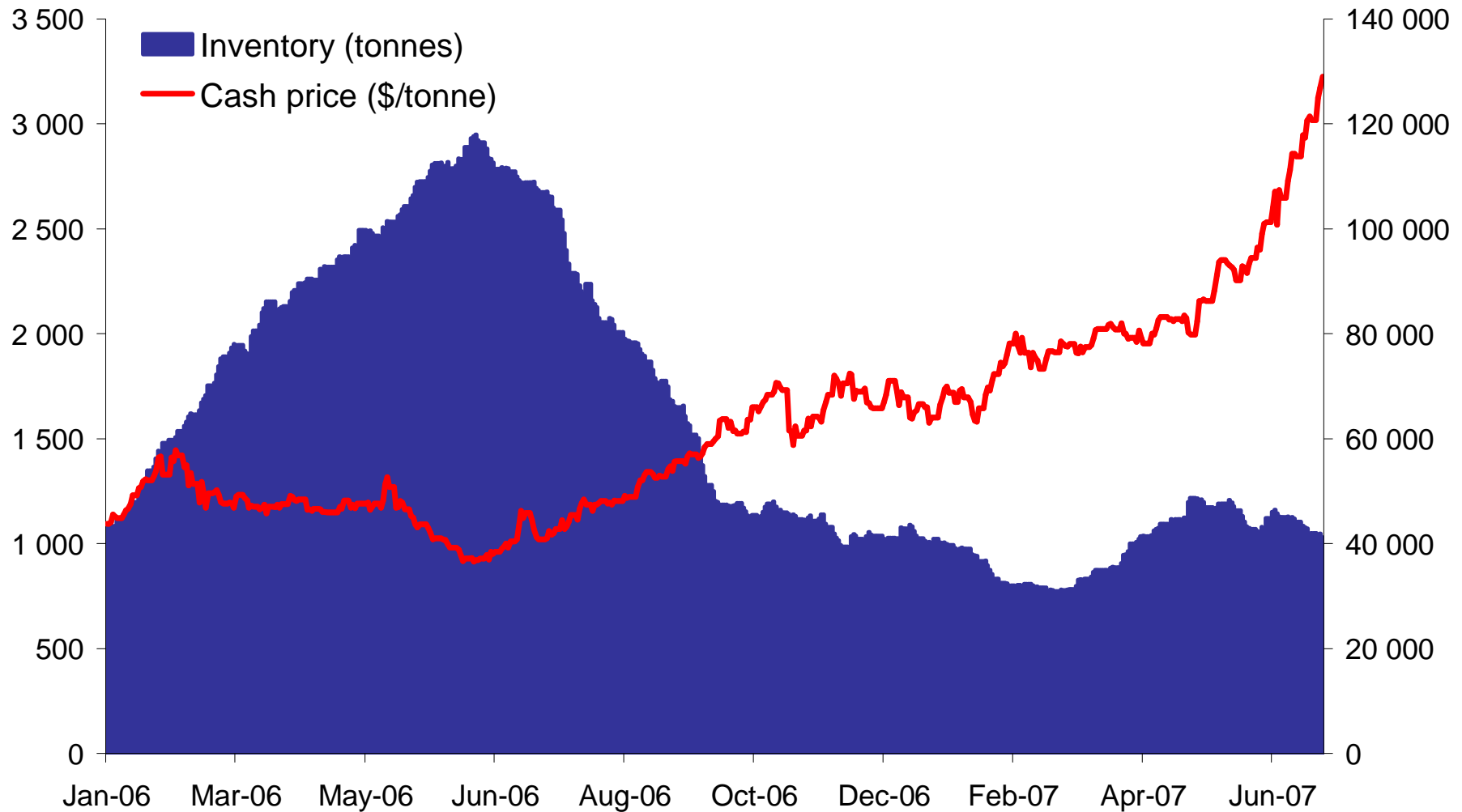
Zinc daily price and stock levels (LME)



Source: London Metal Exchange



Lead daily price and stock levels (LME)



Source: London Metal Exchange



Quarterly average prices and exchange rates

<i>(denominated in US\$)</i>	Q1 '07	Q1 '06	Q4 '06
Zinc	3,460.3	2,248.0	4,203.5
Lead	1,768.8	1,239.7	1,627.0
RUR/USD	26.3	28.2	26.6
KZT/USD	124.9	131.07	127.8



Zinc and Lead are LME cash settlement prices



Operations Overview

Smelting segment – Raw materials supply

<i>(tonnes in thousands)</i>	Q1 '07	Q1 '06	Q4 '06
Akzhal	6.9	-	-
UMMC	14.7	7.6	12.6
RCC	4.0	4.7	4.8
Dalpolimetal	5.5	-	2.6
Other Domestic	0.4	0.2	0.1
Imports	4.3	3.3	5.1
Secondaries	4.8	5.7	9.9
Total	40.7	21.5	35.1



Note: Volume of zinc in concentrate

Smelting segment – Zinc production and sales

<i>(tonnes in thousands)</i>	Q1 '07	Q1 '06	Q4 '06
Production	40.1	34.8	38.2
Total sales	33.7	29.3	33.9
Domestic sales	17.1	20.1	16.8
Export sales	16.6	9.2	17.0



