



NEWS RELEASE

For Immediate Release – April 29, 2010

JSC Chelyabinsk Zinc Plant Announces 2009 Audited IFRS Results

Chelyabinsk, Russia - April 29, 2010 - Chelyabinsk Zinc Plant (LSE, RTS, MICEX: CHZN), Russia's largest producer of zinc and zinc alloys, is pleased to announce its audited IFRS financial results for the year ended December 31, 2009.

2009 HIGHLIGHTS

- Chelyabinsk Zinc Plant's (CZP) revenue for 2009 totaled RUB 10,167 million compared to RUB 9,973 million for the same period last year.
- 2009 EBITDA amounted RUB 2,070 million and was equal to 20% of revenue compared to EBITDA of RUB 10 million in 2008.
- Net profit for 2009 was RUB 643 million compared to a loss of RUB 3,523 million for 2008. The main reasons for this improvement are the decreased cost of sales and substantially lower one-off adjustments (asset write-downs and impairment charges) compared to the previous year.

2009 Consolidated financial results

	2009	2008	Change
	<i>(in millions of Russian Roubles)</i>		(%)
Revenue	10,167	9,973	2
Gross profit	2,178	(1,753)	N/A
<i>Gross margin</i>	21%	N/A	
EBITDA	2,070	10	N/A
<i>EBITDA margin</i>	20%	0%	
Profit/(loss) before income tax	891	(4,512)	N/A
Net income/(loss)	643	(3,523)	N/A
<i>Net margin</i>	6%	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 year, 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 for the periods indicated is as follows:

	<u>2009</u>	<u>2008</u>
	<i>(in millions of Russian Roubles)</i>	
Profit/(loss) for the period	643	(3,523)
Add:		
Depreciation and amortization	898	1,086
Finance income and costs, net	102	63
Foreign currency exchange loss/(gain), net	51	316
Income tax expense/(credit)	248	(990)
Goodwill impairment	-	779
Exploration and evaluation costs	58	306
Impairment of property, plant and equipment	70	1,973
EBITDA	2,070	10

Production and Sales

In 2009, CZP produced 119.9 thousand tonnes of salable SHG zinc and zinc based alloys; this is a decrease of 20% as compared to the same period of 2008 (150.0 thousand tonnes). CZP's sales for the period were 119.8 thousand tonnes, which is 20% less than for the same period of 2008 (149.9 thousand tonnes). 64% (76.4 thousand tonnes) of zinc and zinc alloys was supplied to the domestic market. Export sales comprised 43.4 thousand tonnes or 36% of CZP's total sales in 2009 (2008: domestic market – 77.2 thousand tonnes, export - 72.7 thousand tonnes of SHG zinc and zinc based alloys, accordingly).

In 2009, CZP's subsidiary, Nova Zinc LLC, operator of the Akzhal zinc and lead ore mine in Kazakhstan, produced 34.8 thousand tonnes of zinc in zinc concentrate (2008: 32.3 thousand tonnes). The majority (84%) of zinc concentrate produced by Nova Zinc LLC has been supplied to the Chelyabinsk Zinc Plant. Lead in lead concentrate production for the period totaled 4.0 thousand tonnes.

CZP's subsidiary, The Brock Metal Company Limited (the leading UK supplier of zinc die-casting alloys), sold 22.2 thousand tonnes of products in 2009, 13% less than for the same period of 2008 (25.4 thousand tonnes).

Revenue

CZP's revenue increased by 2% to RUB 10,167 mln for 2009 as compared to the prior year (2008: RUB 9,973 mln).

In spite of the considerable decrease of zinc production and sales in 2009, CZP increased its revenue.

During the year there was a significant increase in the LME zinc price from US\$1,187 in January to US\$2,376 in December 2009. The LME average price for 1H 2009 was US\$1,322/tonne compared to US\$1,982/tonne for 2H 2009.

LME lead prices followed a similar pattern to zinc. The LME average lead price for 1H 2009 was US\$1,330/tonne and for 2H 2009 - US\$2,107/tonne.

Revenue structure

	2009	2008	Change
	<i>(in millions of Russian Roubles)</i>		<i>(%)</i>
Zinc and zinc alloys	8,126	8,486	(4)
Zinc concentrate	148	-	-
Lead concentrate	571	146	(N/A)
Other products	1,322	1,341	(2)
Total revenue	10,167	9,973	2

Revenue from the sale of zinc and zinc alloys decreased by only 4% to RUB 8,126 mln for 2009 (versus RUB 8,486 mln in 2008), although the reduction of zinc and zinc alloys production was 20%. The lower tonnage of sales was partially compensated by the devaluation of the Russian ruble and by the 35% increase of sales in 2H 2009 at considerably higher zinc prices as compared to 1H 2009.

