

# OAO Raspadskaya – Corporate Presentation



**The Russia Forum 2011 – Troika Dialog**

*4 February 2011  
Moscow*



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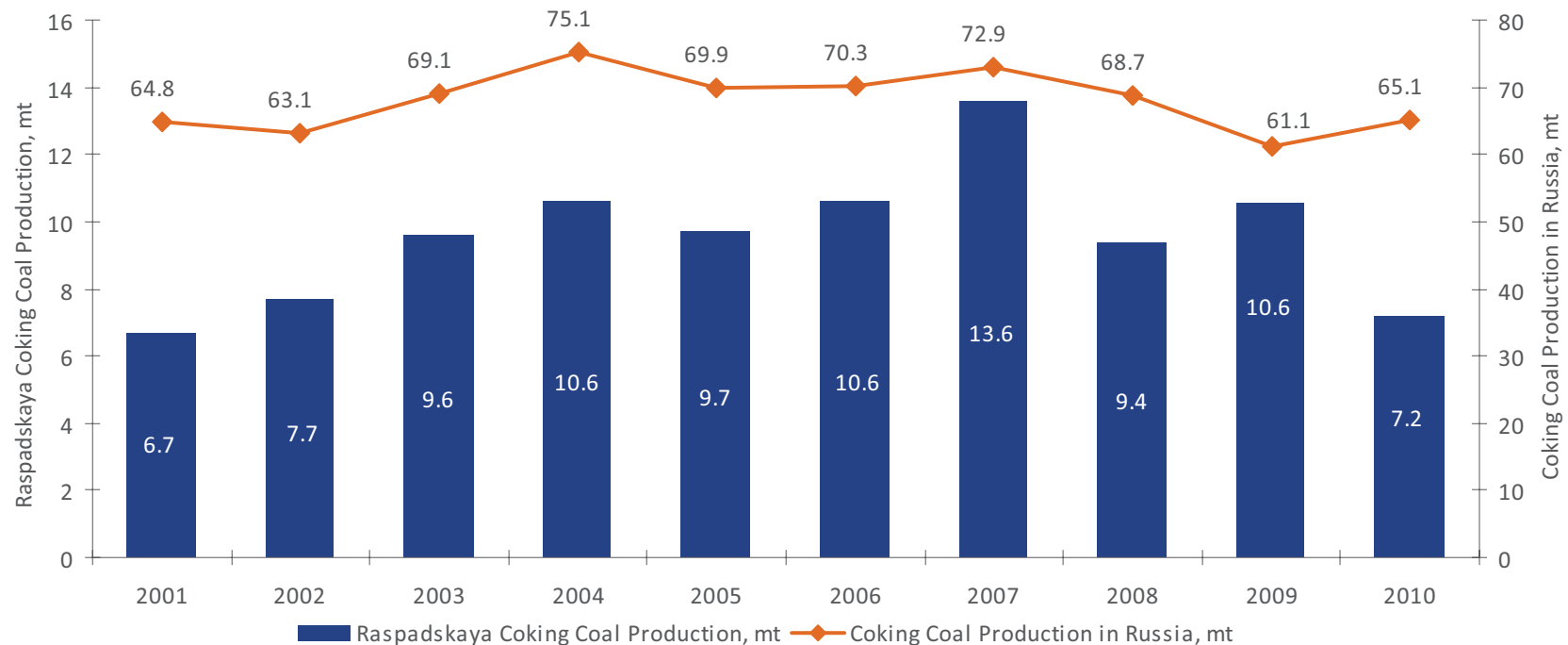
(1) All the enterprises are registered in Russia and are taxpayers to Kemerovo Region  
 (2) Production of raw coal – SHCC  
 (3) Production of raw coal – HCC (currently under construction)  
 (4) Production of raw coal – HCC (acquired in April 2010)  
 (5) Enrichment of raw coal  
 (6) Executing coal supply contracts on behalf of the Company

(7) General management  
 (8) Coal transportation  
 (9) Construction of underground mine openings and creating vertical mine shafts  
 (10) Electric and heat energy wholesale trade  
 (11) Fuel wholesale trade  
 (12) Production of roof bolting, metal lattice and other spare parts for mining operations  
 (13) On 2 December 2010, the Company informed of the reorganisation of ZAO Koksovaya in form of merger with Rospadskaya-Koksovaya

- Historically, share of Raspadskaya mine amounted to 65%-75% of total raw coal production of the Company.
- On 9 May 2010, an accident occurred at Raspadskaya mine resulting in deaths and injury to people (as of today, more than 130 people injured, 58 miners and 20 rescuers dead, 13 miners are still underground) and damage to property, plant and equipment.
- As of 30 June 2010, the loss on disposal of property, plant and equipment damaged in the Raspadskaya mine accident amounted to US\$41m. Expenses associated with the liquidation of the consequences of the accident amounted to US\$20m.
- After pumping out the water and putting out the fire, the Company plans to fully reconstruct Raspadskaya mine.
- The reconstruction process will be conducted in stages i.e. parts of the mine will be put into operation before the whole mine is reconstructed.
- According to preliminary estimations, total expenditure on the reconstruction of Raspadskaya mine approximates US\$280m and include the following:
  - compensatory social payments,
  - costs of elimination of the consequences of the accident,
  - project works,
  - purchase and repairs of property, plant and equipment,
  - preparation of coal faces.
- A plan containing timing and expenditures of the reconstruction will be announced after working all the details out.
- On 15 October, 2010 Raspadskaya informed that the design for commencement of the face 4-9-21 bis (seam #9) at Raspadskaya mine had passed the authorization by Rosglavekspertiza (the government body responsible for approval of design plans).
- On 16 December 2010, the Company recommenced the face 4-9-21 bis (seam #9) – the first face after the accident at Raspadskaya mine.
- In 2011, the Company will continue its work on fire extinguishing (seam #6), pumping out the water (seam #7), preparation and putting into operation mine workings at Raspadskaya mine.

