



## NEWS RELEASE

For Immediate Release – June 17, 2010

### Chelyabinsk Zinc Plant Announces IFRS Results For the Three Months Ended March 31, 2010

**Chelyabinsk, Russia – June 17, 2010** - Chelyabinsk Zinc Plant (LSE, RTS, MICEX: CHZN), Russia's largest producer of zinc and zinc alloys, is pleased to announce its IFRS financial results for the three months ended March 31, 2010 (Unaudited accounts).

#### 1Q 2010 HIGHLIGHTS

- Chelyabinsk Zinc Plant's (CZP) revenue for the 1Q2010 totaled RUB 2,685 million compared to RUB 1,565 million for the same period last year.
- 1Q2010 EBITDA amounted RUB 752 million and was equivalent to 28% of revenue compared to an EBITDA of RUB 154 million, equivalent of 10% of 1Q2009 revenue.
- Net profit for the 1Q2010 was RUB 458 million compared to RUB 224 million loss for the 1Q2009.

#### Consolidated interim financial results for the three months ended March 31

	<u>2010</u>	<u>2009</u>	<u>Change</u>
	<i>(in millions of Russian Roubles)</i>		<i>(%)</i>
<b>Revenue</b>	2,685	1,565	72
<b>Gross profit</b>	792	161	N/A
<i>Gross margin</i>	29%	10%	
<b>EBITDA</b>	752	154	N/A
<i>EBITDA margin</i>	28%	10%	
<b>Profit/(loss) before income tax</b>	551	(289)	N/A
<b>Net income/(loss)</b>	458	(224)	N/A
<i>Net margin</i>	17%	N/A	

(1) EBITDA, for any relevant period, represents operating profit before depreciation and amortization. EBITDA is presented because CZP considers it an important supplemental measure of CZP's operating performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in CZP's industry. EBITDA has limitations as an analytical tool, and it should not be considered in isolation, or as a substitute for the analysis of CZP's operating results as reported under IFRS. Some of these limitations are as follows:

- EBITDA does not reflect the impact of financing costs, which are significant and can further increase if CZP incurs more debt
- EBITDA does not reflect the impact of income taxes on CZP's operating performance.
- EBITDA does not reflect the impact of depreciation and amortization on CZP's operating performance. The assets of CZP's business which are being depreciated and/or amortized will have to be replaced in the future and such depreciation and amortization expense may approximate the cost to replace these assets in the future.

By excluding this expense from EBITDA, EBITDA does not reflect CZP's future cash requirements for these replacements.

- Other companies in CZP's industry may calculate EBITDA differently or may use it for different purposes than CZP does, limiting its usefulness as a comparative measure.

CZP compensates for these limitations by relying primarily on its IFRS operating results and using EBITDA only as a supplemental measure. Please refer to the consolidated statements of income and consolidated statements of cash flows of CZP included in the current press release.

EBITDA is a measure of CZP's operating performance that is not required by, or presented in accordance with, IFRS. EBITDA is not a measurement of CZP's operating performance under IFRS and should not be considered as an alternative to profit for the period, operating profit or any other performance measure derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of CZP's liquidity. In particular, EBITDA should not be considered as a measure of discretionary cash available to CZP to invest in the growth of its business.

Reconciliation of EBITDA to net income is as follows for the periods indicated:

	Three months ended	
	31 March	
	2010	2009
	<i>(in millions of Russian</i>	
	<i>Roubles)</i>	
<b>Profit/(loss) for the period</b>	458	(224)
<b>Add:</b>		
Depreciation and amortization	192	240
Finance income and costs, net	3	38
Foreign currency exchange loss, net	3	165
Income tax expense/(credit)	93	(65)
Exploration and evaluation costs	3	-
<b>EBITDA</b>	<b>752</b>	<b>154</b>

## Production and Sales

For the 1Q2010 CZP produced 38.6 thousand tonnes of salable SHG zinc and zinc based alloys, an increase of 59% as compared to the same period of 2009 (24.3 thousand tonnes). CZP sales for the period were 38.2 thousand tonnes, which is 56% more than for the same period of 2009 (24.5 thousand tonnes). 44% (16.7 thousand tonnes) of zinc and zinc alloys was supplied to the domestic market. 53% (20.4 thousand tonnes) – was supplied under a tolling contract; export – 1.1 thousand tonnes or 3% (1Q2009: domestic market – 12 thousand tonnes, export – 12.5 thousand tonnes of SHG zinc and zinc based alloys).