CZP received RUB 571 mln of revenue from sale of lead concentrate in 2009 (2008: RUB 146). CZP's subsidiary Nova Zinc LLC in 2009 sold 5.7 thousand tonnes of lead in lead concentrate, an increase of 43% compared to the 2008 results (4.0 thousand tonnes). At the same time, CZP increased sales of lead in lead concentrate to 5.0 thousand tonnes (2008: 1 thousand tonnes).

Revenue from CZP's other products decreased by 2 % to RUB 1,322 mln in 2009 (2008: RUB 1,341 mln).

Cost of Sales

	2009	2008
	<i>(in millions of Russian Roubles)</i>	
Raw materials and consumables used	4,262	5,187
Utilities and fuel	1,282	1,386
Production overheads	104	254
Mineral extraction tax	172	-
Repairs and maintenance	399	486
Depreciation and amortization	806	999
Staff cost	590	623
Change in work-in-progress	88	(151)
Change in finished goods	136	109
(Reversal of)/Inventory write-down	(395)	392
Precious metals revaluation	(21)	(23)
Cost of goods and material for resale	301	491
Physical inventory count adjustment	195	-
Total cost of sale	7,919	9,753

In 2009 cost of sales decreased by 19% to RUB 7,919 mln from RUB 9,753 mln in 2008.

The cost of materials and consumables used primarily comprises the cost of zinc concentrate, secondary raw materials and auxiliary materials used in the zinc production process. Due to production output drawdown and decrease of an average LME zinc price and hence prices for zinc raw materials in 2009 as compared to 2008, cost of materials and consumables used in production decreased by 18% to RUB 4,262 mln (2008: RUB 5,187 mln) which represents 54% of the total cost of sales (2008: 53%).

Costs of utilities and fuel decreased by 8% to RUB 1,282 mln in 2009 (2008: RUB 1,386 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. At the same time in 2009 average electricity tariff for CZP increased to RUB 1.671 per kWh as compared to the CZP tariff of RUB 1.450 per kWh in 2008.

Production overheads were RUB 104 mln in 2009 (RUB 254 mln in 2008). The decrease of production overheads is mainly explained by the absence of outsourcing costs related to transportation of waste mined at Akzhal field in 2009.

Mineral extraction tax for amounted to RUB 172 mln (2008: RUB 0). According to the New Tax Code in Kazakhstan, starting from 1 January 2009, the royalty was replaced by the mineral extraction tax.

During the first half of 2009 CZP implemented cost cutting measures to minimize the impact of negative market environment that affected Company's operating and financial performance. These measures included a decrease in labor costs - a decline in the overall number of CZP's personnel and introduction of a 4-day working week for some staff. As a result, the Company saved RUB 33 mln, staff costs decreased to RUB 590 mln in 2009, which is 5% less than in 2008 (RUB 623 mln).

The cost of goods and materials for resale decreased to RUB 301 mln in 2009 (2008: RUB 491 mln). This is primarily due to decrease of volumes of zinc purchased from RF Federal Agency for State Reserves.

As a result of the stock-count held on 1 October 2010, a shortage of zinc concentrate and zinc cakes was identified. Management performed an analysis of the causes for the shortage and determined these reasons as transportation losses and inaccuracies inherent in bulk inventory surveying methods. The allowable margin of error for measurement of bulk materials constitutes 12% in accordance with the instruction on Keeping Survey Records of Mining Work Performed in Open Pits issued by Federal Mining and Industrial Inspectorate of Russia. In prior years' stock-counts, no deviations of more than 12% were identified. Based on the Company's policy, if a difference between the actual and recorded physical quantity of inventory exceeds this margin of error, shortage or surplus should be recorded in the accounting books in full amount, i.e. irrespective of the allowable margin of error. As a result, a loss in the amount of RUB 195 mln was recognized in 2009 statement of income.

Impairment of property, plant and equipment

Due to uncertainty about the completion of construction of crushing and sorting plant, construction-in-progress assets in Kazakhstan amounting to RUB 69,810 thousand were written off in 2009.

Distribution Costs

Distribution costs include primarily transportation costs and customs duties. In 2009 these costs increased by 9% to RUB 420 mln (vs. RUB 385 mln in 2008). Such increase was mainly caused by growth of transportation costs of sulphuric acid and lead concentrate to consumers.