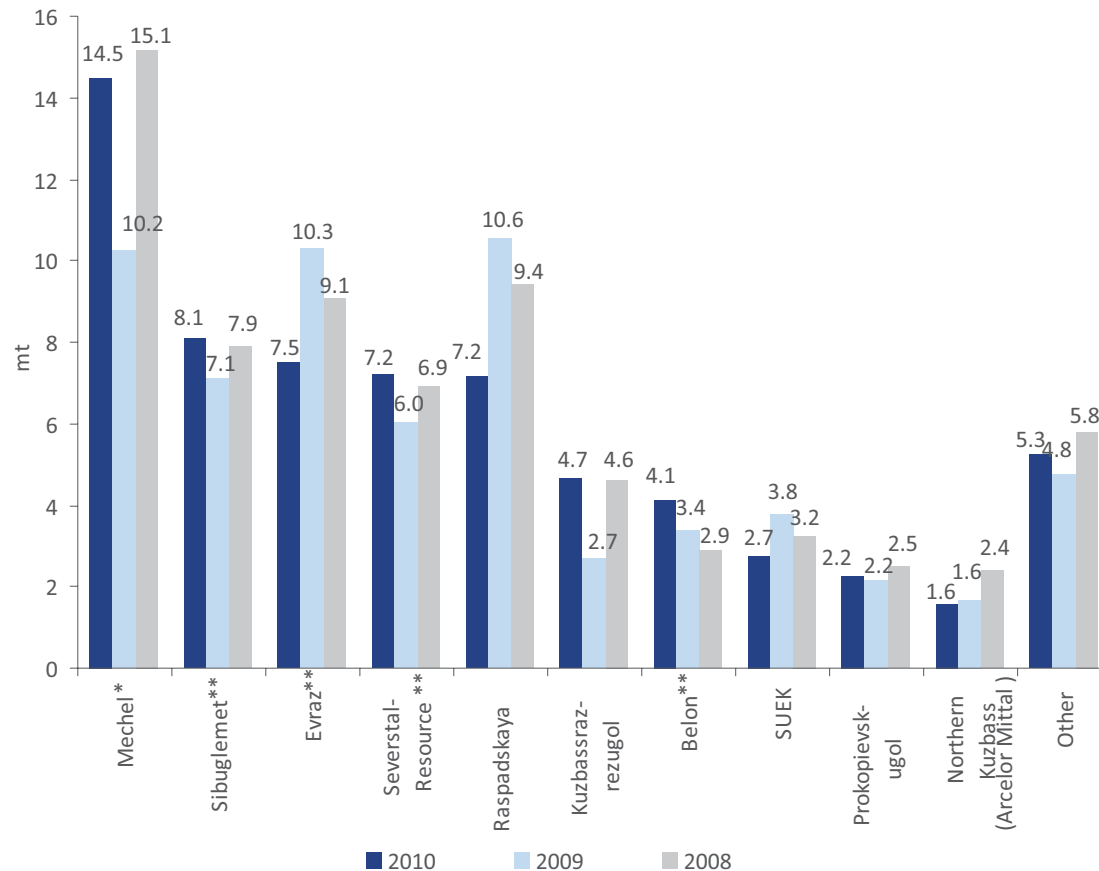
- On 28 April 2010, the Company acquired from Evraz a 100% ownership interest in ZAO “Koksovaya” – an operating coal mine that extracts coking coal of K and KO grades (hard coking coal under international classification) – for a cash consideration of US\$40m.
- In the nearest future, the Company plans to merge Koksovaya with Raspadskaya-Koksovaya, that will enable to extract coal reserves more efficiently as well as offer clients valuable and important for coking process coal grades and maintain Raspadskaya’s high competitive advantages.
- In 1H2010, the Company recognized gain on a bargain purchase of subsidiary (ZAO “Koksovaya”) in the amount of US\$104m, that represents the excess of the provisional fair value of net assets of the acquired entity, ZAO “Koksovaya”, amounting to US\$144m over the fair value of transferred consideration of US\$40m.
- The Management believes that this transaction resulted in gain due to the ability of the Company to extract the coal reserves of ZAO “Koksovaya” using existing mining facilities of ZAO “Raspadskaya-Koksovaya” without any significant additional capital expenditures .
- Under the deal, in May 2010 the Company signed a 10-year contract for delivery of a part of coal produced by Koksovaya and Raspadskaya-Koksovaya mines to Evraz at market price and in accordance with the existing commercial practice.
- Currently, the Company sells its hard coking coal in raw coal base due to logistics issues. As soon as there will be commenced higher production at Raspadskaya-Koksovaya mine the Company will start enrichment of hard coking coal grades at Raspadskaya Enrichment Plant using Raspadskaya-Koksovaya transportation infrastructure.
- On 18 October, 2010 Raspadskaya informed of commencement of a new face at Koksovaya mine with resources of 780 kt of coking coal. Production volumes of the face are expected to be 60-80 kt per month.
- In December 2010, ZAO Koksovaya mine was merged with ZAO Raspadskaya-Koksovaya mine.
- In 4Q2010, the Company put a new face at Koksovaya mine into operation that resulted in an increase of sales volumes of hard coking coal more than 3 times QoQ to 243 kt (in December 2010, sales volumes amounted to more than 100 kt).
- In January 2011, production volume of hard coking coal (in raw coal) amounted to more than 100 kt.

- Russian industrial production slowdown since 4Q2008 has resulted in 6% reduction of Russian production volumes in 2008 vs. 2007, in 2009 Russian coal production declined by 11% YoY.
- In 2010, Russian coking coal production increased by 7% YoY.
- According to IMC Economic and Energy Consultants Limited, as at 30 June 2006, Raspadskaya had total measured and indicated resources of 1,461 mt of coking coal and proved and probable reserves of 781.5 mt, of which about 45.8 mt were extracted during the period 1 July 2006 – 31 December 2010. Since 30 June 2006, more mining licenses have been acquired with total resources of approx. 680 mt, including acquired in April Koksovaya mine with resources of approx. 151.2 mt. To confirm the estimates, Raspadskaya intends to conduct audit of the mineral reserves and resources in accordance with the JORC Code in the nearest future.
- Raspadskaya accounted for 17% of total Russian coking coal production in 2009. In 2010 Raspadskaya accounted for 11% of total coking coal production in Russia compared to 17% in 2009, mainly due to the accident at Raspadskaya Mine in May 2010.



