



NEWS RELEASE

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Chelyabinsk Zinc Plant Announces 2013 Audited Financial Results

Chelyabinsk, Russia – April 30, 2014 – Chelyabinsk Zinc Plant (LSE, MICEX: CHZN), Russia's largest producer of zinc and zinc alloys, is pleased to announce its audited consolidated IFRS financial results for year ended December 31, 2013.

2013 HIGHLIGHTS

- Chelyabinsk Zinc Plant's (CZP) revenue totaled RUB 13,062 mln.
- EBITDA amounted to RUB 1,077 mln or 8% of revenue.
- Impairment loss of Nova Zinc's fixed assets totaled RUB 387 mln.
- Net loss was RUB 208 mln.

Consolidated financial results

(in millions of Russian Roubles)	2013	2012	Change, %
Revenue	13,062	13,077	0%
Gross profit	1,972	2,311	(15%)
<i>Gross margin, %</i>	15%	18%	
EBITDA (1)	1,077	1,644	(34%)
<i>EBITDA margin, %</i>	8%	13%	
(Loss) / Profit before income tax	(214)	801	n/a
(Net loss) / Net profit	(208)	646	n/a
<i>Net margin, %</i>	n/a	5%	

(1) EBITDA, for any relevant period, represents operating profit before interest, income tax, depreciation and amortization.

EBITDA is not a measurement of CZP's operating performance presented in the financial information, prepared in accordance with IFRS, and should not be considered as an alternative to operating profit or any other performance measure derived in accordance with IFRS or other relevant financial framework.

Revenue

2013 consolidated revenue amounted to RUB 13,062 mln that equals the level of 2012.

The average LME zinc price in 2013 decreased by 2% as compared to the relevant period of the previous year and amounted to US\$ 1,909/tonne. The average LME lead quotes increased by 4% to US\$ 2,141/tonne. The negative effect of the LME zinc prices falldown was compensated by the 2.4% growth of US Dollar/Russian Rouble average exchange rate.

Revenue structure

(in millions of Russian Roubles)	2013	2012	Change, %
Zinc and zinc alloys	9,468	9,428	0%
<i>CZP</i>	7,572	7,590	0%
<i>Brock Metal</i>	1,896	1,838	3%
Zinc tolling	1,502	1,298	16%
Lead concentrate	549	591	(7%)
<i>CZP</i>	84	174	(52%)
<i>Nova Zinc</i>	465	417	11%
Other products	1,543	1,760	(12%)
Total revenue	13,062	13,077	0%

In 2013, CZP's revenue from sale of zinc and zinc alloys stayed at the level of 2012 and amounted to RUB 7,572 mln. The sales on the domestic market totaled: 2013: 110.0 thousand tonnes; 2012: 111.1 thousand tonnes.

Revenue of The Brock Metal Company Limited for 2013 amounted to RUB 1,896 mln, 3% higher than in 2012. This increase was due to 3% growth of zinc alloys sales (2013: 25.4 thousand tonnes; 2012: 24.7 thousand tonnes).

CZP received revenue of RUB 1,502 mln under tolling agreement in 2013, which is 16% higher compared to 2012, that was due to 16% increase of tolling's volume (2013: 55.6 thousand tonnes of zinc; 2012: 48.1 thousand tonnes). Fixed processing fee amounted to RUB 27,000/tonne.

Revenue from lead concentrate sales for 2013 amounted to RUB 549 mln (2012: RUB 591 mln).

In 2013, revenue from CZP's other products decreased by 12% to RUB 1,543 mln as compared to 2012. The main reasons of revenue decrease were the falldown of average sulphuric acid prices by 30% and also decrease of precious metals prices (average official prices for gold in 2013: RUB 1,441/gram, in 2012: RUB 1,661/gram; silver in 2013: RUB 24/gram, in 2012: RUB 31/gram).

Cost of Sales

(in millions of Russian Roubles)	2013	2012	Change, %
Raw materials and consumables used in production	5,818	6,124	(5%)
Utilities and fuel	2,326	2,016	15%
Depreciation of property, plant and equipment and amortization of intangible assets	909	927	(2%)
Staff cost	901	815	11%
Repairs and maintenance	768	652	18%
Mineral extraction tax	197	186	6%
Other taxes	130	130	0%
Production overheads	96	89	8%
Change in work-in-progress	67	(311)	n/a
Inventory provision	(21)	1	n/a
Change in finished goods	(287)	1	n/a
Other costs	186	118	58%
Cost of sales	11,090	10,765	3%

Cost of materials and consumables used primarily comprises of the cost of zinc concentrate, zinc containing raw materials, materials for alloys production and auxiliary materials used in the production process. The decrease of cost of materials and consumables used was due to changes in structure of raw materials input into production.

In 2013, costs of utilities and fuel increased by 15% to RUB 2,326 mln. This increase was mainly due to the growth of electricity tariffs for CZP by 14% (2013: RUB 2.38 per kWh; 2012: RUB 2.09 per kWh) and growth of diesel prices in Kazakhstan by 9% (2013: 107.0 tenge/l; 2012: 98 tenge/l).

Staff costs increased by 11% as compared to the relevant period of the previous year, to RUB 901 mln. The increase was due to the growth of average salaries.

Distribution, General and Administrative Expenses

In 2013, distribution costs increased by 27% and amounted to RUB 716 mln. The main reason was the cost increase of sulphuric acid transportation due to market expansion.

General and administrative expenses amounted to RUB 1,014 mln that equals the level of 2012 (RUB 1,019 mln).

Other operating expenses, net

In 2013 other operating expenses (net) totaled RUB 526 mln against RUB 75 mln in 2012. The main reasons of costs increase – the impairment of fixed assets of Nova Zinc and expenses for rectification of the consequences from meteorite explosion on February 15, 2013.

As of 31 December 2013 the management performed the analysis of carrying value and the recoverable amount of Nova Zinc's fixed assets to identify possible impairment of property, plant and equipment. Under the result of performed test the management recognized the impairment loss at the amount of RUB 387 mln.

The expenses for rectification of the consequences from meteorite explosion in 2013 amounted to RUB 51 mln (2012: RUB 0 mln).

Net loss

Net loss for 2013 totalled RUB 208 mln compared to net profit amounted to RUB 646 mln for 2012.

The main reasons of net loss are the increase in cost of sales while maintaining the level of revenue, the impairment of Nova Zinc's fixed assets and expenses for rectification of the consequences from meteorite explosion.

Correction of financial results for 2012

There were changes in the consolidated financial results for the 2012 due to changes in the accounting policy regarding to the application of IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine".

(in millions of Russian Roubles)	Amount before the change in accounting policy	The effect of changes in accounting policy	Amount after the change in accounting policy
Gross profit	2,291	145	2,436
EBITDA	1,499	145	1,644
Net income	529	117	646

About Chelyabinsk Zinc Plant

Chelyabinsk Zinc Plant is the leading Russian zinc producer. In 2013 the plant produced 166,357 tonnes of saleable SHG zinc.

According to consolidated IFRS accounts, revenue in 2013 was RUB 13,062 mln and EBITDA was RUB 1,077 mln.

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

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