General and Administrative Expenses

General and administrative expenses decreased in 2009 by 28% to RUB 656 mln from RUB 913 mln in 2008. The decrease was primarily due to the partial reversal of bad debt provision made in 2008 because of the bankruptcy of Tiumenergobank.

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 resume 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 54 mln were written off in 2009.

Borrowings

As of 31 December 2008, the current portion of long-term bank loans denominated in USD comprised two loans obtained from Bayerische Hypo- und Vereinsbank and the consortium of CJSC UniCredit Bank, Moscow and VTB Bank (France) SA to finance the acquisition of Nova Trading & Commerce AG shares, replenishing working capital and export financing.

During the second half of 2009 the Group repaid the loans to Bayerische Hypo- und Vereinsbank and the consortium of CJSC UniCredit Bank, Moscow and VTB Bank (France) SA using own funds and a new bank loan obtained from Gazprombank in the amount of USD 30 million (RUB 871 million). The Gazprombank loan was also repaid by the Group in full before the end of 2009.

Profit (loss)

Net profit for 2009 was RUB 643 mln compared to RUB 3,523 mln loss for 2008.

CZP will host an Investor Conference Call to discuss its financial results and comment on current operations, today, April 29, 2010 at 05 pm Moscow time (02 pm London time, 09 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 783 4080 (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.btconferencing.com/globalaccess/?bid=49_automated.

Once connected, the participant should enter the passcode: 148313.

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/join?id=K6897671&role=attend&pw=148313,

or http://www.livemeeting.com/cc/bt_uk_event1/join

then enter your Meeting ID/Meeting number K6897671 and Password: 148313.

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

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, 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.

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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 Statement of Financial Position

In thousands of Russian Roubles

31 December 2009 **31 December 2008**

ASSETS

Non-current assets

Property, plant and equipment	4,969,105	5,689,339
Advances for capital construction	69,126	70,653
Other intangible assets	45,272	97,507
Non-current assets available for sale	90,637	-
Other non-current assets	1,019	6,936

Total non-current assets **5,175,159** **5,864,435**

Current assets

Inventories	1,588,084	1,920,605
Trade and other receivables	1,563,046	1,321,990
Current income tax prepayments	-	329,394
Loans receivable	17,446	21,471
Short-term financial assets	9,486	145,599
Bank deposits	-	209,407
Cash and cash equivalents	470,437	590,299
Restricted cash	4,226	18,024

Total current assets **3,652,725** **4,556,789**

TOTAL ASSETS **8,827,884** **10,421,224**

EQUITY

Share capital	127,635	127,635
Share premium	1,375,231	1,375,231
Legal reserve	3,011	3,011
Hedging reserve	(51,780)	92,076
Cumulative currency translation reserve	(183,276)	72,770
Retained earnings	6,084,988	5,442,379

TOTAL EQUITY **7,355,809** **7,113,102**

LIABILITIES

Non-current liabilities

Borrowings	50,993	68,931
Provision for asset retirement obligations	72,377	60,591
Deferred income tax liability	282,434	194,268
Other non-current liabilities	34,152	31,742

Total non-current liabilities **439,956** **355,532**

Current liabilities

Borrowings	16,853	2,141,738
Short-term financial liabilities	5,002	21,436
Accounts payable, accrued expenses and advances from customers	852,895	711,066
Current income tax payable	37,857	5,773
Other taxes payable	119,512	72,577

Total current liabilities **1,032,119** **2,952,590**

TOTAL LIABILITIES **1,472,075** **3,308,122**

TOTAL LIABILITIES AND EQUITY **8,827,884** **10,421,224**

JSC CHELYABINSK ZINC PLANT
Consolidated Statement of Income

<i>In thousands of Russian Roubles</i>	2009	2008
Revenue	10,167,045	9,973,406
Cost of sales (excluding impairment of property, plant and equipment)	(7,918,921)	(9,752,532)
Impairment of property, plant and equipment	(69,810)	(1,973,442)
Gross profit/(loss)	2,178,314	(1,752,568)
Distribution costs	(419,878)	(384,506)
General and administrative expenses	(655,754)	(912,559)
Goodwill impairment	-	(778,667)
Exploration and evaluation costs	(58,330)	(305,693)
Operating profit/(loss)	1,044,352	(4,133,993)
Finance income	71,354	102,603
Finance costs	(173,468)	(165,350)
Foreign exchange gain	758,532	495,145
Foreign exchange loss	(809,919)	(810,615)
Profit/(loss) before income tax	890,852	(4,512,210)
Income tax (expense)/credit	(248,243)	989,609
Profit/(loss) for the year	642,609	(3,522,601)
Profit/(loss) attributable to:		
Shareholders of the Company	642,609	(3,522,601)
Profit/(loss) for the year	642,609	(3,522,601)
Earning/(loss) per share – basic and diluted (in RUB)	12	(65)

