



CHELYABINSK ZINC PLANT  
 24, Sverdlovskiyi trakt,  
 Chelyabinsk, 454008, Russia  
 Tel.: +7 (351) 799-00-00  
 Fax: +7 (351) 799-00-65  
 www.zinc.ru

## NEWS RELEASE

For Immediate Release – October 29, 2009

### **Chelyabinsk Zinc Plant Announces Reviewed IFRS Results For The Six Months Ended June 30, 2009**

**Chelyabinsk, Russia - October 29, 2009** - Chelyabinsk Zinc Plant (LSE, RTS, MICEX: CHZN), Russia's largest producer of zinc and zinc alloys, is pleased to announce its reviewed IFRS financial results for the six months ended June 30, 2009.

#### **1H 2009 HIGHLIGHTS**

- Revenue for the first six months of 2009 totaled RUB 3,542 million compared to RUB 5,664 for the same period last year.
- 1H 2009 EBITDA amounted RUB 543 million and was equivalent to 15% of revenue compared to an EBITDA of RUB 576 million, equivalent of 10% of 1H 2008 revenue.
- Net loss for the first six months of 2009 was RUB 136 million compared to RUB 907 million loss for the first six months of 2008.
- 1H 2009 net earnings have been affected by decrease of LME zinc prices, RUB 58 million exploration and evaluation assets written off based on the uncertainty about the resumption of development works for the Eastern site of Akzhal field.

#### **Consolidated interim financial results for the six months ended 30 June 2009**

	<b>2009</b>	<b>2008</b>	<b>Change</b>
	<i>(in millions of Russian Roubles)</i>		<i>(%)</i>
<b>Revenue</b>	3,542	5,664	(38)
<b>Gross profit</b>	593	552	7
<i>Gross margin</i>	17%	10%	
<b>EBITDA</b>	543	575	(6)
<i>EBITDA margin</i>	15%	10%	
<b>Profit/(loss) before income tax</b>	(127)	(928)	N/A
<b>Net income/(loss)</b>	(136)	(907)	N/A
<i>Net margin</i>	N/A	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 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 could further increase if CZP incurs more debt, on CZP's operating performance.
- 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 supplementally. See CZP's consolidated statements of income and consolidated statements of cash flows 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 year, operating profit or any other performance measures 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:

	6 months ended June 30	
	<b>2009</b>	<b>2008</b>
	<i>(in millions of Russian Roubles)</i>	
<b>Profit/(loss) for the period</b>	(136)	(907)
<b>Add:</b>		
Depreciation and amortization	462	507
Finance income and costs, net	76	27
Foreign currency exchange loss/(gain), net	74	(78)
Income tax expense/(credit)	9	(21)
Goodwill impairment	-	779
Exploration and evaluation costs	58	268
<b>EBITDA</b>	<b>543</b>	<b>575</b>

## **Production and Sales**

January through June, 2009, Chelyabinsk Zinc Plant (CZP) produced 51,686 tonnes of salable SHG zinc and zinc based alloys, a decrease of 33% as compared to the same period of 2008 (76,980 tonnes). CZP sales for the period reached 50.9 thousand tonnes, which is 33.3% less than for the same period of 2008 (76.4 thousand tonnes). 57% (29.1 thousand tonnes) of CZP total sales was supplied to the domestic market. Export totaled 21.7 thousand tonnes or 43% of CZP sales in 1H 2009 (1H 2008: domestic market – 39.6 thousand tonnes, export 36.7 thousand tonnes of SHG zinc and zinc based alloys, accordingly).

January through June, 2009, CZP's subsidiary, Nova Zinc LLC, operator of Akzhal zinc and lead ore mine in Kazakhstan produced 17.2 thousand tonnes of zinc in zinc concentrate (January through June 2008: 13.3 thousand tonnes). Zinc concentrate produced by Nova Zinc LLC has been supplied to Chelyabinsk Zinc Plant. Lead in lead concentrate production for the period totaled 2,088 tonnes.

