



NEWS RELEASE

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Chelyabinsk Zinc Plant Announces Q1 2015 Consolidated Financial Results

Chelyabinsk, Russia – June 08, 2015 – Chelyabinsk Zinc Plant (LSE, MICEX-RTS: 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, 2015 based on consistent accounting policy (Unaudited).

Q1 2015 HIGHLIGHTS

- Chelyabinsk Zinc Plant's (CZP) revenue totalled RUB 6,913 mln.
- EBITDA amounted to RUB 2,401 mln or 35% of revenue.
- Net profit was RUB 1,597 mln.

Consolidated financial results

(in millions of Russian Roubles)	Q1 2015	Q1 2014	Change, %
Revenue	6,913	3,133	121%
Gross profit	2 541	653	289%
<i>Gross margin, %</i>	37%	21%	
EBITDA (1)	2,401	476	405%
<i>EBITDA margin, %</i>	35%	15%	
Profit before income tax	2,022	344	488%
Net profit	1,597	295	441%
<i>Net margin, %</i>	23%	9%	

(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 2015 consolidated revenue increased by 121% to RUB 6,913 mln as compared to Q1 2014.

The average LME zinc price in Q1 2015 amounted to US\$ 2,080/tonne, slightly higher than Q1 2014 level. The average LME lead quotes decreased by 14% to US\$ 1,806/tonne. Positive effect on revenue was made by the growth of exchange rates (US Dollar, Pound Sterling, Kazakhstan Tenge) against the Russian Rouble.

Revenue structure

(in millions of Russian Roubles)	Q1 2015	Q1 2014	Change, %
Zinc and zinc alloys	5,795	2,274	155%
<i>CZP</i>	4,282	1,668	157%
<i>Brock Metal</i>	1,513	606	150%
Zinc tolling	349	401	(13%)
Lead concentrate	195	114	71%
<i>CZP</i>	42	16	159%
<i>Nova Zinc</i>	153	98	56%
Other products	574	344	67%
Total revenue	6,913	3,133	121%

In Q1 2015, CZP's revenue from sale of zinc and zinc alloys increases by 157% as compared to the Q1 2014 and amounted to RUB 4,282 mln. The growth of revenue was due to 78% increase of US dollar/Russian Rouble exchange rate (Q1 2015: RUB 62.2; Q1 2014: RUB 35.0) and increase of sales on the domestic markets by 42% (Q1 2015: 29.7 thousand tonnes; Q1 2014: 20.9 thousand tonnes).

Revenue of The Brock Metal Company Limited for Q1 2015 amounted to RUB 1,513 mln, 150% higher than in Q1 2014. This increase was due to 64% growth of Pound Sterling/Russian Rouble exchange rate (Q1 2015: RUB 95.7; Q1 2014: RUB 58.2) and 39% growth of zinc alloys sales (Q1 2015: 9.6 thousand tonnes; Q1 2014: 7.0 thousand tonnes).

CZP received revenue of RUB 349 mln under tolling agreement in Q1 2015, which is 13% lower compared to Q1 2014. The decrease of tolling's volume by 22% (Q1 2015: 11.6 thousand tonnes; Q1 2014: 14.9 thousand tonnes) was due to increase of zinc and zinc alloys sales on the domestic market. Fixed processing fee amounted to RUB 30,000/tonne (Q1 2014: RUB 27,000)

Revenue from lead concentrate sales of Nova Zinc for Q1 2015 increased by 56% compared to Q1 2014. The increase was due to 62% growth of Kazakhstan Tenge/Russian Ruble exchange rate (Q1 2015: RUB 0.34; Q1 2014: RUB 0.21).

In Q1 2015, revenue from CZP's other by-products increased by 67% to RUB 574 mln as compared to Q1 2014. The main reasons of revenue increase were sales of accumulated balance of precious metals and also the growth of sulphate zinc price due to increase of US dollar/Russian Rouble exchange rate.