For the 1Q2010 CZP's subsidiary, Nova Zinc LLC, operator of Akzhal zinc and lead ore mine in Kazakhstan produced 7.2 thousand tonnes of zinc in zinc concentrate (1Q2009: 8.1 thousand tonnes). Lead in lead concentrate production for the period totaled 1 thousand tonnes (1Q2009: 1.3 thousand tonnes).

CZP's subsidiary, The Brock Metal Company Limited (the leading UK supplier of zinc die-casting alloys) sold 7.1 thousand tonnes of products in the 1Q2010, 45% more than for the same period of 2009 (4.9 thousand tonnes).

## Revenue

CZP's revenue increased by 72% to RUB 2,685 mln for the 1Q2010 as compared to the same period of last year – RUB 1,565 mln. Revenue from sales of zinc and zinc alloys increased by 40%; from sales of by-products - by 63%; from sales of lead concentrate - decreased by 21%.

## Revenue structure

	Three months ended March 31		Change (%)
	2010	2009	
	<i>(in millions of Russian Roubles)</i>		
Zinc and zinc alloys	1,825	1,302	40
Zinc tolling	491	-	N/A
Lead concentrate	56	71	(21)
Other products	313	192	63
<b>Total revenue</b>	<b>2,685</b>	<b>1,565</b>	<b>72</b>

Revenue from sale of zinc and zinc alloys increased by 40% to RUB 1,825 mln for the 1Q2010 (versus RUB 1,302 mln in the 1Q2009). It was caused by the growth of zinc and zinc alloys tonnage sales and also by increase of LME zinc prices by 95% to US\$2,288/tonne as compared to the 1Q2009 average LME price of US\$1,174/tonne. Revenue increase was not proportional due to the fact that part of zinc metal was supplied under a tolling agreement.

Zinc tolling revenue was RUB 491 mln for the 1Q2010. CZP receives RUB 24,000 per tonne of zinc according to the terms of the tolling agreement.

Revenue from sale of lead concentrate was RUB 56 mln in 1Q2010 (1Q2009: RUB 71).

Revenue from CZP's other products increased by 63% to RUB 313 mln in 1Q2010 (1Q2009: 192). It was mainly caused by the increase of indium, sulphuric acid and zinc sulfate sales.

## Cost of Sales

	Three months ended March 31	
	2010	2009
	<i>(in millions of Russian Roubles)</i>	
Raw materials and consumables used	1,108	693
Utilities and fuel	446	299
Production overheads	24	19
Mineral extraction tax	32	24
Repairs and maintenance	120	81
Depreciation and amortization	171	215
Staff cost	141	139
Change in work-in-progress	(131)	142
Change in finished goods	(4)	99
Reversal of inventory write-down	(5)	(395)
Precious metal revaluation	(8)	(35)
Cost of goods and material for resale	(1)	123
<b>Total cost of sale</b>	<b>1,893</b>	<b>1,404</b>

For the 1Q2010 cost of sales increased by 35% to RUB 1,893 mln from RUB 1,404 mln for the same period of 2009.

Cost of material and consumables used primarily comprises the cost of zinc concentrate, secondary raw materials and auxiliary materials used in the zinc production process. This cost increased by 60% to RUB 1,108 mln (1Q2009: RUB 693 mln) which is equal to 59% of the total cost of sales (1Q2009: 49%). The main reason is the production volumes growth and increase of LME zinc prices. Cost of material and consumables used also increased disproportionately due to the zinc tolling.

Costs of utilities and fuel increased by 49% up to RUB 446 mln in the 1Q2010 (1Q2009: RUB 299 mln). This increase was primarily due to a growth of electricity consumption at CZP's production facilities in Chelyabinsk, as a result of an increase in overall production levels.

### **Distribution Costs**

Distribution costs include primarily transportation costs and customs duties. For the 1Q2010 these costs increased by 9% to RUB 97 mln (vs. RUB 89 mln for the 1Q2009). Such increase was mainly caused by growth of transportation costs of sulphuric acid to consumers.

### **General and Administrative Expenses**

General and administrative expenses decreased in the 1Q2010 by 15% to RUB 134 mln from RUB 158 mln in the 1Q2009. The decrease is mainly explained by one-off income on metal scrap sales.