CZP's subsidiary, The Brock Metal Company Limited (the leading UK supplier of zinc and die-casting alloys) sold 9,785 tonnes of products January through June 2009, 33.1% less than for the same period of 2008 (14,613 tonnes).

## Revenue

CZP's revenue decreased by 38% to RUB 3,542 mln for the six months ended 30 June 2009 as compared to the same period of last year (1H 2008: RUB 5,664 mln). Decrease of revenue mainly resulted from decrease of production and sales of zinc and zinc based alloys. The reason for revenue reduction was mainly the decrease of zinc and by-products's production and sales. At the same time, January through June 2009, the average zinc price on the LME decreased by 42% to US\$1,322/tonne as compared to the 1H 2008 average LME price of US\$2,269/tonne. This factor was basically compensated by 38% devaluation of Russian ruble to US dollar.

## Revenue structure

	6 months ended June 30		Change (%)
	2009	2008	
	<i>(in millions of Russian Roubles)</i>		
Zinc and zinc alloys	2,914	4,998	(42)
Lead concentrate	181	-	-
Other products	447	666	(33)
<b>Total revenue</b>	<b>3,542</b>	<b>5,664</b>	<b>(38)</b>

Revenue from sale of zinc and zinc alloys decreased by 42% to RUB 2,914 mln for the first six months (versus RUB 4,998 mln in the first six months of 2008). It was mainly caused by decrease of LME zinc prices and also drawdown of zinc and zinc alloys consumption.

Revenue from sale of lead concentrate was RUB 181 mln in 1H 2009 (1H 2008: RUB 0).

CZP received RUB 447 mln revenue from sale of other products for the first six months ended 30 June 2009, 33% less than for the same period of 2008 mainly resulted from decrease of sale of aluminum alloys by Brock Metal Company Limited. In respond to the current market conditions and needs Brock Metal reviewed its product portfolio and decided to cease production of aluminum alloys in 2009. This decrease was also caused by the drawdown of sulphuric acid's consumption and prices decrease.

## Cost of Sales

	6 months ended June 30	
	2009	2008
	<i>(in millions of Russian Roubles)</i>	
Raw materials and consumables used	1,520	3,045
Utilities and fuel	598	695
Production overheads	132	146
Repairs and maintenance	185	261
Depreciation and amortisation	429	481
Staff cost	271	307
Change in work-in-progress	84	(60)
Change in finished goods	(25)	26
(Reversal of) Inventory write-down	(381)	24
Precious metal revaluation	(51)	(35)
Cost of goods and material for resale	186	223
<b>Total cost of sale</b>	<b>2,948</b>	<b>5,112</b>

For the first six months ended June 30, 2009, cost of sales decreased by 42% to RUB 2,948 mln from RUB 5,112 mln for the same period of 2008.

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. Due to the production volumes drawdown and decrease of LME zinc prices and prices for zinc raw materials, cost of material and consumables used decreased by 50% to RUB 1,520 mln (1H 2008: RUB 3,045 mln) which is equal to 52% of the total cost of sales (1H 2008: 60%).

Costs of utilities and fuel decreased by 14% up to RUB 598 mln in January-June of 2009 (January-June, 2008: RUB 695 mln). This decrease was primarily due to a decrease in consumption of electricity at CZP's production facilities in Chelyabinsk, as a result of a decrease in overall production levels (1H 2009 zinc output was 33% less compared to 1H 2008 production results). At the same time in January-June of 2009 average electricity tariffs for CZP increased to RUB 1,703 per kWh as compared to the CZP tariff of RUB 1,413 per kWh in January-June of 2008.

Production overheads were RUB 132 mln in the six months ended 30 June 2009 (RUB 146 mln in the six months ended 30 June 2008). Decrease of production overheads is mainly explained by no outsourcing costs connected with transportation of waste mined at Akzhal field in 2009.

