



NEWS RELEASE

For Immediate Release – 16 June, 2014

Chelyabinsk Zinc Plant Announces Q1 2014 Consolidated Financial Results

Chelyabinsk, Russia – June 16, 2014 – Chelyabinsk Zinc Plant (LSE, MICEX: CHZN), Russia's largest producer of zinc and zinc alloys, is pleased to announce its consolidated financial results for the three months ended March 31, 2014 based on consistent accounting policy (Unaudited).

Q1 2014 HIGHLIGHTS

- Chelyabinsk Zinc Plant's (CZP) revenue totalled RUB 3,133 mln.
- EBITDA amounted to RUB 476 mln or 15% of revenue.
- Net profit was RUB 295 mln.

Consolidated financial results

(in millions of Russian Roubles)	Q1 2014	Q1 2013	Change, %
Revenue	3,133	3,178	(1%)
Gross profit	653	428	52%
<i>Gross margin, %</i>	21%	13%	
EBITDA (1)	476	309	54%
<i>EBITDA margin, %</i>	15%	10%	
Profit before income tax	344	102	239%
Net profit	295	92	222%
<i>Net margin, %</i>	9%	3%	

(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

Q1 2014 consolidated revenue decreased by 1% to RUB 3,133 mln as compared to Q1 2013.

The average LME zinc price in Q1 2014 stayed at the level of Q1 2013 and amounted to US\$ 2,029/tonne. The average LME lead quotes decreased by 8% to US\$ 2,106/tonne. Positive effect on revenue was made by 15% growth of US Dollar/Russian Rouble and 13% growth of US Dollar/Kazakhstan Tenge average exchange rates.

Revenue structure

(in millions of Russian Roubles)	Q1 2014	Q1 2013	Change, %
Zinc and zinc alloys	2,274	2,338	(3%)
<i>CZP</i>	1,668	1,895	(12%)
<i>Brock Metal</i>	606	443	37%
Zinc tolling	401	231	74%
Lead concentrate	114	84	36%
<i>CZP</i>	16	25	(34%)
<i>Nova Zinc</i>	98	59	66%
Other products	344	525	(34%)
Total revenue	3,133	3,178	(1%)

In Q1 2014, CZP's revenue from sale of zinc and zinc alloys decreases by 12% as compared to the Q1 2013 and amounted to RUB 1,668 mln. Decrease of the revenue was due to decline of sales on the domestic market by 23% (Q1 2014: 20.9 thousand tonnes; Q1 2013: 27.1 thousand tonnes).

Revenue of The Brock Metal Company Limited for Q1 2014 amounted to RUB 606 mln, 37% higher than in Q1 2013. This increase was due to 15% increase of zinc alloys sales (Q1 2014: 6.9 thousand tonnes; Q1 2013: 6.0 thousand tonnes).

CZP received revenue of RUB 401 mln under tolling agreement in Q1 2014, which is 74% higher compared to Q1 2013. The increase of tolling's volume (Q1 2014: 14.9 thousand tonnes; Q1 2013: 8.5 thousand tonnes) was due to decrease of zinc and zinc alloys sales on the domestic market.

Revenue from lead concentrate sales for Q1 2014 amounted to RUB 114 mln (Q1 2013: RUB 84 mln). The increase was due to 70% shipment growth of Nova Zinc's lead concentrate (Q1 2014: 1.7 thousand dmt; Q1 2013: 1.0 thousand dmt).

In Q1 2014, revenue from CZP's other by-products decreased by 34% to RUB 344 mln as compared to Q1 2013. The main reasons of revenue decrease were the decrease of precious metals sales volume and prices (average official prices for gold in Q1 2014: RUB 1,449/gram, in Q1 2013: RUB 1,596/gram; silver in Q1 2014: RUB 23/gram, in Q1 2013: RUB 29/gram) and current market deterioration of sulphuric acid sales.

Cost of Sales

(in millions of Russian Roubles)	Q1 2014	Q1 2013	Change, %
Raw materials and consumables used in production	1,617	1,646	(2%)
Utilities and fuel	585	539	9%
Depreciation and amortization	202	223	(10%)
Staff cost	225	196	15%
Repairs and maintenance	148	175	(16%)
Change in work-in-progress	69	180	(61%)
Mineral extraction tax	61	44	38%
Other taxes	35	32	9%
Production overheads	24	22	12%
Inventory provision	-	(9)	n/a
Change in finished goods	(520)	(327)	59%
Other costs	34	28	21%
Cost of sales	2,480	2,749	(10%)

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 main reasons of changes were 6% increase of zinc and zinc alloys production (Q1 2014: 44.5 thousand tonnes; Q1 2013: 41.9 thousand tonnes) and changes of raw materials volume and structure.

In Q1 2014, costs of utilities and fuel increased by 9% to RUB 585 mln. This increase was due to 6% growth of zinc and zinc alloys production and 6% growth of diesel price in Kazakhstan (Q1 2014: 133 tenge/l; Q1 2013: 126 tenge/l).

Staff costs increased by 15% as compared to the relevant period of the previous year, to RUB 225 mln. The increase was mainly due to the growth of average salaries.

Distribution, General and Administrative Expenses

In Q1 2014, distribution costs increased by 17% and amounted to RUB 188 mln. The main reason was the increase of sulphuric acid transportation costs due to market expansion.

General and administrative expenses amounted to RUB 197 mln in Q1 2014, 3% higher than in Q1 2013 (RUB 191 mln).

Net profit

Net profit for Q1 2014 totalled RUB 295 mln compared to RUB 92 mln for Q1 2013.

