

OAO Rospadskaya – Russia’s Leader in Coking Coal



Investor Presentation

November 2009

London



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Key Facts

- OAO «Raspadskaya» founded in 1973 and located in Kemerovo Region of Russian Federation
- Compact integrated coal mining and enrichment platform:
 - 2 mines;
 - 1 open pit;
 - 1 mine under construction;
 - preparation plant;
 - 5 service and infrastructure units, sales&marketing company as well as management company
- Coal production –100% coking coal
- One of the largest Russian coking coal producers
- One of the ten largest global mining companies by coking coal sales
- JORC reserves – 781,5m tonnes, including 35,7m tonnes produced as of 30 September 2009. Reserves-to-production ratio amounts to more than 50 years of production
- Beneficiary shareholder – Corber Enterprises Ltd. (80%), that is owned by Raspadskaya management and Evraz Group on a parity basis
- Company’s ordinary shares are listed on RTS and MICEX since November 2006. Free float – 20%
- Company’s Eurobonds are listed on LSE since May 2007

Strategy and Latest Developments

- Efficient subsoil management and use of production potential
- Long-term relations with strategic clients is a priority
- Increase of export sales volumes, including Asia
- Clients base diversification (including sales to middle-volume consumers)
- The largest preparation plant in Russia with production capacity 15mt of raw coal per year. Start-up: 1st stage – in 2005, 2nd stage – in 2008
- Construction of Raspadskaya-Koksovaya mine with a potential production of scarce coal grades «K» and «KO» (hard-coking coal in international classification)

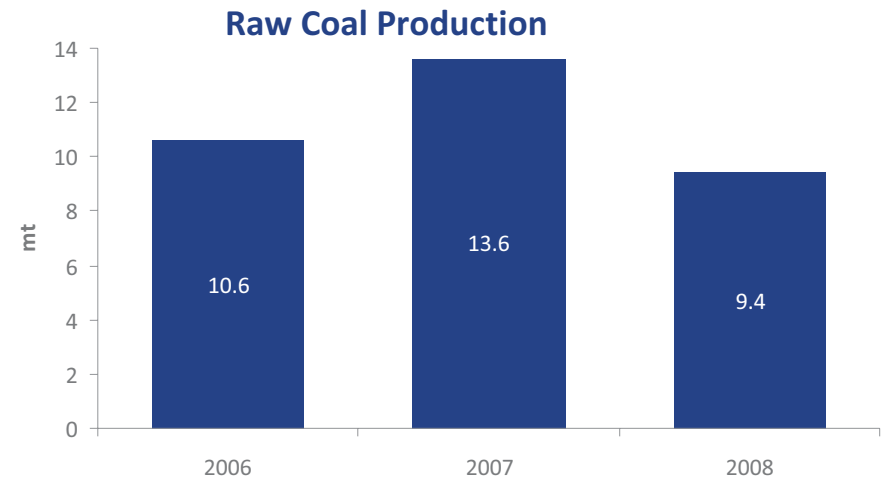
Source: Raspadskaya

Financial Highlights (IFRS)

Key Financials, US\$m (unless stated)	2006	2007	2008
Revenue	469	784	1 200
Growth, %	n.a.	+67%	+53%
EBITDA	259	470	868
Margin, %	55%	60%	72%
Net Profit	112	240	531
Margin, %	24%	31%	44%
Total Debt ⁽¹⁾	360	347	351
Net Debt	310	265	165
Net Debt/EBITDA	1,2x	0,6x	0,2x

(1) Including US\$300m Eurobonds with maturity in May 2012
Note: 1H2009 IFRS Financial Results released on 25 September 2009

Source: Raspadskaya



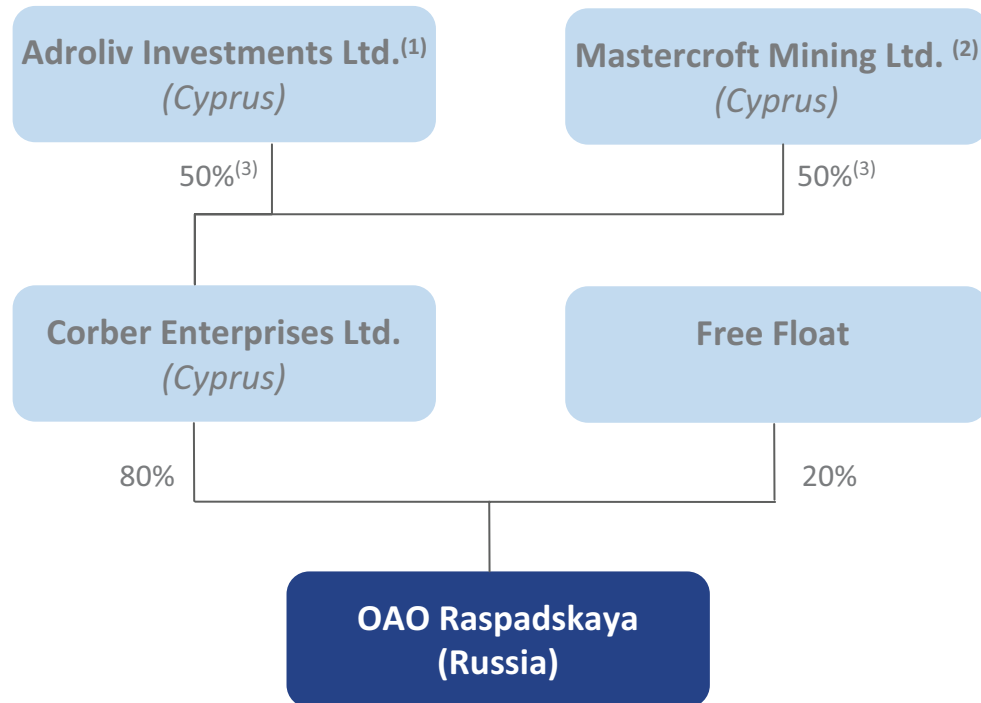
Note: 2009 raw coal production forecast was published in 1H2009 IFRS Financial Results presentation on 25 September 2009

