



## NEWS RELEASE

For Immediate Release – *November 28, 2014*

### Chelyabinsk Zinc Plant Announces 9M 2014 Consolidated Financial Results

**Chelyabinsk, Russia – November 28, 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 nine months ended September 30, 2014 based on consistent accounting policy (Unaudited).

#### 9M 2014 HIGHLIGHTS

- Chelyabinsk Zinc Plant's (CZP) revenue totalled RUB 11,064 mln.
- EBITDA amounted to RUB 2,385 mln or 22% of revenue.
- Net profit was RUB 1,637 mln or 15% of revenue.

#### Consolidated financial results

(in millions of Russian Roubles)	9M 2014	9M 2013	Change, %
<b>Revenue</b>	11,064	9,773	13%
<b>Gross profit</b>	3,180	1,435	123%
<i>Gross margin, %</i>	29%	15%	
<b>EBITDA (1)</b>	2,385	864	176%
<i>EBITDA margin, %</i>	22%	9%	
<b>Profit before income tax</b>	2,102	177	>1000%
<b>Net profit</b>	1,637	114	>1000%
<i>Net margin, %</i>	15%	1%	

(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

In 9M 2014, consolidated revenue increased by 13% to RUB 11,064 mln as compared to 9M 2013.

The average LME zinc price in 9M 2014 increased by 12% as compared to the relevant period of the previous year and amounted to US\$ 2,140/tonne. The average LME lead quotes remained at the level of 9M 2013 (US\$ 2,128/tonne). US Dollar/Russian Rouble average exchange rate increased by 12% to RUB 35.39/US Dollar.

### Revenue structure

(in millions of Russian Roubles)	9M 2014	9M 2013	Change, %
Zinc and zinc alloys	7,957	7,006	14%
<i>CZP</i>	5,748	5,624	2%
<i>Brock Metal</i>	2,209	1,382	60%
Zinc tolling	1,627	1,125	45%
Lead concentrate	385	421	(8%)
<i>CZP</i>	73	64	14%
<i>Nova Zinc</i>	312	357	(13%)
Other products	1,095	1,221	(10%)
<b>Total revenue</b>	<b>11,064</b>	<b>9,773</b>	<b>13%</b>

In 9M 2014, CZP's revenue from sale of zinc and zinc alloys increased by 2% as compared to the 9M 2013 and amounted to RUB 5,748 mln. The growth of revenue was due to increase of average LME zinc price and US dollar exchange rate while reducing the sales on the domestic market by 17.6% (9M 2014: 67.6 thousand tonnes; 9M 2013: 82.0 thousand tonnes).

Revenue of The Brock Metal Company Limited for 9M 2014 amounted to RUB 2,209 mln, 60% higher than in 9M 2013. This increase was due to 29% growth of zinc alloys sales (9M 2014: 24.1 thousand tonnes; 9M 2013: 18.7 thousand tonnes), increase of average LME zinc price and growth of Pound Sterling (GBP)/Russian Rouble average exchange rate (9M 2014: RUB 59.23; 9M 2013: RUB 48.89).

CZP received revenue of RUB 1,627 mln under tolling agreement in 9M 2014, which is 45% higher compared to 9M 2013. The increase of tolling's volume (9M 2014: 60.2 thousand tonnes; 9M 2013: 41.7 thousand tonnes) was due to decrease of zinc and zinc alloys sales on the domestic market. Fixed processing fee amounted to RUB 27,000/tonne.

Revenue from lead concentrate sales for 9M 2014 amounted to RUB 385 mln (9M 2013: RUB 421 mln). The decrease of revenue was due to decline of Nova Zinc lead concentrate sales (9M 2014: 5.2 thousand dmt; 9M 2013: 6.2 thousand dmt)

In 9M 2014, revenue from CZP's other by-products decreased by 10% to RUB 1,095 mln as compared to 9M 2013. The main reason of revenue decrease was the temporary interruption of precious metals sales due to prices reduction (average official prices for silver in 9M 2014: RUB 22.7/gram, in 9M 2013: RUB 25.2/gram).

## Cost of Sales

(in millions of Russian Roubles)	9M 2014	9M 2013	Change, %
Raw materials and consumables used in production	4,722	4,432	7%
Utilities and fuel	1,099	1,718	(36%)
Staff cost	709	629	13%
Depreciation and amortization	611	681	(10%)
Repairs and maintenance	509	555	(8%)
Mineral extraction tax	169	142	19%
Other taxes	134	140	(5%)
Production overheads	70	67	4%
Change in work-in-progress	18	111	(84%)
Inventory provision	3	(8)	n/a
Change in finished goods	(282)	(229)	n/a
Other costs	121	100	21%
<b>Cost of sales</b>	<b>7,883</b>	<b>8,338</b>	<b>(5%)</b>

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 the growth of raw materials price due to increase of average LME zinc price and exchange rates against the Rouble that were partly compensated by the volume decline of purchased raw materials due to structure changes of zinc and zinc alloys sales related to JSC «CZP».