### **Profit (loss)**

Net profit for the 1Q2010 was RUB 458 mln compared to RUB 224 mln loss for the 1Q2009.

### **About Chelyabinsk Zinc Plant**

*Chelyabinsk Zinc Plant is the leading Russian zinc producer. In 2009 the plant produced 119,931 tonnes of salable SHG zinc.*

*According to consolidated IFRS accounts, revenues in 2009 were RUB 10,167 million and EBITDA was RUB 2,070 million.*

*Ordinary shares of CZP are traded on the RTS exchange and on the MICEX exchange 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 Condensed Interim Statement of Financial Position**

*In thousands of Russian Roubles*

**31 March 2010**    **31 December 2009**

**ASSETS**

**Non-current assets**

Property, plant and equipment	4,871,145	4,969,105
Advances for capital construction	105,690	69,126
Other intangible assets	45,925	45,272
Non-current assets available for sale	90,637	90,637
Other non-current assets	930	1,019

**Total non-current assets** **5,114,326** **5,175,159**

**Current assets**

Inventories	1,534,979	1,588,084
Trade and other receivables	1,785,848	1,563,046
Current income tax prepayments	-	-
Loans receivable	17,014	17,446
Short-term financial assets	5,963	9,486
Bank deposits	-	-
Cash and cash equivalents	514,687	470,437
Restricted cash	4,212	4,226

**Total current assets** **3,862,702** **3,652,725**

**TOTAL ASSETS** **8,977,028** **8,827,884**

**EQUITY**

Share capital	127,635	127,635
Share premium	1,375,231	1,375,231
Legal reserve	3,011	3,011
Hedging reserve	5,968	(51,780)
Cumulative currency translation reserve	(237,916)	(183,276)
Retained earnings	6,542,716	6,084,988

**TOTAL EQUITY** **7,816,645** **7,355,809**

**LIABILITIES**

**Non-current liabilities**

Borrowings	46,567	50,993
Provision for asset retirement obligations	64,676	72,377
Deferred income tax liability	266,089	282,434
Other non-current liabilities	33,917	34,152

**Total non-current liabilities** **411,249** **439,956**

**Current liabilities**

Borrowings	17,153	16,853
Short-term financial liabilities	-	5,002
Accounts payable, accrued expenses and advances from customers	493,972	852,895
Current income tax payable	123,548	37,857
Other taxes payable	114,461	119,512

**Total current liabilities** **749,134** **1,032,119**

**TOTAL LIABILITIES** **1,160,383** **1,472,075**

**TOTAL LIABILITIES AND EQUITY** **8,977,028** **8,827,884**

**JSC CHELYABINSK ZINC PLANT**  
**Consolidated Condensed Interim Statement of Income**

<i>In thousands of Russian Roubles</i>	<b>Three months ended 31 March 2010</b>	<b>Three months ended 31 March 2009</b>
Revenue	2,684,639	1,564,615
Cost of sales	(1,892,742)	(1,403,841)
<b>Gross profit/(loss)</b>	<b>791,897</b>	<b>160,773</b>
Distribution costs	(97,189)	(89,083)
General and administrative expenses	(134,313)	(157,703)
Exploration and evaluation costs	(3,004)	-
<b>Operating profit/(loss)</b>	<b>557,390</b>	<b>(86,012)</b>
Finance income	1,170	7,519
Finance costs	(3,790)	(45,659)
Foreign exchange gain	40,230	402,125
Foreign exchange loss	(43,774)	(566,687)
<b>Profit/(loss) before income tax</b>	<b>551,226</b>	<b>(288,715)</b>
Income tax (expense)/credit	(93,498)	64,802
<b>Profit/(loss) for the year</b>	<b>457,728</b>	<b>(223,912)</b>
<b>Profit/(loss) is attributable to:</b>		
Shareholders of the Company	457,728	(223,912)
<b>Profit/(loss) for the year</b>	<b>457,728</b>	<b>(223,912)</b>
<b>Earning/(loss) per share – basic and diluted (in RUB)</b>	<b>8,4</b>	<b>(4)</b>