Cost of Sales

(in millions of Russian Roubles)	Q1 2015	Q1 2014	Change, %
Raw materials and consumables used in production	2,796	1,617	73%
Utilities and fuel	568	585	(3%)
Staff cost	297	225	32%
Depreciation and amortization	296	202	47%
Repairs and maintenance	154	148	4%
Mineral extraction tax	105	61	72%
Other taxes	58	35	65%
Production overheads	31	24	28%
Inventory provision	5	-	n/a
Other costs	37	34	11%
Change in work-in-progress	129	69	86%
Change in finished goods	(105)	(520)	n/a
Cost of sales	4,371	2,480	76%

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 exchange rates against the Russian Rouble, volume growth of purchased raw materials (due to structure changes of zinc and zinc alloys sales related to JSC «CZP») and growth of auxiliary materials prices.

In Q1 2015, costs of utilities and fuel decreased by 3% to RUB 568 mln mainly due to decrease of expenses on electricity transmission services. The electricity tariff for CZP in Q1 2015 totaled RUB 1.75 per kWh (Q1 2014: RUB 2.20 per kWh)

Staff costs increased by 32% as compared to the relevant period of the previous year, to RUB 297 mln. The increase was mainly due to the growth of exchange rates (Kazakhstan Tenge, Pound Sterling) against the Russian Rouble and also due to the growth of average salaries.

In Q1 2015, amortization deductions increased by 47% compared to Q1 2014, to RUB 296 mln. The increase was due to growth of exchange rates (Kazakhstan Tenge, Pound Sterling) against the Russian Rouble and also due to the reversal of previously accrued impairment loss related to assets of LLP "Nova Zinc".

Distribution, General and Administrative Expenses

In Q1 2015, distribution costs increased by 40% and amounted to RUB 262 mln. The main reasons were changes of contracts terms for zinc and zinc alloys sales on Russian domestic markets (starting from the year 2015 delivery expenses were included in zinc price) and also transportation cost growth due to CZP's zinc delivery to Brock Metal Company Limited.

General and administrative expenses amounted to RUB 234 mln in Q1 2015, 19% higher than in Q1 2014 (RUB 188 mln).

Net profit

Net profit for Q1 2015 totalled RUB 1,597 mln compared to RUB 295 mln for Q1 2014. The main factors of net income growth were the increase of US dollar/Russian Rouble exchange rate and growth of zinc and zinc alloys sales on Russian domestic market.

About Chelyabinsk Zinc Plant

Chelyabinsk Zinc Plant is the leading Russian zinc producer. In 2014 the plant produced 168,601 tonnes of saleable SHG zinc.

According to consolidated IFRS accounts, revenue in 2014 was RUB 16,508 mln and EBITDA was RUB 3,825 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 31 March 2015 (unaudited)**

'000 RUB	31 March 2015	31 December 2014
Assets		
Property, plant and equipment	6,800,185	6,852,061
Advances for acquisition of business	3,400,000	3,400,000
Advances for acquisition of property, plant and equipment	179,373	103,830
Intangible assets	153,007	148,351
Other non-current assets	464	557
Non-current assets	10,533,029	10,504,799
Inventories	2,329,577	2,334,184
Trade and other receivables	3,726,587	3,181,629
Current income tax prepayment	1,752	1,420
Financial assets	103,607	56,694
Cash and cash equivalents	1,887,540	447,750
Current assets	8,049,063	6,021,677
Total assets	18,582,092	16,526,476
Equity		
Share capital	127,635	127,635
Share premium	1,375,231	1,375,231
Legal reserve	3,011	3,011
Translation reserve	1,315,652	1,274,349
Retained earnings	12,924,122	11,326,915
Total equity	15,745,651	14,107,141
Liabilities		
Provision for asset retirement obligations	155,023	145,173
Deferred income tax liabilities	183,851	183,274
Other non-current liabilities	62,916	62,287
Total non-current liabilities	401,790	390,734
Accounts payable, accrued expenses and advances from customers	1,265,460	1,491,972
Current income tax payable	259,367	38,179
Other taxes payable	616,903	403,162
Bank overdrafts	292,921	95,288
Total current liabilities	2,434,651	2,028,601
Total liabilities	2,836,441	2,419,335
Total equity and liabilities	18,582,092	16,526,476

JSC CHELYABINSK ZINC PLANT

Consolidated Interim Condensed Statement of Profit and Loss and Other Comprehensive income for the three months ended 31 March 2015 (unaudited)