JSC CHELYABINSK ZINC PLANT
Consolidated Statement of Comprehensive Income

<i>In thousands of Russian Roubles</i>	2009	2008
Profit/(loss) for the year	642,609	(3,522,601)
Other comprehensive (loss)/income after tax		
Effect of translation to presentation currency	(256,046)	370,373
Cash flow hedges, net of tax	(143,856)	92,076
Total comprehensive income/(loss) for the year after tax	242,707	(3,060,152)
Total comprehensive income/(loss) after tax attributable to:		
Shareholders of the Company	242,707	(3,060,152)

JSC CHELYABINSK ZINC PLANT
Consolidated Statement of Cash Flows

<i>In thousands of Russian Roubles</i>	2009	2008
Cash flows from operating activities		
Profit/(loss) before income tax	890,852	(4,512,210)
Adjustments for:		
Depreciation and amortization	897,768	1,086,428
Net loss on disposal of property, plant and equipment	10,141	90,506
(Reversal of impairment)/Impairment of trade and other receivables	(77,082)	131,977
(Reversal of inventory write down)/ Inventory write-down to net realisable value	(394,684)	391,986
Finance costs, net	102,114	62,747
Loss on inventory shortage	194,872	-
Precious metals revaluation	(20,814)	(22,652)
Foreign exchange (gain)/loss, net	27,786	354,460
Goodwill impairment	-	778,667
Impairment of property, plant and equipment	69,810	1,973,442
Write-off of exploration and evaluation costs	58,330	305,693
Other non-monetary items	44,354	38,129
Operating cash flows before changes in working capital	1,803,447	679,173
(Increase)/decrease in trade and other receivables	(242,087)	525,866
Decrease in broker margin account	(24,826)	17,230
Decrease in inventory	554,899	271,051
Increase in trade and other payables	219,693	128,191
Increase/(decrease) in taxes payable	142,774	(27,492)
Decrease in bank deposits	209,407	672,500
Decrease in restricted cash balance	13,798	15,885
Cash generated from operations	2,677,105	2,282,404
Interest paid	(125,069)	(137,267)
Income taxes refunded/(paid)	92,917	(152,146)
Net cash generated from operating activities	2,644,953	1,992,991
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(573,320)	(1,012,271)
Forward contracts not accounted as hedge	(30,923)	21,436
Purchase of exploration and evaluation assets	(11,175)	(108,708)
Proceeds from sale of property, plant and equipment	41,912	6,612
Payment for liquidation of property, plant and equipment	-	(45,760)
Loans issued	(27,311)	(27,084)
Proceeds from repayment of loans and redemption of promissory notes	37,253	2,649
Interest income received	36,115	101,333
Net cash used in investing activities	(527,449)	(1,061,793)
Cash flows from financing activities		
Repayment of borrowings	(3,071,590)	(809,277)
Proceeds from borrowings	870,552	-
Finance lease payments	(41,209)	(42,981)
Net cash used in financing activities	(2,242,247)	(852,258)
Effect of currency translation and exchange rate fluctuations on cash and cash equivalents	4,881	10,261
Net (decrease)/increase in cash and cash equivalents	(119,862)	89,201
Cash and cash equivalents at the beginning of the year	590,299	501,098
Cash and cash equivalents at the end of the year	470,437	590,299

JSC CHELYABINSK ZINC PLANT
Consolidated 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
Balance at 31 December 2007	127,635	1,375,231	3,011	-	(297,603)	8,964,980	10,173,254
Total comprehensive income/(loss) for the period after tax	-	-	-	92,076	370,373	(3,522,601)	(3,060,152)
Balance at 31 December 2008	127,635	1,375,231	3,011	92,076	72,770	5,442,379	7,113,102
Total comprehensive (loss)/income for the period after tax	-	-	-	(143,856)	(256,046)	642,609	242,707
Balance at 31 December 2009	127,635	1,375,231	3,011	(51,780)	(183,276)	6,084,988	7,355,809