In the end of 2008 in order to minimize negative market environment that affected Company's operating and financial performance CZP implemented cost cutting measures scheduled to take effect in 2009 fiscal year. These measures included decrease in labor costs - 4% rundown of the overall number of CZP's personnel and some staff was moved to 4 day work-week. As a result the Company saved RUB 36 mln, staff costs decreased to RUB 271 mln for six months ended 30 June 2009, which is 12% less than for six months ended 30 June 2008 (RUB 307 mln).

The cost of goods and materials for resale decreased to RUB 186 mln in 1H 2009 (1H 2008: RUB 223 mln). This is primarily due to decrease of volumes of zinc purchased from RF Federal Agency for State Reserves.

Cost of sales as a percentage of revenue was 83% in 1H 2009 (vs. 90% in 1H 2008), thus gross profit margin increased to 17% from 10%.

### **Distribution Costs**

Distribution costs include primarily transportation costs and customs duties. For the first six months of 2009 these costs decreased by 10% to RUB 144 mln (vs. RUB 159 mln for the first six months of 2008). Such decrease was mainly caused by decline in export sales of zinc and by-products.

### **General and Administrative Expenses**

General and administrative expenses increased in the 1H 2009 by 14% to RUB 368 mln from RUB 324 mln in 1H 2008. The increase was primarily due to a reversal of a provision for withholding tax, made in 1H 2008.

### **Exploration and Evaluation Costs**

In June 2007 the Nova Zinc subsidiary started exploration and evaluation activities on the Eastern site of Akzhal field to exploit any mineral deposits within it through underground extraction. Exploration and evaluation expenses were capitalized as intangible assets. Management of the Group expects to continue exploration and evaluation activities on the Eastern site of Akzhal field in 2023. Due to uncertainty about the resumption of development

works, exploration and evaluation assets amounting to RUB 58 mln were written off in the period.

### **Profit (loss)**

Net loss for the six months ended June 30, 2009 was RUB 136 mln compared to RUB 907 mln loss for the six months ended June 30, 2008.

**CZP will host an Investor Conference Call to discuss its IFRS financial statements and comment on current operations, today, October 29, 2009 at 4 pm Moscow time (1 pm London time, 9 am New York time). Media are invited to attend on a listen-only basis.**

To participate in the conference call dial one of the dial-in numbers as follows:

- If dialing from Russia: (495) 981-0871
- If dialing from UK: 0800 0284183 (toll free)
- If dialing from the USA: 1 866 297 7327 (toll free)

If dialing from countries other than specified please refer to <http://www.conferencing.bt.com/pdf/bookedglobalaccess/automated.pdf>.

Once connected, the participant should enter the passcode: 845 984#

To join the web conference, paste the following link into the address bar of your web browser: [https://www.livemeeting.com/cc/bt\\_uk\\_event1/webJoin](https://www.livemeeting.com/cc/bt_uk_event1/webJoin),

then enter your Meeting ID/Meeting number K0526758 and Password: 845984.

The recording of the conference call and the presentation will be available on CZP's website ([www.zinc.ru](http://www.zinc.ru)) in the Investor Relations section.

### **About Chelyabinsk Zinc Plant**

*Chelyabinsk Zinc Plant is the leading Russian zinc producer. In 2008 the plant produced 166,064 tonnes of salable SHG zinc.*

*According to consolidated IFRS accounts, revenues in 2008 were RUB 9,973 million, and EBITDA was RUB - 10 million.*

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

#### **Investor and Media Contacts:**

Natalya Vasilieva, PR, [ngv@zinc.ru](mailto:ngv@zinc.ru)

Tel: +7 (351) 799-01-52

Evgeny Ponomarev, IR, [eyp@zinc.ru](mailto:eyp@zinc.ru)

Tel: +7 963 998-55-58

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.