In 9M 2014, costs of utilities and fuel decreased by 36% to RUB 1,099 mln mainly due to decrease of expenses on electricity transmission services. In 9M 2014 expenses on electricity transmission services were accrued applying tariffs of OJSC “FSK UES” while during 9M 2013 – applying tariffs of OJSC “MRSK-Ural”. As the result electricity tariff for CZP in 9M 2014 was RUB 1.83 per kWh while in 9M 2013 – RUB 2.35 per kWh.

Furthermore, cost of sales for 9M 2014 includes adjustment for the expense for electricity transmission services accrued for the period from 1 May 2013 till 31 December 2013 for the amount of RUB 359 mln due to termination of litigation between JSC “CZP” and OJSC “FSK”.

Staff costs increased by 13% as compared to the relevant period of the previous year, to RUB 709 mln. The increase was due to the growth of average salaries.

## Distribution, General and Administrative Expenses

In 9M 2014, distribution costs increased by 11% and amounted to RUB 582 mln. The main reason was the increase of sulphuric acid transportation costs due to market expansion.

General and administrative expenses amounted to RUB 689 mln in 9M 2014, 5% higher than in 9M 2013.

## Other operating income and expenses

In 9M 2014, other operating income totaled RUB 364 mln (9M 2013: RUB 42 mln). The main reason was the reversal of previously accrued impairment loss related to LLP “Nova Zinc”.

As at 31 December 2013 an impairment loss was recognized in the amount of RUB 387 mln, related to LLP “Nova Zinc”. Due to a change of forecast market data, such as the Tenge

exchange rate to the US dollar and projected zinc and lead LME (London Metal Exchange) prices, there are indicators that previously recognized impairment loss should be reversed. The carrying amount of assets was recovered to their book value, that would have had been should the impairment loss had never been recognized as at 31 December 2013. The reversal of previously accrued loss amounted to RUB 318 mln.

In 9M 2014, other operating expenses totaled RUB 245 mln against RUB 159 mln in 9M 2013. The main reason was accrued provision on potential liabilities of LLP "Nova Zinc" relating to the environmental disputes including environmental, tax and administrative fines and penalties for the period from 1 January 2013 to 30 September 2014.

### **Net profit**

Net profit for 9M 2014 totalled RUB 1,637 mln compared to net profit of RUB 114 mln for 9M 2013. Net income growth was due to the increase of revenue with a simultaneous decrease of cost of sales and also to the reversal of previously accrued impairment loss related to LLP "Nova Zinc".

### **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****Consolidated Interim Condensed Statement of Financial Position as at 30 September 2014 (unaudited)**

<b>'000 RUB</b>	<b>30 September 2014</b>	<b>31 December 2013</b>
<b>Assets</b>		
Property, plant and equipment	5,968,835	5,119,417
Advances for acquisition of property, plant and equipment	183,810	179,814
Intangible assets	101,544	94,883
Bank deposits	-	686,301
Deferred tax assets	-	46,373
Other non-current assets	495	377
<b>Non-current assets</b>	<b>6,254,684</b>	<b>6,127,165</b>
Inventories	2,588,781	2,602,039
Trade and other receivables	4,252,087	2,456,636
Current income tax prepayment	952	60,536
Loans issued	2,080	2,125
Short-term financial assets	3,642	5,636
Bank deposits	795,000	452,969
Cash and cash equivalents	545,214	444,827
Restricted cash	1,184	959
<b>Current assets</b>	<b>8,188,940</b>	<b>6,025,727</b>
<b>Total assets</b>	<b>14,443,624</b>	<b>12,152,892</b>

**JSC CHELYABINSK ZINC PLANT****Consolidated Interim Condensed Statement of Financial Position as at 30 September 2014 (unaudited)**

'000 RUB	Note	30 September 2014	31 December 2013
<b>Equity</b>			
Share capital		127,635	127,635
Share premium		1,375,231	1,375,231
Legal reserve		3,011	3,011
Translation reserve		154,946	(16,893)
Retained earnings		10,611,339	8,974,372
<b>Total equity</b>		<b>12,272,162</b>	<b>10,463,356</b>
<b>Liabilities</b>			
Provision for asset retirement obligations		106,934	100,693
Deferred income tax liabilities		211,298	137,984
Other non-current liabilities		56,785	55,317
<b>Total non-current liabilities</b>		<b>375,017</b>	<b>293,994</b>
Accounts payable, accrued expenses and advances from customers		1,128,008	1,149,238
Current income tax payable		134,283	5,508
Other taxes payable		534,154	240,796
<b>Total current liabilities</b>		<b>1,796,445</b>	<b>1,395,542</b>
<b>Total liabilities</b>		<b>2,171,462</b>	<b>1,689,536</b>
<b>Total equity and liabilities</b>		<b>14,443,624</b>	<b>12,152,892</b>