Source: Raspadskaya, Rosinformugol, UDP-3.10 TsDU-TEK

## Russian Coking Coal Production



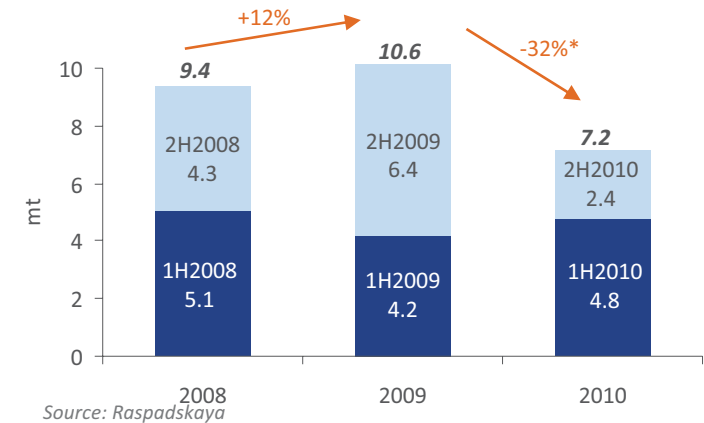
Source: Raspadskaya, UDP-3.10 TsDU-TEK, companies' data

\* Including full consolidation of Mechel Bluestone (USA) operations (starting from 2Q2009)

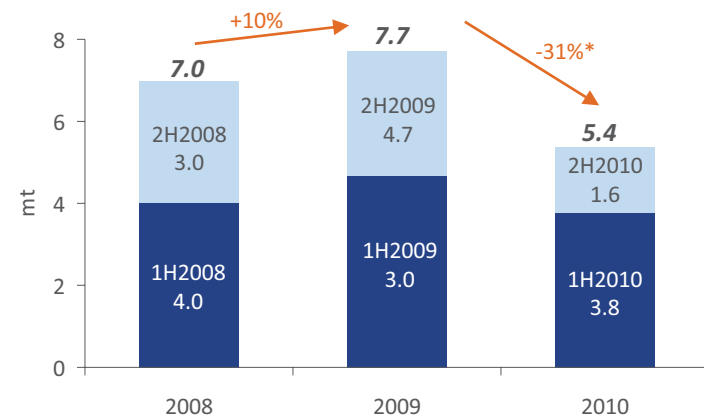
\*\* Companies that produce similar to Raspadskaya coal grades

**In January 2011, for the first time since the May 2010 accident, the Company's total production volume of semi-hard and hard coking coal (in raw coal) exceeded 600 kt**

## Raspadskaya Coking Coal Production

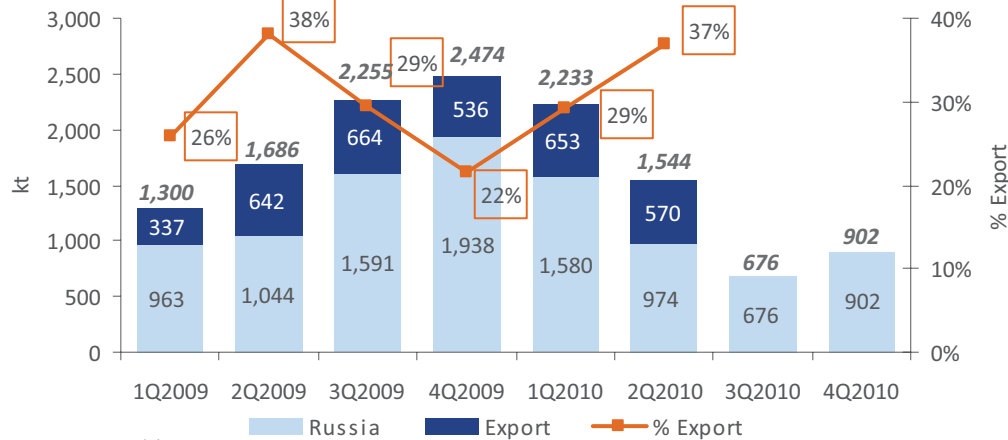


## Raspadskaya Coal Concentrate Production



\*as a result of the accident at Raspadskaya mine in May 2010

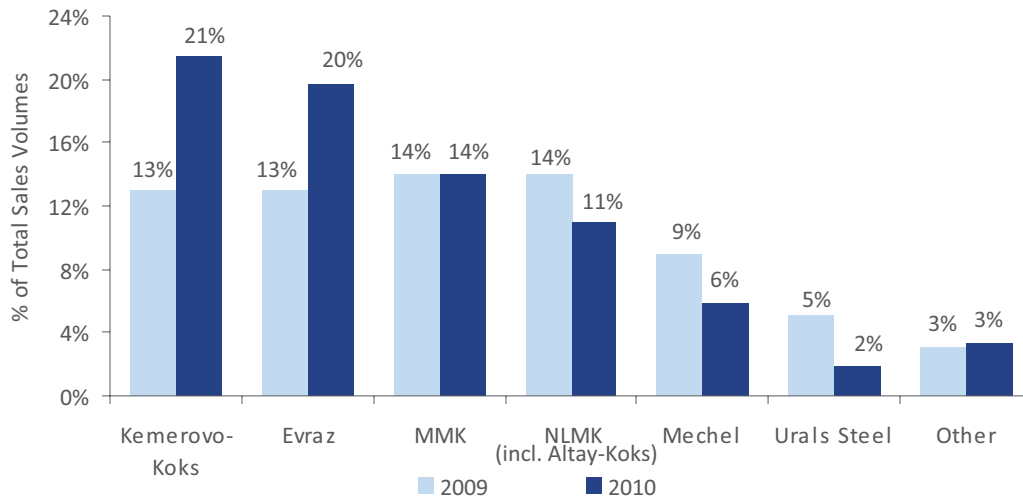
**Raspadskaya Coal Concentrate Sales**



Source: Raspadskaya

- In 4Q2010, sales of coal concentrate increased by 33% QoQ due to commencement of face 4-9-21 bis (seam #9) at Raspadskaya mine on 16 December 2010, increase of production volumes at the other Company's enterprises as well as high preparation ratio in 4Q2010 – 79.1%.
- In 4Q2010, the Company put a new face at Koksovaya mine into operation that resulted in an increase of sales volumes of hard coking coal by more than 3 times QoQ to 243 kt (in December 2010 sales volumes amounted to more than 100 kt).