Source: Raspadskaya



(1) Production of raw coal
 (2) Production of raw coal (currently under construction)
 (3) Preparation of raw coal
 (4) Executing coal supply contracts on behalf of the Company
 (5) General management

(6) Coal transportation
 (7) Construction of underground mine openings and creating vertical mine shafts
 (8) Electric and heat energy wholesale trade
 (9) Fuel wholesale trade
 (10) Production of roof bolting, metal lattice and other spare parts for mining operations



(1) Adroliv Investments Ltd. is beneficially owned by G. Kozovoy and A. Vagin

(2) Mastercroft Mining Ltd. is beneficially owned by Evraz Group S.A.

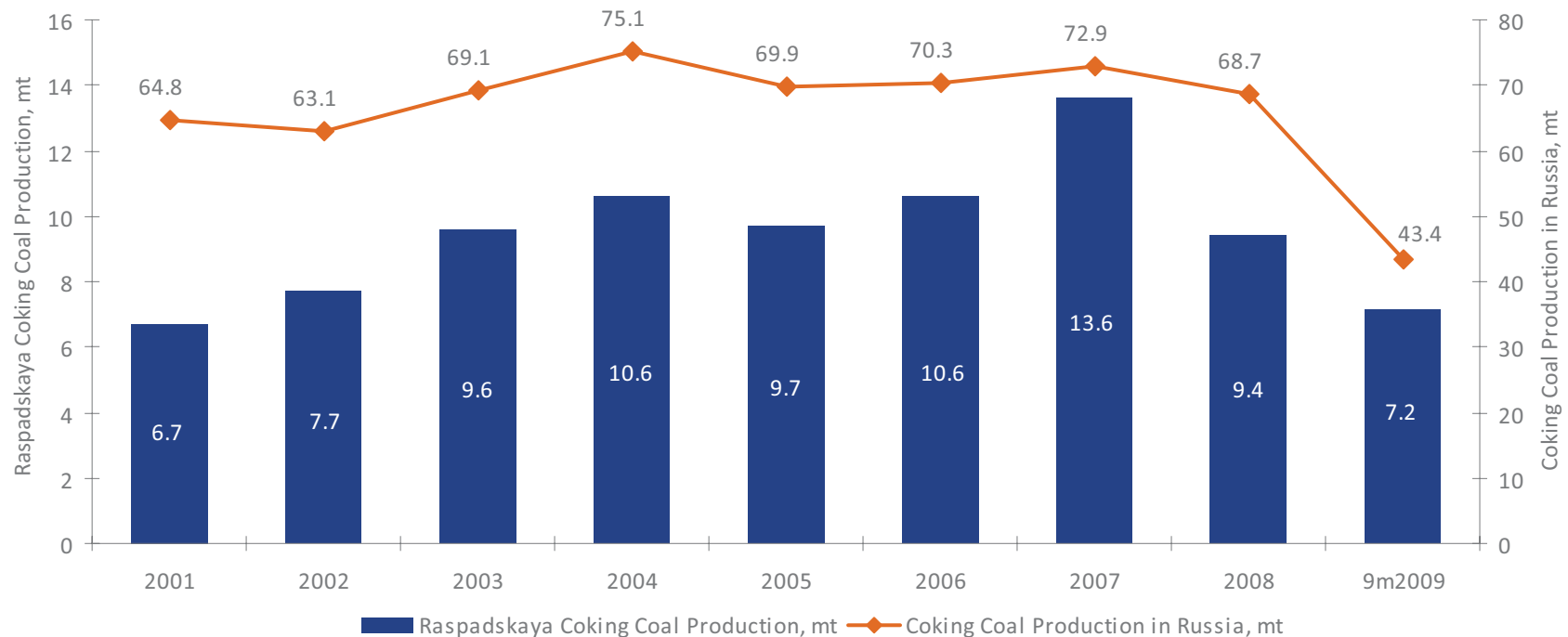
(3) % of total voting shares

Source: OAO Raspadskaya

Long-term partnership with Evraz Group is based on:

- Shareholders' relations:
 - since 1990-s – minority participation of Evraz
 - since 2004 – parity ownership
 - shareholders' agreement at Corber provides for the unanimous adoption of resolutions on major strategic issues and execution of operational governance by Adroliv' beneficiaries
- Business relations:
 - transactions are on an arm length basis
 - supply contract for Russian plants valid until end of 2011, shipments to Ukrainian plants began in 2008
 - the share of coal production sales volumes to Evraz Group in 2007, 2008 and 9m2009 accounted for 16.3%, 18%, 22% and 12% of Raspadskaya total sales volumes, respectively (only for Russian plants)
 - the share of Raspadskaya supply volumes in total coal concentrate purchase volumes of Evraz Group accounted for 19%, 14% and 15% in 2007, 2008 and 9m2009, respectively (for Russian plants)