**CHELYABINSK ZINC PLANT**  
**Consolidated Interim Balance Sheet**

*In thousands of Russian roubles*

**30 June 2009**    **31 December 2008**

**ASSETS**

**Non-current assets**

Property, plant and equipment	5,184,125	5,689,339
Advances for capital construction	15,130	70,653
Other intangible assets	33,807	97,507
Other non-current assets	987	6,936

<b>Total non-current assets</b>	<b>5,234,049</b>	<b>5,864,435</b>
---------------------------------	------------------	------------------

**Current assets**

Inventories	1,621,839	1,920,605
Trade and other receivables	1,172,914	1,321,990
Current income tax prepayments	176,752	329,394
Loans receivable and promissory notes	59,284	21,471
Short-term financial assets	21,190	145,599
Bank deposits	-	209,407
Cash and cash equivalents	1,247,470	590,299
Restricted cash	3,020	18,024

<b>Total current assets</b>	<b>4,302,469</b>	<b>4,556,789</b>
-----------------------------	------------------	------------------

<b>TOTAL ASSETS</b>	<b>9,536,518</b>	<b>10,421,224</b>
---------------------	------------------	-------------------

**EQUITY**

Share capital	127,635	127,635
Share premium	1,375,231	1,375,231
Legal reserve	3,011	3,011
Hedging reserve	6,527	92,076
Cumulative currency translation reserve	(119,275)	72,770
Retained earnings	5,306,791	5,442,379

<b>TOTAL EQUITY</b>	<b>6,699,920</b>	<b>7,113,102</b>
---------------------	------------------	------------------

**LIABILITIES**

**Non-current liabilities**

Borrowings	59,549	68,931
Provision for asset retirement obligations	60,502	60,591
Deferred income tax liability	164,721	194,268
Other non-current liabilities	31,461	31,742

<b>Total non-current liabilities</b>	<b>316,233</b>	<b>355,532</b>
--------------------------------------	----------------	----------------

**Current liabilities**

Borrowings	2,021,245	2,141,738
Short-term financial liabilities	-	21,436
Accounts payable, accrued expenses and advances from customers	405,440	711,066
Current income tax payable	2,409	5,773
Other taxes payables	91,271	72,577

<b>Total current liabilities</b>	<b>2,520,365</b>	<b>2,952,590</b>
----------------------------------	------------------	------------------

<b>TOTAL LIABILITIES</b>	<b>2,836,598</b>	<b>3,308,122</b>
--------------------------	------------------	------------------

<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9,536,518</b>	<b>10,421,224</b>
-------------------------------------	------------------	-------------------

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

<i>In thousands of Russian roubles</i>	<b>Six months ended 30 June 2009</b>	<b>Six months ended 30 June 2008</b>
Revenue	3,541,628	5,663,827
Cost of sales	(2,948,237)	(5,112,063)
<b>Gross profit</b>	<b>593,391</b>	<b>551,764</b>
Distribution costs	(143,573)	(158,501)
General and administrative expenses	(368,440)	(324,410)
Goodwill impairment	-	(778,667)
Exploration and evaluation costs	(58,143)	(268,472)
<b>Operating (loss)/profit</b>	<b>23,235</b>	<b>(978,286)</b>
Finance income	12,100	59,184
Finance costs	(88,078)	(86,614)
Foreign exchange gain	555,812	174,542
Foreign exchange loss	(629,797)	(96,868)
<b>Loss before income tax</b>	<b>(126,728)</b>	<b>(928,042)</b>
Income tax charge	(8,860)	20,961
<b>Loss for the period</b>	<b>(135,588)</b>	<b>(907,081)</b>
<b>Loss attributable to:</b>		
Shareholders of the Company	(135,588)	(907,081)
<b>Loss for the period</b>	<b>(135,588)</b>	<b>(907,081)</b>
<b>Loss per share - basic and diluted (in RUB)</b>	<b>(2.5)</b>	<b>(16.7)</b>