**Major Russian Consumers of Raspadskaya Coal Concentrate**



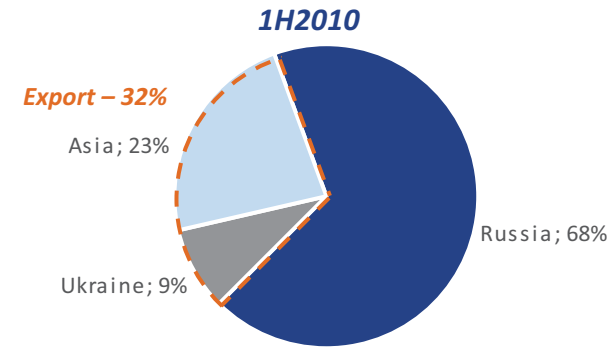
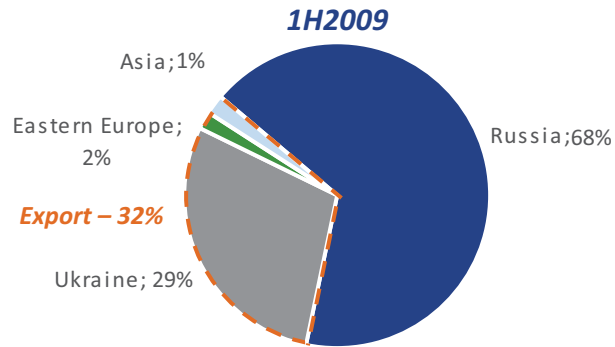
Source: Raspadskaya

Note: FY2010 data for sales by clients is preliminary and may immaterially differ from the final

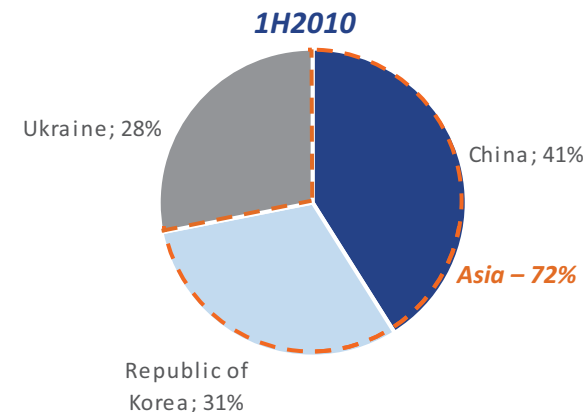
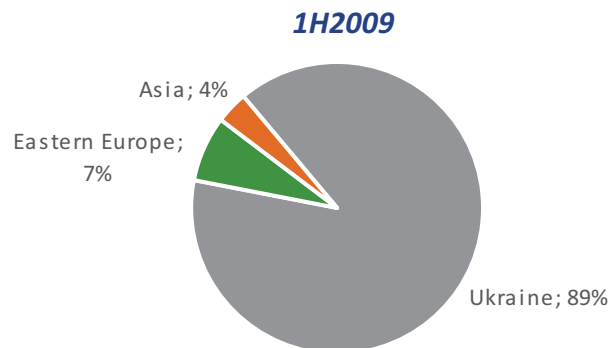
- Share of domestic sales volumes to the three major customers of Raspadskaya (MMK, NLMK (including Altay-Koks), Evraz) increased from 42% to 45% of total sales volumes for 2009 and 2010, respectively.
- Traditionally, Raspadskaya supplied almost all Russian metallurgical and coke-chemical plants.
- Before May 2010, the Company diversified its Russian client base and as a result Raspadskaya sold considerable volumes to such medium-sized companies as Mechel, Urals Steel and Kemerovo-Koks.
- After the accident at Raspadskaya mine the Company concentrated on Russian sales only – currently there are sales to the eight Russian plants (in 1Q2011 as well).