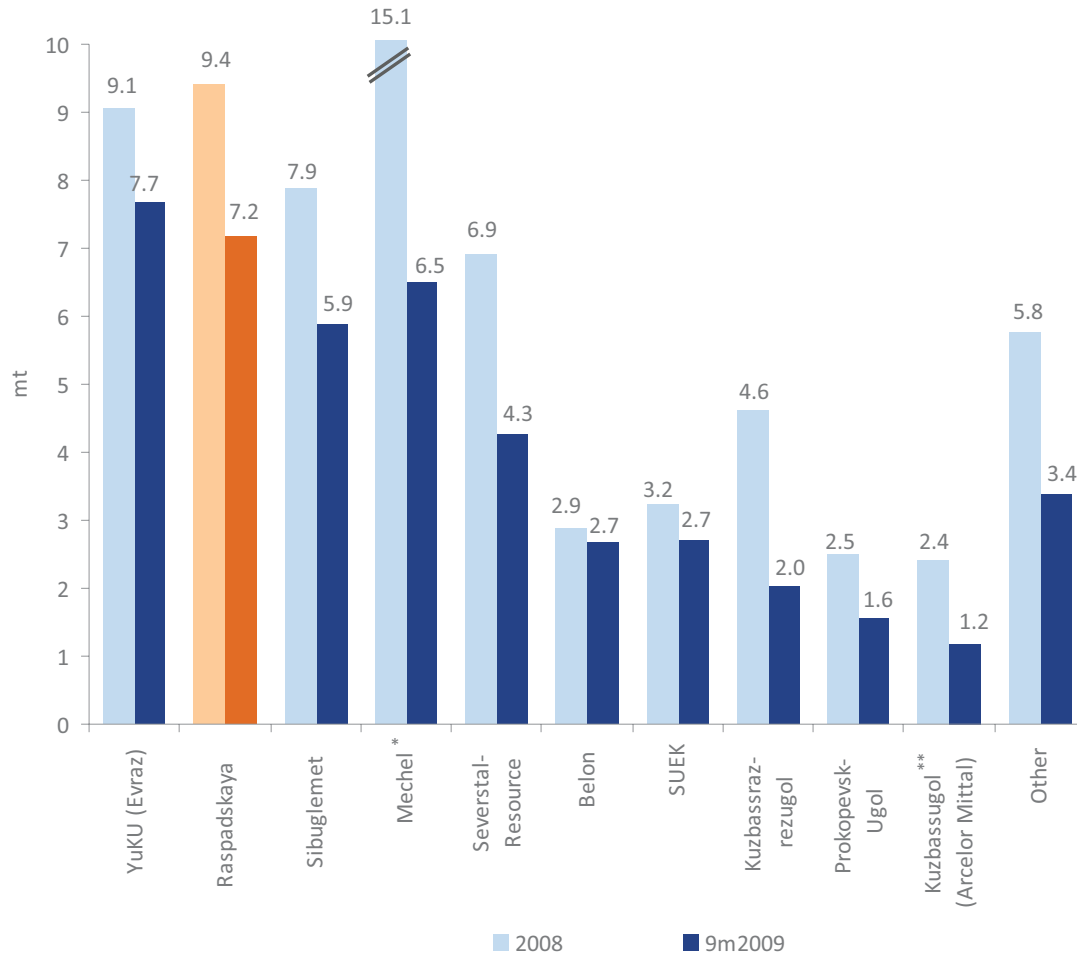
- JORC reserves – 781.5m tonnes*, including 35.7mt already extracted as of 30 September 2009. Reserves-to-production ratio amounts to more than 50 years of production
- Industrial production slowdown since 4Q2008 has resulted in 6% reduction of Russian production volumes in 2008 vs. 2007, for 9m2009 Russian coal production declined by 22% YoY
- Rospadskaya accounted for 14% and 17% of total Russian coking coal production in 2008 and 9m2009 respectively



*IMC Report as of 30 June 2006. The amount doesn't include licenses not audited according to international standards with coal reserves of about 220mt: license "Raspadsky IX-XI" – coal reserves of about 118mt by category B+C1; license "Raspadsky IV" – coal reserves of about 102mt by category B+C1

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

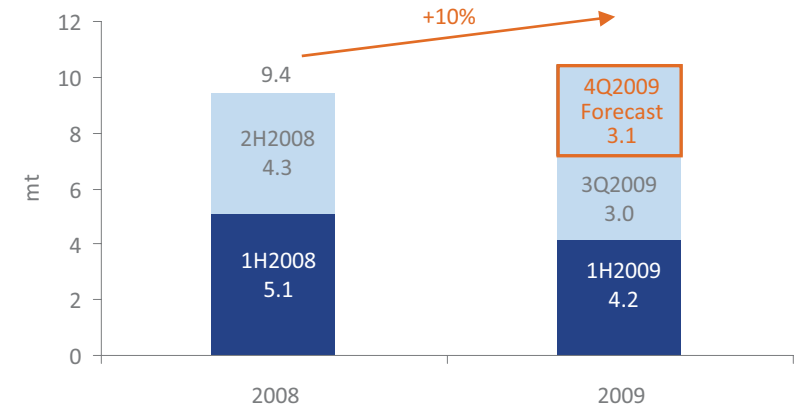
Russian Coking Coal Production



* Coking coal production volumes for 9m2009 include full consolidation of Mechel Bluestone (USA) operations (starting 2Q2009)
**In April 2008 Severstal sold the Company to Arcelor Mittal