Mining segment – Operational performance

<i>(tonnes in thousands)</i>	Q1 '07	Q1 '06	Q4 '06
Ore mined	310.7	327.0	332.4
Ore processed	339.3	307.6	329.5
Ore grade processed			
Zinc	2.43%	2.87%	2.72%
Lead	0.66%	0.72%	0.84%
Concentrate production (metal)			
Zinc	7.6	8.1	8.2
Lead	1.9	1.8	2.3





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



Cost composition – Smelting segment

<i>(RUR in millions)</i>	Q1 '07	Q1 '06	Q4 '06
Materials	2,081	1,113	2,346
Variable costs	253	211	228
Fixed costs	351	258	369
Depreciation	88	87	88
Total costs	2,773	1,669	3,031



Source: CZP Management Accounts

Cost composition – Mining segment

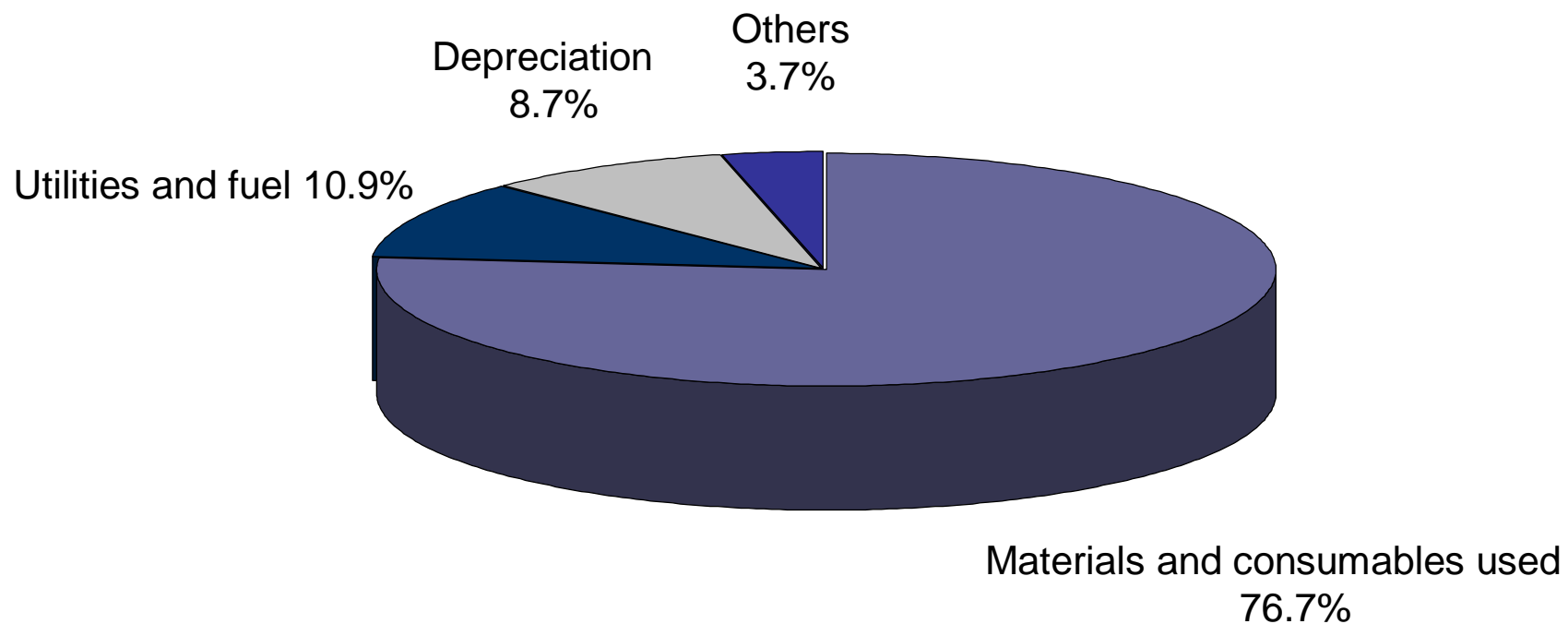
<i>(KZT in millions)</i>	Q1 '07	Q4 '06
Variable costs	343	355
Fixed costs	379	415
Depreciation	121	128
Total costs	843	898



Source: Nova Zinc Management Accounts

Consolidated cost of sales structure (1Q '07)

Total cost of sales = 2,668 RUR in millions



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



Cash flow highlights

<i>(RUR in millions)</i>	Q1 '07	Q1 '06
Net cash from operating activities	35	273
Net cash from/(used in) investing activities	126	(2,204)
Net cash from/(used in) financing activities	(84)	1,855





Outlook 1H 2007

1H 2007 results and outlook

Zinc and zinc alloys production – 80,385 tonnes

Zinc and zinc alloys sales – 71,943 tonnes

Zinc in zinc concentrate production – 16,176 tonnes

Lead in lead concentrate production – 3,147 tonnes

6 months 2007 estimated results:

Sales – 7,900 RUR in millions

EBITDA - 2,300 RUR in millions



Disclaimer

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