## Raspadskaya Sales Geography Breakdown

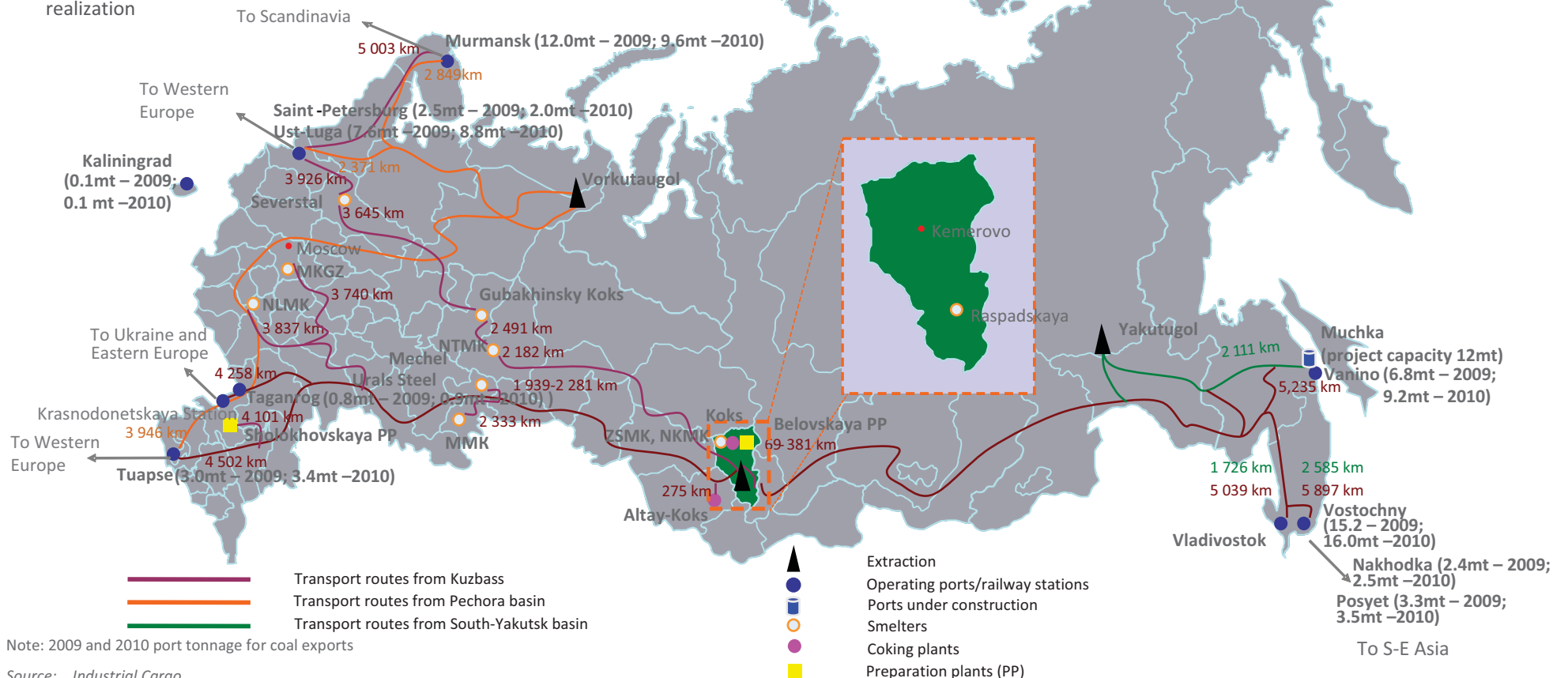


## Raspadskaya Export Sales



- Before May 2010, the Company diversified and expanded its export sales.
- In 1H2009, export share did not change YoY and amounted to 32% of total sales volumes.
- The most important feature of the diversification was the shift toward the Asian market. Share of Asian sales amounted to 72% and 4% of total export sales in 1H2010 and 1H2009, respectively.
- Sales volumes to Ukraine dropped by 60% YoY mainly because of a slowdown in the Ukrainian metallurgical industry.
- Share of sales to Ukraine dropped from 89% in 1H2009 to 28% of total export sales in 1H2010.
- After May 2010, in order to minimize the negative effects of a sudden drop in coking coal production for the Russian metallurgical industry, the Company supplies Russian customers only.
- As soon as production volumes will be restored, the Company plans to recommence deliveries to both domestic and foreign customers.
- In future, the Company has a choice in export destinations, that will be determined by market conditions.

- Russia has 2nd largest coal reserves globally and Kuznetsk coal basin accounted for 78%, 68% and 79% of total Russian coking coal production in 2010, 2009 and 2008 respectively
- Sales in Russia are mostly on FCA terms (i.e. customers absorb railway tariff). Seaborn transportation export to Asia requires FOB competitive positions on a FOB basis at Far East ports.
- In-Russian transportation of coal concentrate is carried out by railways with use of the state and private carriers. Vehicles are used basically for local transportations (Mine/open-pit - enrichment plant - loading station)
- Russian existing railway network and seaports remain bottlenecks in realization of coal industry strategy on export of surplus coal products that have not been consumed in Russia
- In future turnover of foreign trade and development of long-term relations on new regional markets it will be necessary to consider all transport factors, including redistribution of railway trains between carriers, putting into operation new coal reloading facilities, land border transitions potential, interstate agreements terms realization



Key Highlights, US\$m (unless stated otherwise)	1H2010	1H2009	2009	2008	2007
Coal Concentrate Sales Volumes, kt	3,777*	2,986*	7,715	7,030	8,795
<b>Revenue</b>	466	148	497	1,200	784
<b>EBITDA**</b>	259	63	255	871	470
Margin, %	56%	43%	51%	73%	60%
<b>Net Profit</b>	228	0.36 <sup>(1)</sup>	117	531	240
<b>Adjusted Net Profit</b>	124 <sup>(2)</sup>	0.36	117	531	240

Source: Raspadskaya

(1) Net Profit has been restated following a reassessment of the remaining useful lives of items of property, plant and equipment. For more detail see Unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2010

(2) Adjusted Net Profit represents Net Profit less US\$104m, which represent the excess of the provisional fair value of identifiable net assets of ZAO Koksovaya over the fair value of transferred consideration, recognized in the statement of comprehensive income in accordance with IFRS

Company's performance in 1H2010 was significantly affected by the following factors:

- Accident at Raspadskaya mine through the night on 9 May 2010
- Increase of sales price of coal concentrate in 1Q and 2Q 2010
- Purchase of ZAO "Koksovaya" mine from Evraz in April 2010 – the enterprise that extracts coking coal of K and KO grades

\* Coal concentrate sales volumes contain raw coal sales volumes restated in tonnes of coal concentrate at output ratio of 75.9% and 73.3% for 1H2010 and 1H2009, respectively

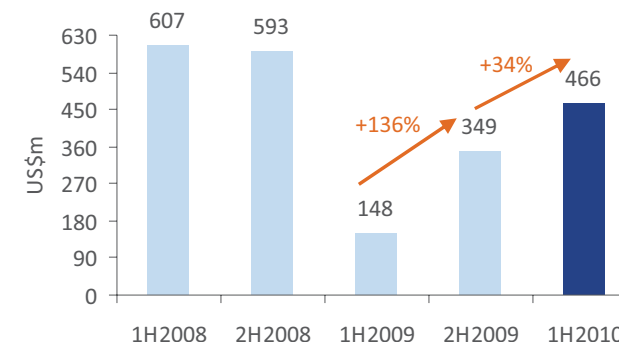
\*\*EBITDA represents profit for the period before foreign exchange gains/(losses), gain/(loss) on net monetary position, depreciation, depletion and amortization, dividend income, interest income and expense, capitalized interest and income tax expense, extraordinary gain/loss

Note 1: 12M EBITDA (2H2009 and 1H2010) amounted to US\$451m

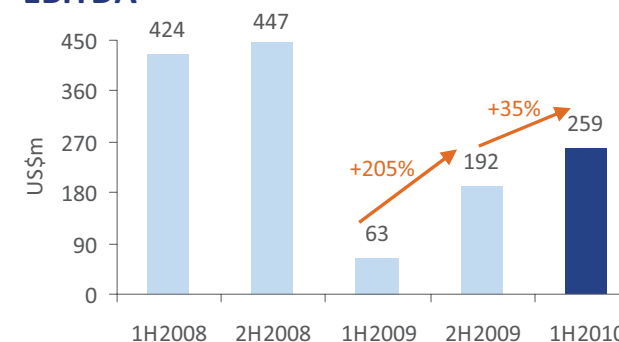
Note 2: 1H2010 IFRS Financial Results were announced on 17 September, 2010