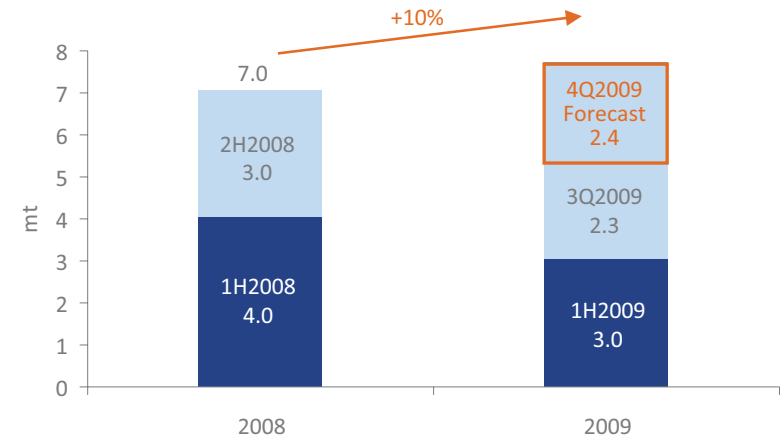
Source: Raspadskaya, UDP-3.10 TsDU-TEK, companies data

Raspadskaya Coking Coal Production



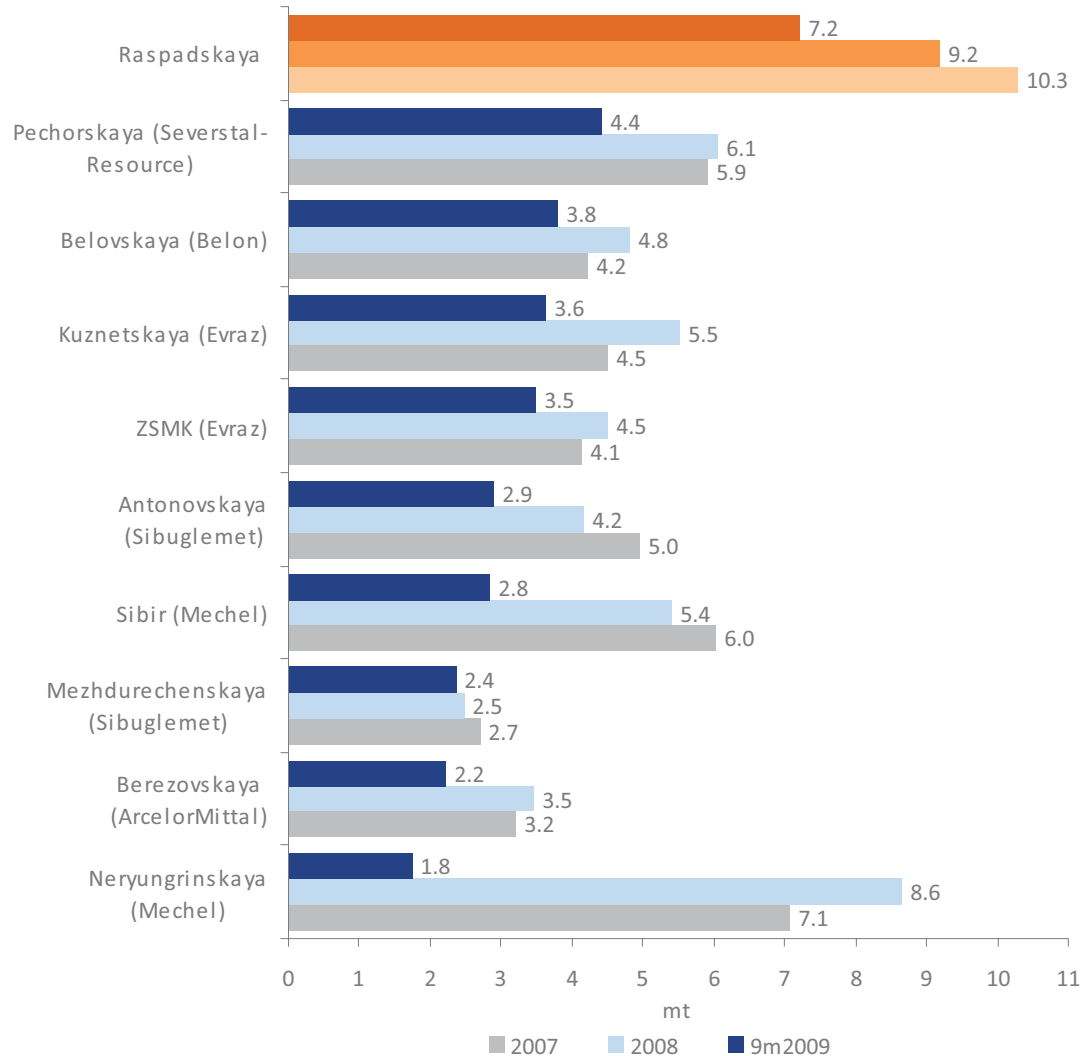
Source: Raspadskaya

Raspadskaya Coal Concentrate Production



Source: Raspadskaya

Russia's Largest Preparation Plant by Volumes of Raw Coal Preparation

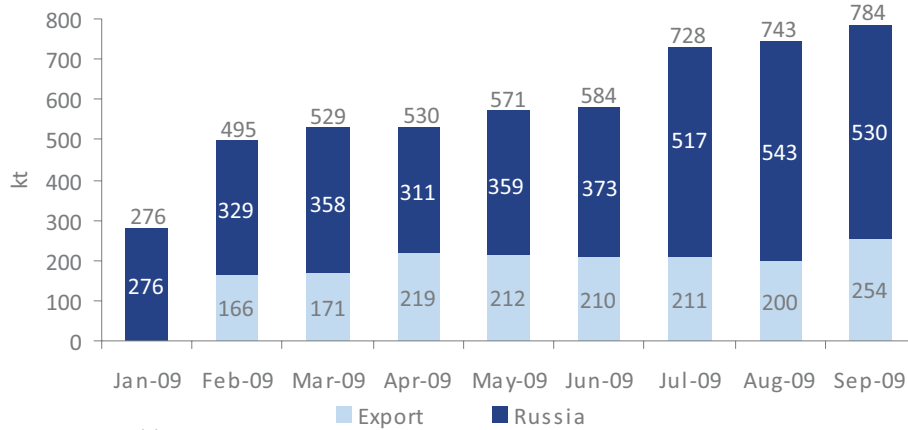


Source: Rasmin

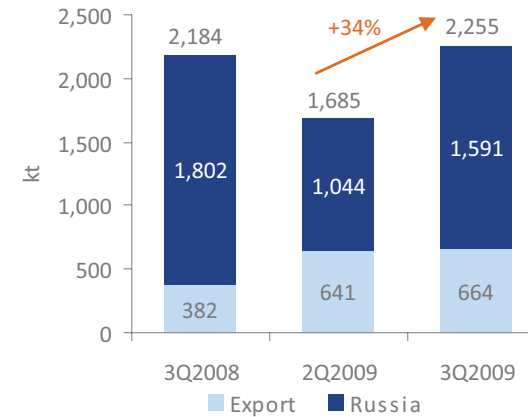
Key Facts

- Built in 2 years, 1st stage launched in 4Q2005, 2nd stage – in 2008
- Today Raspadsкая Preparation Plant is the largest in Russia and one of the largest globally
- Nameplate capacity of the 1st stage at 7.5mt per year and work with higher production capacity enabled to prepare 10.3mt and 9.2mt in 2007 and 2008 respectively