**JSC CHELYABINSK ZINC PLANT**  
**Consolidated Condensed Interim Statement of Comprehensive Income**

<i>In thousands of Russian Roubles</i>	<b>Three months ended 31 March 2010</b>	<b>Three months ended 31 March 2009</b>
Profit/(loss) for the year	457,728	(223,912)
<b>Other comprehensive (loss)/income after tax</b>		
Effect of translation to presentation currency	(54,638)	(81 147)
Cash flow hedges, net of tax	57,747	(57,942)
<b>Total comprehensive income/(loss) for the year after tax</b>	<b>460,837</b>	<b>(363,002)</b>
<b>Total comprehensive income/(loss) after tax attributable to:</b>		
Shareholders of the Company	460,837	(363,002)

**JSC CHELYABINSK ZINC PLANT**  
**Consolidated Condensed Interim Statement of Cash Flows**

<i>In thousands of Russian Roubles</i>	<b>Three months ended 31 March 2010</b>	<b>Three months ended 31 March 2009</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax	551,226	(288,715)
Adjustments for:		
Depreciation and amortization	191,985	240,435
Net loss on disposal of property, plant and equipment	18,584	16,023
Impairment of trade and other receivables	2,520	7,975
Reversal of inventory write down to net realisable value	(5,361)	(394,775)
Finance costs, net	2,619	38,140
Precious metals revaluation	(7,734)	(34,527)
Foreign exchange loss/(gain), net	11,002	249,709
Write-off of exploration and evaluation costs	3,004	-
Other non-monetary items	8,275	24,602
<b>Operating cash flows before changes in working capital</b>	<b>776,120</b>	<b>(141,132)</b>
(Increase)/decrease in trade and other receivables	(155,613)	10,536
Decrease/(increase) in broker margin account	7,596	(79,744)
Decrease in inventory	70,818	716,069
Decrease in trade and other payables	(385,613)	(235,696)
Increase/(decrease) in taxes payable	26,654	(1,453)
(Increase)/decrease in bank deposits	(1,544)	210,102
Decrease in restricted cash balance	14	14,962
<b>Cash generated from operations</b>	<b>338,432</b>	<b>493,644</b>
Interest paid	(722)	(38,638)
Income taxes (paid)/refunded	(52,873)	50,000
<b>Net cash generated from operating activities</b>	<b>284,837</b>	<b>505,006</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(183,754)	(73,432)
Forward contracts not accounted as hedge	(10,964)	(19,369)
Purchase of exploration and evaluation assets	(704)	-
Proceeds from sale of property, plant and equipment	1,300	2,458
Loans issued	(321)	646
Proceeds from repayment of loans	842	-
Interest income received	523	3,915
<b>Net cash used in investing activities</b>	<b>(193,078)</b>	<b>(85,783)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	-	(141,271)
Finance lease payments	(6,804)	(16,160)
<b>Net cash used in financing activities</b>	<b>(6,804)</b>	<b>(157,431)</b>
Effect of currency translation and exchange rate fluctuations on cash and cash equivalents	(40,705)	91,290
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>44,250</b>	<b>353,081</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>470,437</b>	<b>590,299</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>514,687</b>	<b>943,381</b>

**JSC CHELYABINSK ZINC PLANT**  
**Consolidated Condensed Interim Statement of Changes in Equity**

<i>In thousands of Russian Roubles</i>	Share capital	Share premium	Legal reserve	Hedging reserve	Cumulative currency translation reserve	Retained earnings	Total equity
<b>Balance at 1 January 2009</b>	<b>127,635</b>	<b>1,375,231</b>	<b>3,011</b>	<b>92,076</b>	<b>72,770</b>	<b>5,442,379</b>	<b>7,113,102</b>
Legal reserve	-	-	5,987	-	-	(5,987)	-
Total comprehensive (loss)/income for the period after tax	-	-	-	(57,942)	(81,147)	(223,912)	(363,002)
<b>Balance at 31 March 2009</b>	<b>127,635</b>	<b>1,375,231</b>	<b>8,988</b>	<b>34,134</b>	<b>(8,377)</b>	<b>5,212,479</b>	<b>6,750,100</b>
<b>Balance at 1 January 2010</b>	<b>127,635</b>	<b>1,375,231</b>	<b>3,011</b>	<b>(51,780)</b>	<b>(183,276)</b>	<b>6,084,988</b>	<b>7,355,809</b>
Total comprehensive income/(loss) for the period after tax	-	-	-	57,747	(54,638)	457,728	460,837
<b>Balance at 31 March 2010</b>	<b>127,635</b>	<b>1,375,231</b>	<b>3,011</b>	<b>5,968</b>	<b>(237,916)</b>	<b>6,542,716</b>	<b>7,816,645</b>