Note 3: FY2010 numbers will be available in mid April 2011 after announcement of RASP FY2010 IFRS results

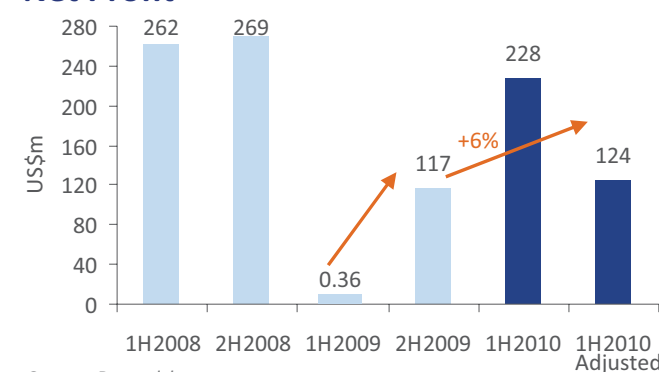
**Revenue**



**EBITDA**

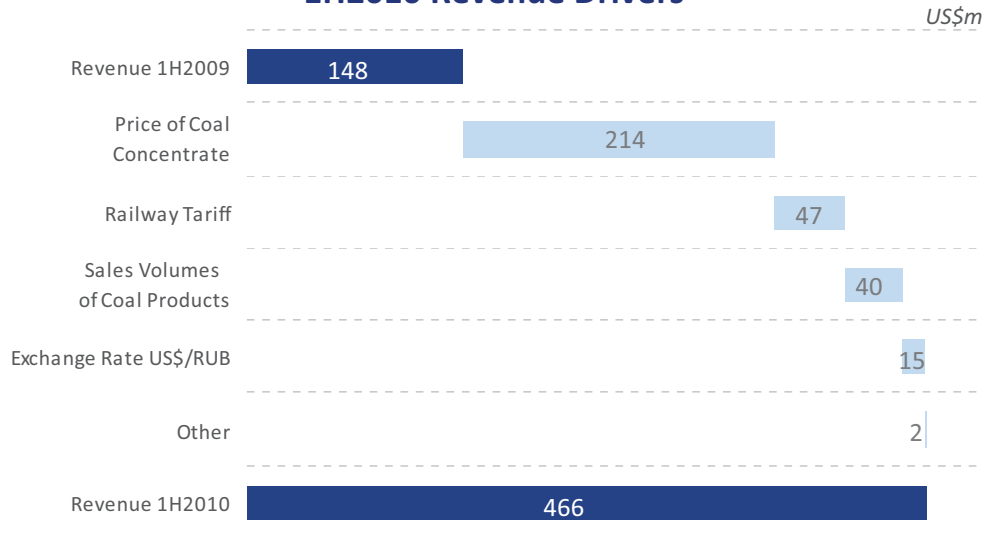


**Net Profit**



Source: Raspadskaya

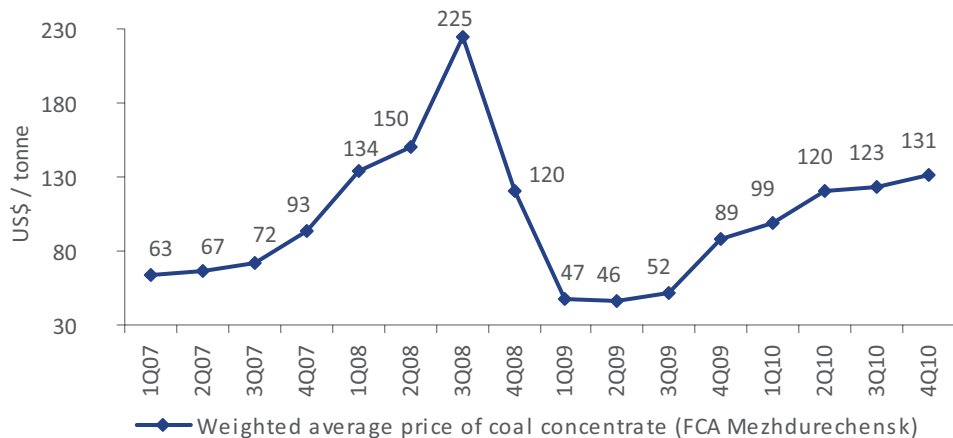
## 1H2010 Revenue Drivers



Source: Raspadskaya

Note: FY2010 numbers will be available in mid April 2011 after announcement of RASP FY2010 IFRS results

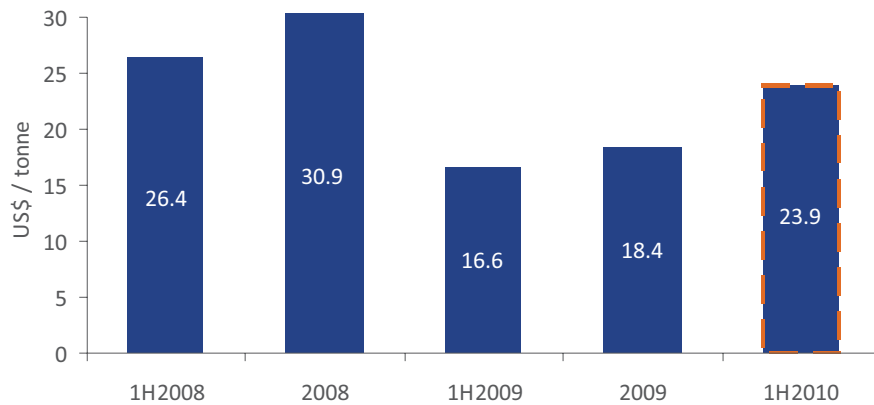
## Raspadskaya Coking Coal Price Dynamics