- Current production capacity – up to 15.0mt per year
- Weighted average coal preparation costs of concentrate decreased from US\$7.9/tonne in 2005 to US\$1.6/tonne in 1H2009
- 100% of coal is prepared on Raspadsкая preparation plant that enables to decrease weighted average coal preparation costs of concentrate and avoid extra transportation costs
- Possibility to use non in-house facilities for raw coal preparation in case of raw coal production increase of more than 15mt per year with minimal transportation costs

Raspadskaya Coal Concentrate Sales

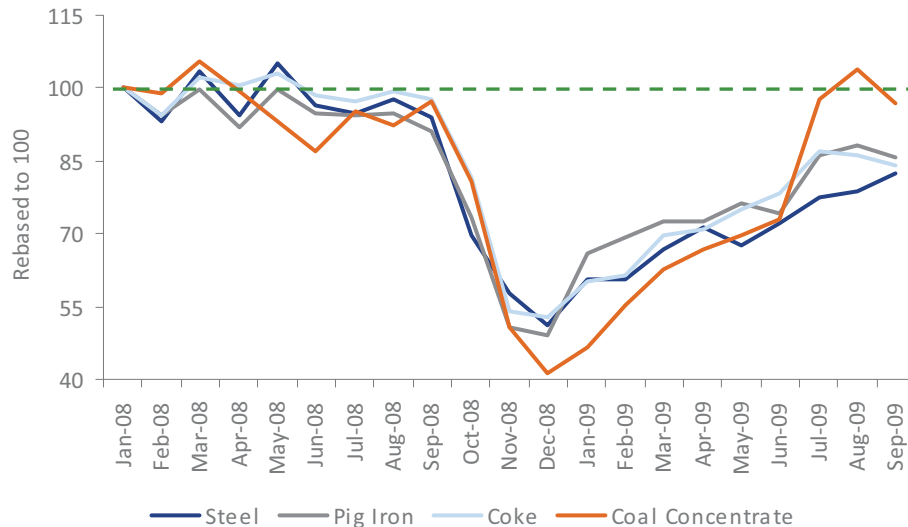


Source: Raspadskaya



Source: Raspadskaya

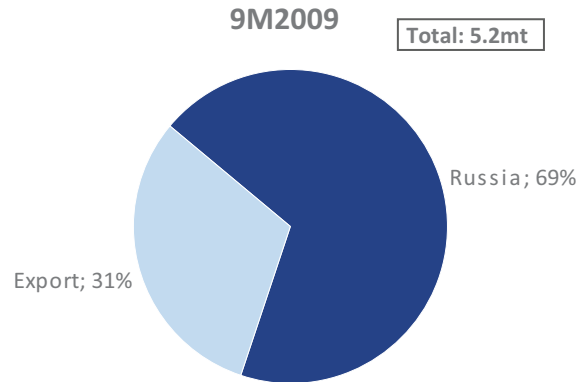
Industrial Materials Production in Russia