'000 RUB	For the three months, ended 31 March	
	2015	2014
Revenue	6,912,627	3,133,197
Cost of sales	<u>(4,371,246)</u>	<u>(2,480,221)</u>
Gross profit	2,541,381	652,976
Other operating income	29,102	10,992
Commercial costs	(262,260)	(187,909)
General and administrative expenses	(234,478)	(197,438)
Other operating expenses	<u>(14,406)</u>	<u>(21,098)</u>
Results from operating activities	2,059,339	257,523
Finance income	25,979	32,358
Finance expense	(10,139)	(15,235)
Foreign exchange loss	<u>(53,309)</u>	<u>69,465</u>
Profit before income tax	2,021,870	344,111
Income tax expense	<u>(424,663)</u>	<u>(48,953)</u>
Profit for the period	1,597,207	295,158
Other comprehensive income		
<i>Total items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences for foreign operations	<u>41,303</u>	<u>(63,965)</u>
Total other comprehensive income/(loss)	41,303	(63,965)
Total comprehensive income for the period	1,638,510	231,193
Profit is attributable to:		
Shareholders of the Company	<u>1,597,207</u>	<u>295,158</u>
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	<u>1,638,510</u>	<u>(63,965)</u>
Earnings/(loss) per share – basic and diluted (in RUB)	29.5	(5.4)

JSC CHELYABINSK ZINC PLANT**Consolidated Interim Condensed Statement of Cash Flows for the three months ended 31 March 2015
(unaudited)**

'000 RUB	For the three months, ended 31 March	
	2015	2014
Cash flows from operating activities		
Profit	1,597,207	295,158
<i>Adjustments for:</i>		
Depreciation and amortisation	330,521	223,448
Loss/(profit) on disposal of property, plant and equipment	5,279	(1,340)
(Reversal of)/impairment of loans issued, trade and other receivables	(827)	257
Impairment losses/(reversal of impairment) of inventory provision	5,498	(54)
Net finance income	(15,840)	(17,123)
Unrealized foreign exchange gains	(95,287)	(23,317)
Reversal of impairment losses on fixed assets and assets under construction	-	(4,065)
Other non-monetary operating income	(26,867)	(6,021)
Income tax expense	424,663	48,953
	2,224,347	515,896
<i>Changes in:</i>		
Trade and other receivables	(538,507)	(306,985)
Inventories	398	72,451
Trade and other payables	(233,653)	(13,220)
Taxes payable	208,575	130,289
Restricted cash balance	(118,969)	(113)
	1,542,191	398,318
Cash flows from operations	1,542,191	398,318
Income tax paid	(203,859)	(45,185)
	1,338,332	353,133
Net cash from operating activities	1,338,332	353,133
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(277,108)	(210,598)
Capitalized stripping costs	(42,269)	(8,421)
Loans issued	(171)	15
Proceeds from repayment of loans issued	442	456
Interest income received	1,045	260
Proceeds from finance assets repayment	45,000	301,080
Finance assets placements	(83,020)	(356,000)
	(356,081)	(273,208)
Effect of currency translation and exchange rate fluctuations on cash and cash equivalents	46,649	(5,465)
	1,027,900	74,460
Net increase in cash and cash equivalents	1,027,900	74,460
Cash and cash equivalents at 1 January	446,064	444,827
Cash and cash equivalents at 31 March	1,473,964	519,287

JSC CHELYABINSK ZINC PLANT**Consolidated Interim Condensed Statement of Changes in Equity for the three months ended 31 March 2015 (unaudited)**

'000 RUB

	<u>Share capital</u>	<u>Share premium</u>	<u>Legal reserve</u>	<u>Translation reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2014	127,635	1,375,231	3,011	(16,893)	8,974,372	10,463,356
Profit for the period	-	-	-	-	295,158	295,158
Other comprehensive loss for the period	-	-	-	(63,965)	-	(63,965)
Total comprehensive income for the period	-	-	-	(63,965)	295,158	231,193
Balance at 31 March 2014	127,635	1,375,231	3,011	(80,858)	9,269,530	10,694,549
Balance at 1 January 2015	127,635	1,375,231	3,011	1,274,349	11,326,915	14,107,141
Profit for the period	-	-	-	-	1,597,207	1,597,207
Other comprehensive income for the period	-	-	-	41,303	-	41,303
Total comprehensive income for the period	-	-	-	41,303	1,597,207	1,638,510
Balance at 31 March 2015	127,635	1,375,231	3,011	1,315,652	12,924,122	15,745,651