Source: Raspadskaya

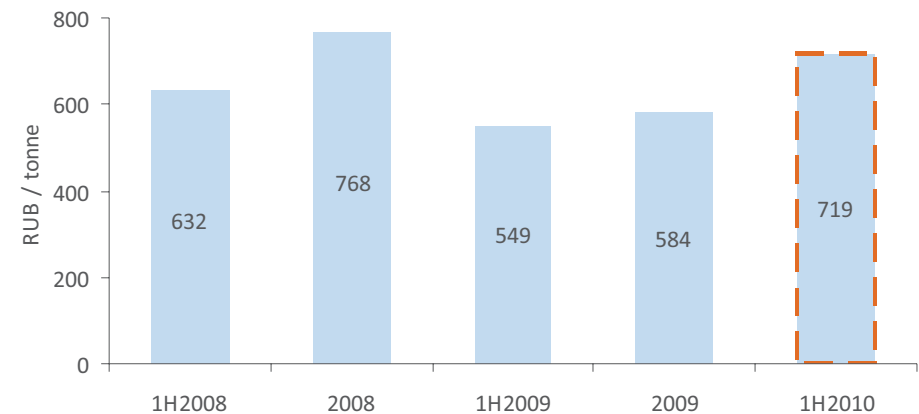
- The significant YoY growth in the Company's 1H2010 revenue was mainly due to the increased production and sales volumes of the Company, and beneficial sales prices.
- Increase of the Company's 1H2010 revenue YoY was also driven by the higher demand on coal production and active export sales policy of the Company.
- 1H2010 revenue was negatively affected by the accident at Raspadskaya mine in May 2010, as a result of which production at this mine was temporarily suspended (in 2Q2010, sales volumes decreased by 31% QoQ).
- Raspadskaya continues to operate in frames of long-term contracts with the major Russian customers.
- In 3Q2010, sales price of coal concentrate on domestic market remained almost flat compared to 2Q2010 and amounted to US\$123 / tonne.
- In 4Q2010, according to the general trend in Russian mining industry, SHCC concentrate sales price per tonne increased by 7% QoQ (FCA Mezhdurechensk) to US\$131 / tonne.

**Raspadskaya Cash Cost of Coal Concentrate  
Production per Tonne, US\$**



Source: Raspadskaya

**Raspadskaya Cash Cost of Coal Concentrate  
Production per Tonne, RUB**

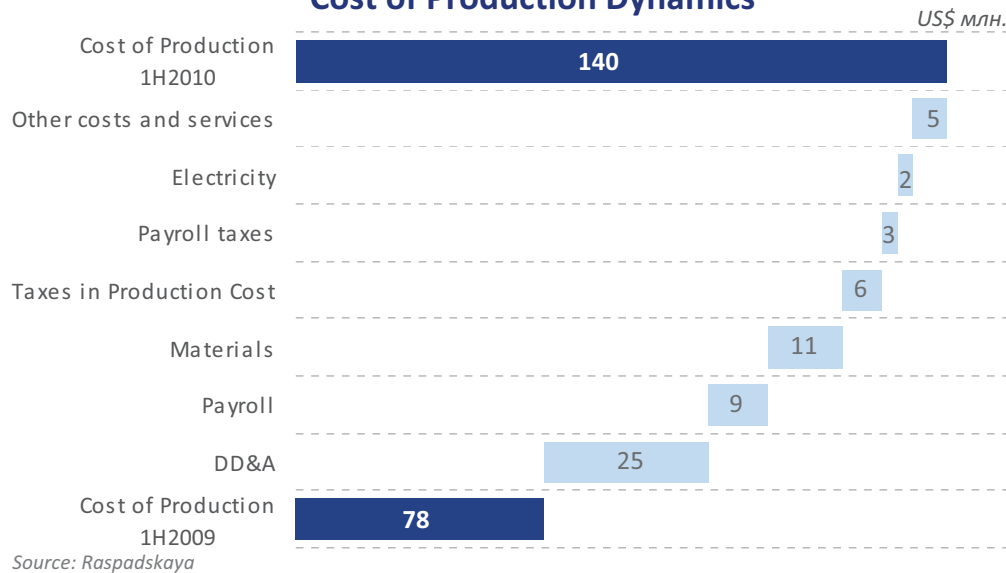


Source: Raspadskaya

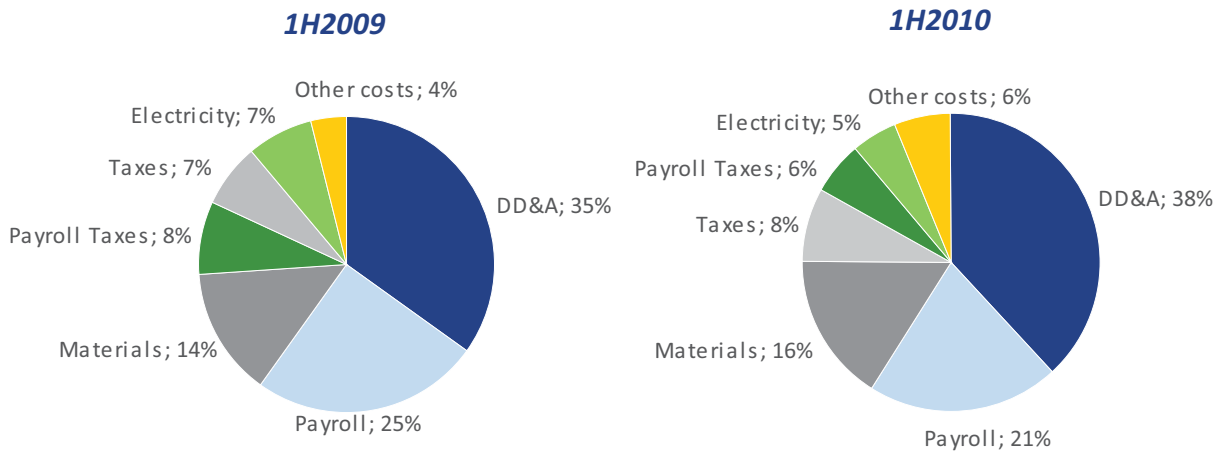
- In Russian coking coal mining universe Raspadskaya has the most competitive level of cash cost of coal concentrate.
- In 1H2010, increase in cash cost of coal concentrate production YoY was driven mainly by:
  - growth in production volumes by 20% and preparation of the front of working face
  - return of certain expenses to pre-crisis levels
  - industry inflation
  - lower average RUB/US\$ exchange rate
- In 1H2010, ruble denominated cash cost per tonne of coal concentrate produced increased by 31% YoY