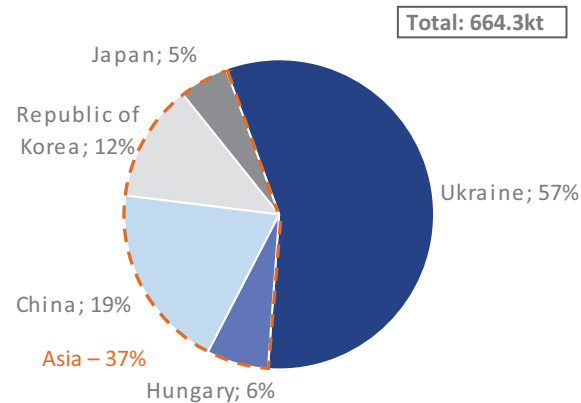
Source: Metal Expert, RasMin

- In 3Q2009, coal concentrate sales volumes increased by 34% QoQ
- In 3Q2009, sales volumes of coal concentrate amounted to more than 100% of the pre-crisis level (3Q2008)
- The Company expects FY2009 sales volumes of coal concentrate to increase by 10% YoY (in 2008 – 7mt)
- 1Q2009 coal concentrate sales volumes increased by 63% compared to 4Q2008. In 2Q2009 sales growth amounted to 30% QoQ due to the gradual metallurgical production recovery, rising demand for coking coal and Raspadskaya active export strategy
- In August-September 2008, sales volumes of coal concentrate were 736kt and 734kt respectively. In August-September 2009, sales volumes accounted for 743kt and 784kt respectively, that proves the pre-crisis sales volumes recovery

Raspadskaya Sales Geography Breakdown

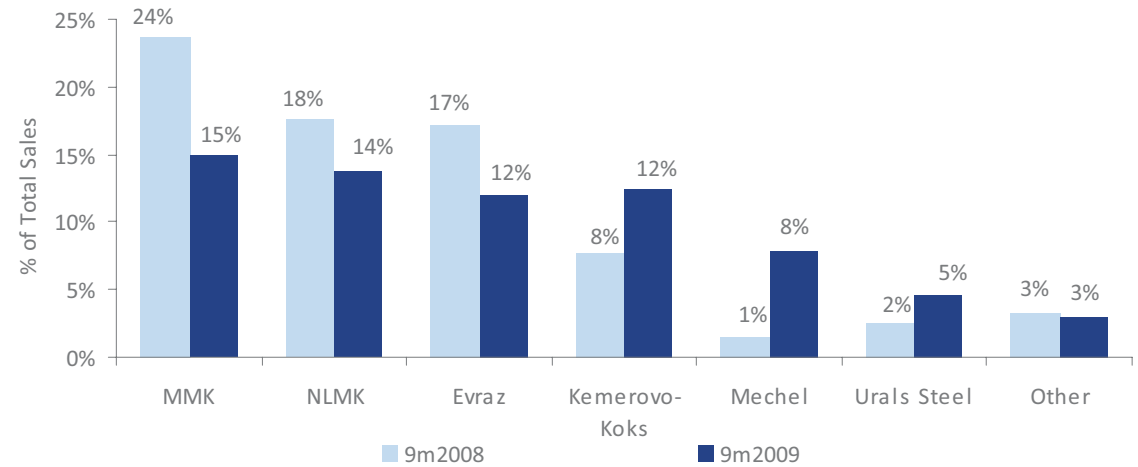


Raspadskaya Export Sales Geography Breakdown in 3Q2009



Source: Raspadskaya

Major Russian Consumers of Raspadskaya Coal Concentrate



Source: Raspadskaya

- In 3Q2009, total sales volumes of coal concentrate rose by 34% QoQ as a result of industrial markets recovery and rising demand for Raspadskaya coal products
- For 9m2009, share of sales volumes to the major Russian customers (MMK, NLMK, Evraz) decreased to 41% of Raspadskaya total sales volumes from 58% for 9m2008. This was partially compensated by the increase of sales share to medium-sized Russian consumers from 15% of total coal concentrate sales volumes for 9m2008 to 28% for 9m2009
- For 9m2009, share of export coal concentrate sales volumes rose to 31% of total sales volumes compared to 25% for 9m2008
- In 1H2009, export sales share to Ukraine increased from 22% of total sales volumes in 1H2008 to 29% due to the renewal of shipments to this market since February 2009 after 4 months of suspension
- Since 1Q2009, the Company started to implement the strategy on export sales diversification on the base of a partial shift to Asian markets. In 3Q2009 export sales share to Asian consumers amounted to 37% of total export sales
- In 1H2009, Raspadskaya signed contracts with large metallurgical holdings such as JFE Holding (Japan), POSCO (Republic of Korea) and started shipments to the Chinese market
- In 4Q2009, sales share on the key for Raspadskaya domestic market will amount to at least 65% of total sales volumes. At the same time, the Company will continue to diversify its regional sales markets and client base in frames of the budget process for 2010

Coke Production (with 6% moisture) in Russia and Ukraine

RUSSIA

Producer (Russia)	9m2008	9m2009	% change 09/08
MMK	4 288	3 247	-24%
Severstal	3 460	2 883	-17%
Altay-Koks (NLMK)	2 876	2 325	-19%
ZSMK (Evraz)	3 078	2 136	-31%
NLMK	3 039	1 765	-42%
Kemerovo-Koks	2 040	1 764	-14%
NTMK (Evraz)	2 256	1 638	-27%
Mechel-Koks	1 772	1 633	-8%
Urals Steel	1 533	1 202	-22%
Moskovsky CGP (Mechel)	927	616	-34%
NKMK (Evraz)	586	378	-35%
Gubakhinsky CCP	402	223	-45%
Total	26 257	19 810	-25%