**JSC CHELYABINSK ZINC PLANT**

**Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income for the nine months ended 30 September 2014 (unaudited)**

'000 RUB	Note	For the nine months, ended 30 September	
		2014	2013
Revenue		11,063,509	9,773,092
Cost of sales		(7,883,221)	(8,338,243)
<b>Gross profit</b>		<b>3,180,288</b>	<b>1,434,849</b>
Other operating income		364,415	42,981
Distribution costs		(581,677)	(525,690)
General and administrative expenses		(689,467)	(655,027)
Other operating expenses		(245,316)	(159,273)
<b>Results from operating activities</b>		<b>2,028,243</b>	<b>137,840</b>
Finance income		96,649	108,288
Finance expense		(10,820)	(53,059)
Foreign exchange loss		(11,759)	(16,072)
<b>Profit before income tax</b>		<b>2,102,313</b>	<b>176,997</b>
Income tax expense		(465,346)	(62,706)
<b>Profit for the period</b>		<b>1,636,967</b>	<b>114,291</b>
<b>Other comprehensive income</b>			
<i>Total items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation to presentation currency		171,839	72,861
<b>Total other comprehensive income</b>		<b>171,839</b>	<b>72,861</b>
<b>Total comprehensive income for the period</b>		<b>1,808,806</b>	<b>187,152</b>
<b>Profit is attributable to:</b>			
Shareholders of the Company		1,636,967	114,291
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		171,839	72,861
<b>Earnings per share – basic and diluted (in RUB)</b>		<b>30.2</b>	<b>2.1</b>

**JSC CHELYABINSK ZINC PLANT**
**Consolidated Interim Condensed Statement of Cash Flows for the nine months ended 30 September 2014  
(unaudited)**

'000 RUB	For the nine months, ended 30 September	
	2014	2013
<b>Cash flows from operating activities</b>		
Profit	1,636,967	114,291
<i>Adjustments for:</i>		
Depreciation and amortisation	701,414	753,387
Loss on disposal of property, plant and equipment	46,677	16,497
Impairment of loans issued, trade and other receivables	2,065	2,465
Loss/(reversal) of inventory provision	2,695	(8,217)
Net finance income	(85,829)	(55,229)
Unrealized foreign exchange	13,932	1,592
Reversal of impairment of fixed assets and assets under construction	(318,423)	(1,464)
Adjustment of the expenses for electricity transmission services	(358,647)	-
Provision for ecological proceedings and taxes	152,763	44,741
Other non-monetary operating income	(3,752)	(68,033)
Income tax expense	465,346	62,706
	<b>2,255,208</b>	<b>862,736</b>
<i>Changes in:</i>		
Trade and other receivables	(1,246,098)	(310,066)
Inventories	23,106	(373,546)
Trade and other payables	(18,577)	221,345
Taxes payable	140,595	45,742
Restricted cash balance	(226)	(130)
<b>Cash flows from operations</b>	<b>1,154,008</b>	<b>446,081</b>
Interest paid	-	(733)
Income tax paid	(157,301)	(16,212)
<b>Net cash from operating activities</b>	<b>996,707</b>	<b>429,136</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(1,097,849)	(684,675)
Capitalized stripping costs	(145,183)	(143,806)
Proceeds from sale of property, plant and equipment	4,151	604
Loans issued	(25,918)	(944)
Proceeds from repayment of loans issued	25,845	3,218
Interest income received	3,083	60,252
Placement of bank deposits	(1,051,000)	(1,209,000)
Proceeds from bank deposits repayment	1,408,970	1,449,018
<b>Net cash used in investing activities</b>	<b>(877,901)</b>	<b>(525,333)</b>
Effect of currency translation and exchange rate fluctuations on cash and cash equivalents	(18,419)	9,430
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>100,387</b>	<b>(86,767)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>444,827</b>	<b>425,386</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>545,214</b>	<b>338,619</b>



**JSC CHELYABINSK ZINC PLANT****Consolidated Interim Condensed Statement of Changes in Equity for the nine months ended 30 September 2014 (unaudited)**

'000 RUB

	<b>Share capital</b>	<b>Share premium</b>	<b>Reserve capital</b>	<b>Translation reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at 1 January 2013</b>	<b>127,635</b>	<b>1,375,231</b>	<b>3,011</b>	<b>(162,680)</b>	<b>9,182,603</b>	<b>10,525,800</b>
Net loss for the period	-	-	-	-	114,291	114,291
Other comprehensive income for the period	-	-	-	72,861	-	72,861
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,861</b>	<b>114,291</b>	<b>187,152</b>
<b>Balance at 30 September 2013</b>	<b>127,635</b>	<b>1,375,231</b>	<b>3,011</b>	<b>(89,819)</b>	<b>9,296,894</b>	<b>10,712,952</b>
<b>Balance at 1 January 2014</b>	<b>127,635</b>	<b>1,375,231</b>	<b>3,011</b>	<b>(16,893)</b>	<b>8,974,372</b>	<b>10,463,356</b>
Net profit for the period	-	-	-	-	1,636,967	1,636,967
Other comprehensive loss for the period	-	-	-	171,839	-	171,839
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>171,839</b>	<b>1,636,967</b>	<b>1,808,806</b>
<b>Balance at 30 September 2014</b>	<b>127,635</b>	<b>1,375,231</b>	<b>3,011</b>	<b>154,946</b>	<b>10,611,339</b>	<b>12,272,162</b>