Note: FY2010 numbers will be available in mid April 2011 after announcement of RASP FY2010 IFRS results

## Cost of Production Dynamics



## Cost of Production Breakdown

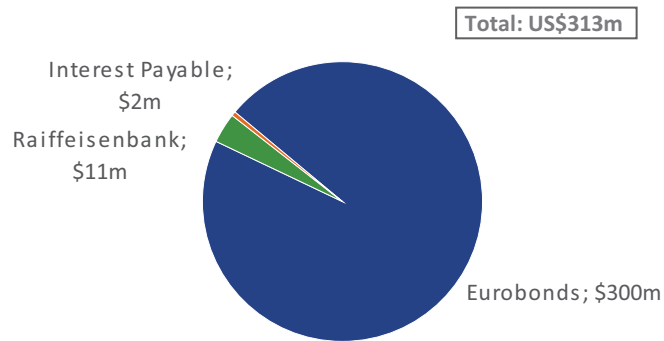


Source: Raspadskaya

Note: FY2010 numbers will be available in mid April 2011 after announcement of RASP FY2010 IFRS results

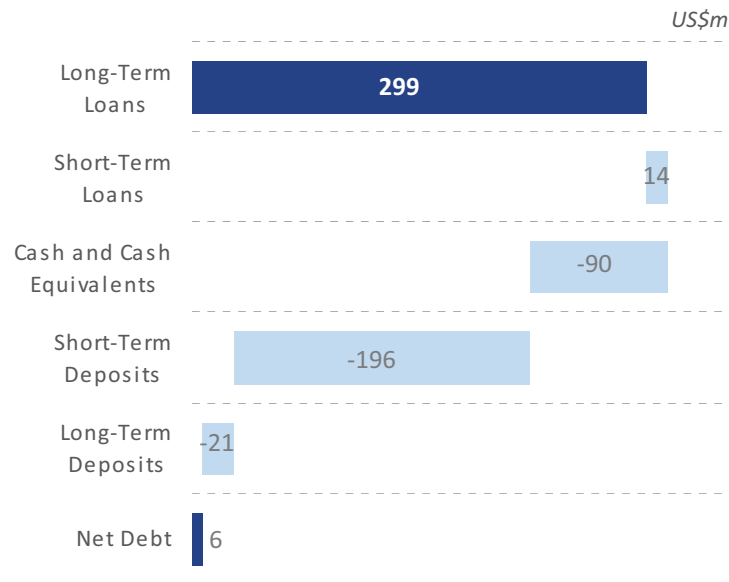
- The increase in cost of coal concentrate production by 79% YoY (US\$61.5m) was driven mainly by changing in next items :
  - Depreciation and depletion of mineral reserves increased by 106% (US\$25.2 m) mainly because of:
    - additions of property, plant and equipment in 2009;
    - increase of production.
  - The increase in the overall labor costs by 47% (US\$ 25.2 m) and payroll taxes by 43% (US\$2.7 m) reflected:
    - a return to pre-crisis levels of pay;
    - the labor costs inflation.
  - The increase in materials cost by 104% (US\$11.4m) was mainly due to:
    - the increase in extraction and preparation volumes;
    - a significant increase of overburden removal.
  - The increase in other taxes (mainly mineral extraction tax) by 106% (US\$5.9m) was mainly due to the increase in:
    - coal prices;
    - and extraction volume.
  - The increase in electricity cost by 41% (US\$2.2m) was caused by:
    - the growth of production volumes;
    - an increase of the tariff by 22% (according to the general Russian tariff policy).

## Debt Breakdown as of 30 June 2010



Source: Raspadskaya

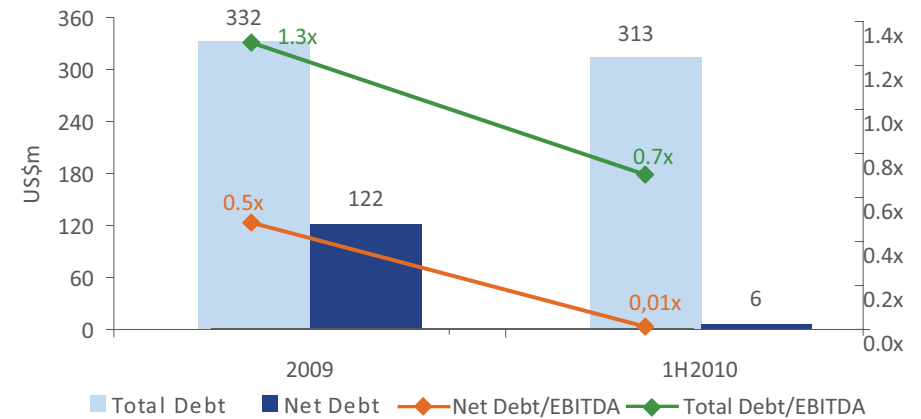
## Net Debt Reconciliation



Source: Raspadskaya

Note: FY2010 numbers will be available in mid April 2011 after announcement of RASP FY2010 IFRS results

## Total and Net Debt



Source: Raspadskaya

- As of 30 June 2010 cash and cash equivalents, short-term and long-term bank deposits increased by US\$ 97.4m and amounted to US\$ 306.9m
- The main debt is represented by the US\$300m 7.5% Eurobonds due in May 2012.
- As of 30 June 2010, none of the covenants stipulated in the Loan Agreement on the Eurobonds was breached. The Company believes none of the covenants will be breached.
- On 22 December, 2010 Fitch Ratings affirmed Raspadskaya's Long-term foreign currency Issuer Default Rating (IDR) of B+, removed the rating from Rating Watch Negative (RWN) where it had been placed on 12 May 2010 and assigned Stable Outlook.
- On 13 October, 2010 Moody's confirmed the B1 rating for Raspadskaya LPN due in May 2012 totaling US\$300m. The outlook is negative due to concerns about coal prices, keeping the deadlines and budget for restoration works at Raspadskaya mine and possible delays in expected volumes increases at other mines.

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