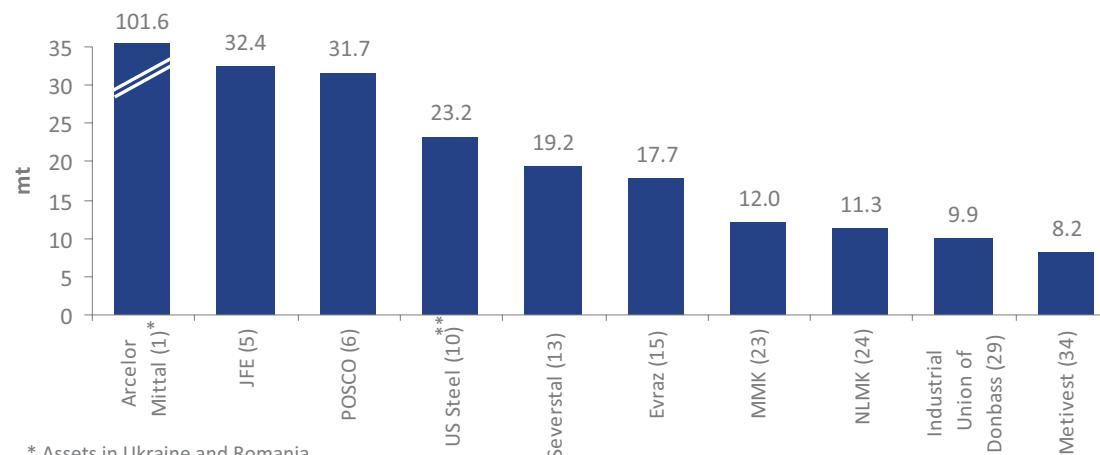
UKRAINE

Producer (Ukraine)	9m2008	9m2009	% change 09/08
Alchevsky CCP	2 688	2 600	-3%
Avdeevsky CCP	3 343	2 064	-38%
ArcelorMittal Kryviy Rih	2 148	1 734	-19%
Azovsteel	1 825	1 473	-19%
Zaporozhkoks	1 345	938	-30%
Ilyich MMK	935	890	-5%
Makeevkoks	853	815	-4%
Dneprkoks	502	449	-11%
Bagleykoks	565	429	-24%
Dneprodzerzhinsky CCP	504	392	-22%
Gorlovsky CCP	331	312	-6%
Enakievsky CCP	404	227	-44%
Yasinovsky CCP	320	209	-35%
Donetskoks	310	182	-41%
Kharkovsky CCP	160	111	-31%
Total	16 233	12 825	-21%

Note: companies that are not currently clients of Raspadskaya are highlighted in blue

Source: MetalExpert

Raspadskaya Clients are among Leading Companies by Volumes of Steel Production (2008)