Restatement of financial results for 2013

There were changes in the consolidated financial results for the Q1 2013 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	444	(16)	428
EBITDA	289	20	309
Net profit	74	18	92

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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This announcement may include forward-looking statements. CZP's actual results may differ materially from those made in or suggested by the forward-looking statements contained in this announcement. By their nature, forwarding-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Even if the actual results are consistent with the forward-looking statements contained in this announcement, those results may not be indicative of results or developments in future periods. CZP does not undertake any obligation to update any forward-looking statements to reflect events that occur or circumstances that arise after the date of this announcement.

JSC CHELYABINSK ZINC PLANT
Summary Consolidated Statement of Financial Position (unaudited)

'000 RUB	31 March 2014	31 December 2013, restated
	<hr/>	<hr/>
Assets		
Property, plant and equipment	5,069,293	5,119,417
Advances for acquisition of property, plant and equipment	174,018	179,814
Intangible assets	88,185	94,883
Bank deposits	100,000	686,301
Deferred tax assets	47,252	46,373
Other non-current assets	362	377
Non-current assets	<hr/> 5,479,110	<hr/> 6,127,165
Inventories	2,521,052	2,602,039
Trade and other receivables	2,813,503	2,456,636
Current income tax prepayment	55,602	60,536
Loans issued	1,668	2,125
Short-term financial assets	38	5,636
Bank deposits	1,102,921	452,969
Cash and cash equivalents	519,287	444,827
Restricted cash	1,072	959
Current assets	<hr/> 7,015,143	<hr/> 6,025,727
Total assets	<hr/> 12,494,253	<hr/> 12,152,892

JSC CHELYABINSK ZINC PLANT
Summary Consolidated Statement of Financial Position (unaudited)

'000 RUB	Note	31 March 2014	31 December 2013, restated
Equity			
Share capital		127,635	127,635
Share premium		1,375,231	1,375,231
Legal reserve		3,011	3,011
Translation reserve		(80,858)	(16,893)
Retained earnings		9,269,530	8,974,372
Total equity		10,694,549	10,463,356
Liabilities			
Provision for asset retirement obligations		95,207	100,693
Deferred income tax liabilities		135,888	137,984
Other non-current liabilities		54,188	55,317
Total non-current liabilities		285,283	293,994
Accounts payable, accrued expenses and advances from customers		1,136,018	1,149,238
Current income tax payable		7,317	5,508
Other taxes payable		371,086	240,796
Total current liabilities		1,514,421	1,395,542
Total liabilities		1,799,704	1,689,536
Total equity and liabilities		12,494,253	12,152,892

JSC CHELYABINSK ZINC PLANT
Summary Consolidated Statement of Comprehensive Income (unaudited)

'000 RUB	Note	For the three months, ended 31 March	
		2014	2013, restated
Revenue		3,133,197	3,177,815
Cost of sales		(2,480,221)	(2,749,409)
Gross profit		652,976	428,406
Distribution costs		(187,909)	(160,514)
General and administrative expenses		(197,438)	(190,745)
Other operating expenses, net		(10,106)	(5,869)
Operating profit		257,523	71,278
Finance income, net		17,123	38,160
Foreign exchange gain/(loss)		69,465	(7,844)
Profit before income tax		344,111	101,594
Income tax expense		(48,953)	(9,878)
Profit for the period		295,158	91,716
Other comprehensive income			
<i>Total items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation to presentation currency		(63,965)	11,143
Cash flow hedges, net of tax			(9,297)
Total other comprehensive (loss)/income		(63,965)	1,846
Total comprehensive income for the period		231,193	93,562
Profit is attributable to:			
Shareholders of the Company		295,158	91,716
Total comprehensive (loss)/income attributable to:			
Shareholders of the Company		(63,965)	1,846
Earnings per share – basic and diluted (in RUB)		5.4	1.7

JSC CHELYABINSK ZINC PLANT
Summary Consolidated Statement of Cash Flows (unaudited)

'000 RUB	Note	For the three months, ended 31 March	
		2014	2013, restated
Cash flows from operating activities			
Profit		295,158	91,716
<i>Adjustments for:</i>			
Depreciation and amortisation		223,448	243,919
Gain on disposal of property, plant and equipment		(1,340)	(101)
Impairment of loans issued, trade and other receivables		257	1,624
Reversal of impairment losses of inventory provision		(54)	(8,771)
Net finance income		(17,123)	(38,160)
Unrealized foreign exchange (gains)/ loss		(23,317)	13,045
Reversal of impairment of fixed assets and assets under construction		(4,605)	(1,464)
Other non-monetary operating income		(6,021)	(5,571)
Income tax expense		48,953	9,878
		515,896	306,115
<i>Changes in:</i>			
Trade and other receivables		(306,985)	(312,843)
Inventories		72,451	(50,271)
Trade and other payables		(13,220)	(75,976)
Taxes payable		130,289	56,795
Restricted cash balance		(113)	(110)
Cash flows from operations		398,318	(76,290)
Income tax paid		(45,185)	(54,110)
Net cash from operating activities		353,133	(130,400)
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(211,029)	(196,046)
Capitalized stripping costs		(7,990)	(33,870)
Proceeds from sale of property, plant and equipment		15	(413)
Loans issued		456	1,390
Interest income received		260	28,201
(Increase)/ decrease in bank deposits		(54,920)	197,367
Net cash used in investing activities		(273,208)	(3,371)
Effect of currency translation and exchange rate fluctuations on cash and cash equivalents		(5,465)	(6,979)
Net increase/(decrease) in cash and cash equivalents		74,460	(140,750)
Cash and cash equivalents at the beginning of the period		444,827	425,386
Cash and cash equivalents at the end of the period		519,287	284,636