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

<i>In thousands of Russian roubles</i>	<b>Six months ended 30 June 2009</b>	<b>Six months ended 30 June 2008</b>
<b>Cash flows from operating activities</b>		
Loss before income tax	(126,728)	(928,042)
Adjustments for:		
Depreciation and amortization	461,707	507,042
Net loss on disposal of property, plant and equipment	15,740	1,324
(Reversal of impairment)/Impairment of trade and other receivables	(176)	1,748
(Reversal of inventory write down)/Inventory write-down to net realisable value	(381,240)	23,969
Finance costs, net	75,978	27,430
Precious metals revaluation	(50,624)	(35,297)
Foreign exchange gains	105,504	(87,175)
Goodwill impairment	-	778,667
Write-off of exploration and evaluation works	58,143	268,472
Other non-monetary items	91,246	52,437
<b>Operating cash flows before changes in working capital</b>	<b>249,550</b>	<b>610,575</b>
Decrease/(increase) in trade and other receivables	254,160	192,395
Increase in broker margin account	(86,660)	(34,040)
Decrease in inventory	746,668	371,460
Decrease in trade and other payables	(323,543)	(61,095)
(Decrease)/increase in taxes payable	4,267	(110,834)
Decrease in bank deposits	208,210	101,070
Decrease in restricted cash balance	15,004	30,923
<b>Cash generated from operations</b>	<b>1,067,656</b>	<b>1,100,454</b>
Interest paid	(74,516)	(72,599)
Income taxes paid	107,082	(201,983)
<b>Net cash generated from operating activities</b>	<b>1,100,222</b>	<b>825,872</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(151,594)	(589,411)
Future not accounted as hedge	(30,015)	22,282
Purchase of exploration and evaluation assets	-	(89,254)
Proceeds from sale of property, plant and equipment	7,276	1,541
Loans issued and promissory notes purchased	(33,541)	(5,204)
Proceeds from repayment of loans and redemption of promissory notes	1,677	2,882
Interest income received	9,644	55,462
<b>Net cash used in investing activities</b>	<b>(196,553)</b>	<b>(601,702)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(270,736)	(386,602)
Finance lease payments	(26,534)	(18,643)
<b>Net cash used in financing activities</b>	<b>(297,270)</b>	<b>(405,245)</b>
Effect of currency translation and exchange rate fluctuations on cash and cash equivalents	50,772	(16,890)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>657,171</b>	<b>(197,965)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>590,299</b>	<b>501,098</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,247,470</b>	<b>303,133</b>



**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 2008</b>	<b>127,635</b>	<b>1,375,231</b>	<b>3,011</b>	-	<b>(297,603)</b>	<b>8,964,980</b>	<b>10,173,254</b>
Loss for the period	-	-	-	-	-	(907,081)	(907,081)
Other comprehensive income/(loss) for the period after tax:							
Currency translation difference	-	-	-	-	(192,936)	-	(192,936)
Cash flow hedges, net of tax	-	-	-	82,692	-	-	82,962
Total comprehensive income/(loss) for the period after tax	-	-	-	82,692	(192,936)	(907,081)	(1,017,235)
<b>Balance at 30 June 2008</b>	<b>127,635</b>	<b>1,375,231</b>	<b>3,011</b>	<b>82,692</b>	<b>(490,539)</b>	<b>8,057,899</b>	<b>9,155,929</b>
<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>
Loss for the period	-	-	-	-	-	(135,588)	(135,588)
Other comprehensive income/(loss) for the period after tax:							
Currency translation difference	-	-	-	-	(192,045)	-	(192,045)
Cash flow hedges, net of tax	-	-	-	(85,549)	-	-	(85,549)
Total comprehensive income/(loss) for the period after tax	-	-	-	(85,549)	(192,045)	(135,588)	(413,182)
<b>Balance at 30 June 2009</b>	<b>127,635</b>	<b>1,375,231</b>	<b>3,011</b>	<b>6,527</b>	<b>(119,275)</b>	<b>5,306,791</b>	<b>6,699,920</b>