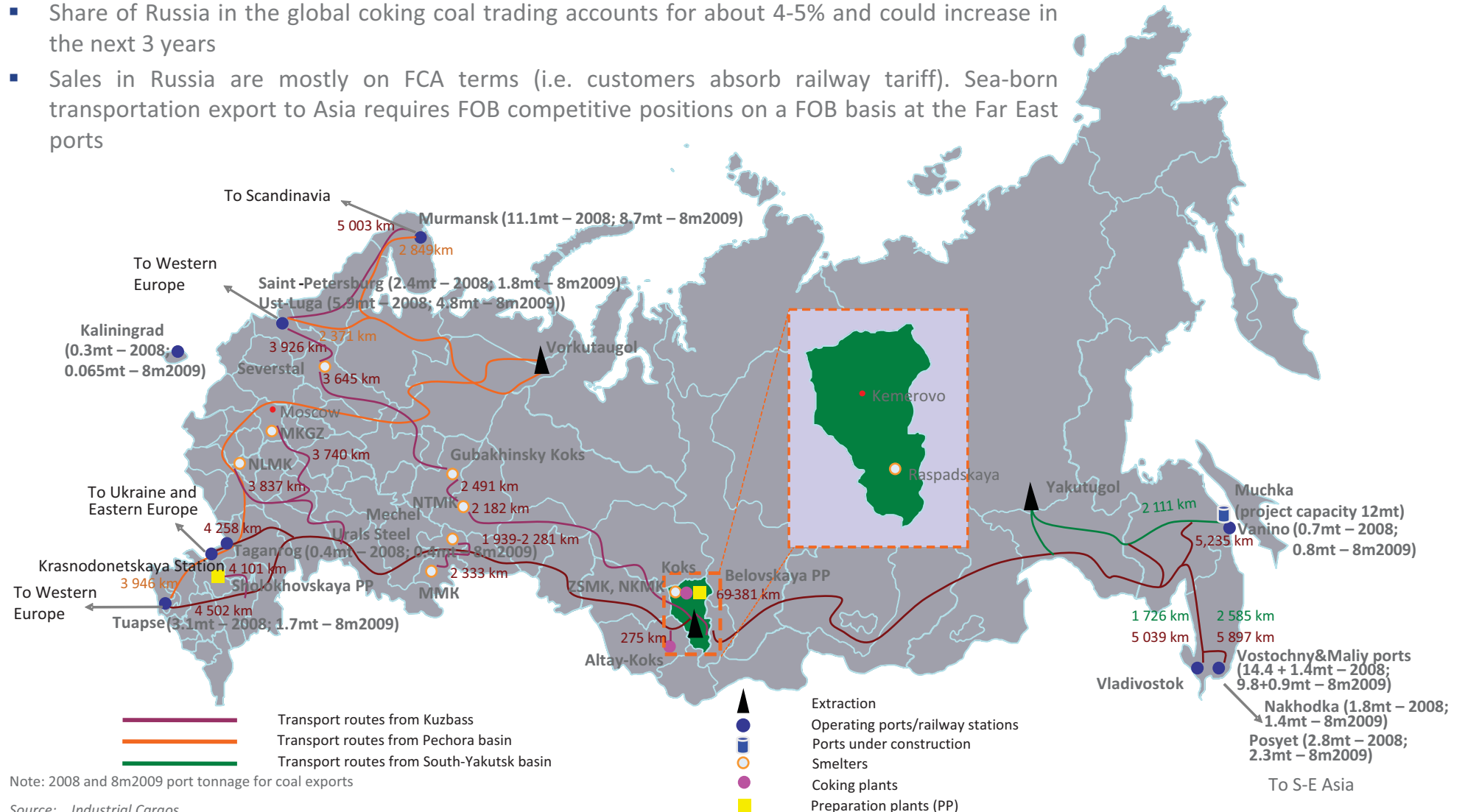
* Assets in Ukraine and Romania

** Assets in Bulgaria

Source: World Steel Association

- For 9m2009 coke production volumes in Russia and Ukraine decreased by 25% and 21% YoY respectively, that proves further coke production upside potential
- The biggest global metallurgical companies as well as almost all Russian coke producers and about a half of coke producers in Ukraine currently are among Raspadskaya clients
- In frames of its medium term strategic program on client base and sales markets diversification Raspadskaya plans to maintain the following balance:
 - 10-12 clients in Russia;
 - 10-12 clients in Eastern Europe, including Ukraine;
 - 5-10 customers in Asia (Japan, S.Korea, China)

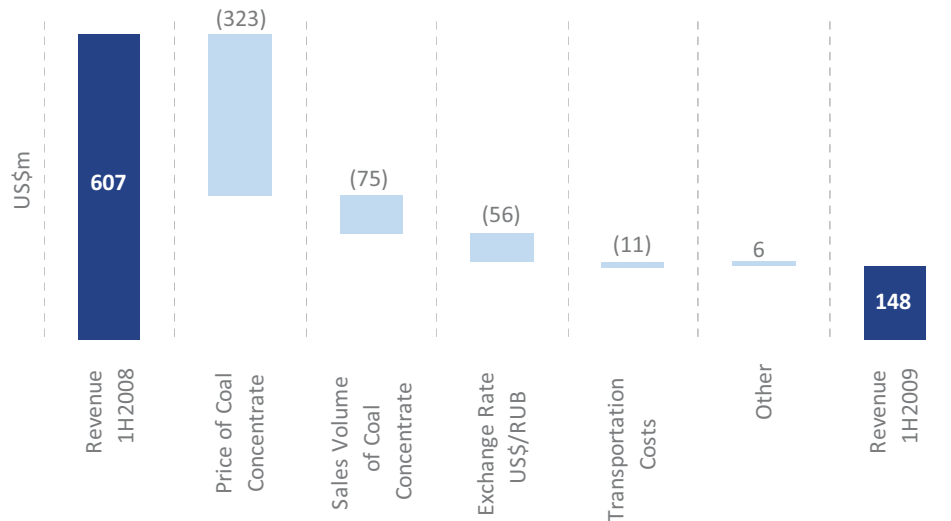
- Russia has 2nd largest coal reserves globally and Kuznetsk coal basin accounted for 79% and 86% of total Russian coking coal output in 2008 and 9m2009 respectively
- Share of Russia in the global coking coal trading accounts for about 4-5% and could increase in the next 3 years
- Sales in Russia are mostly on FCA terms (i.e. customers absorb railway tariff). Sea-born transportation export to Asia requires FOB competitive positions on a FOB basis at the Far East ports



Note: 2008 and 8m2009 port tonnage for coal exports

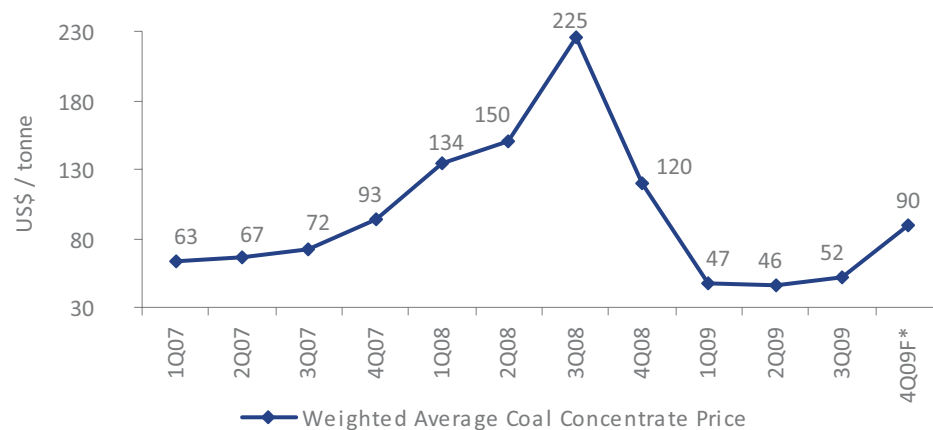
Source: Industrial Cargos

1H2009 Revenue Drivers



Source: Raspadskaya

Raspadskaya Coking Coal Price Dynamics (FCA Mezhdurechensk)

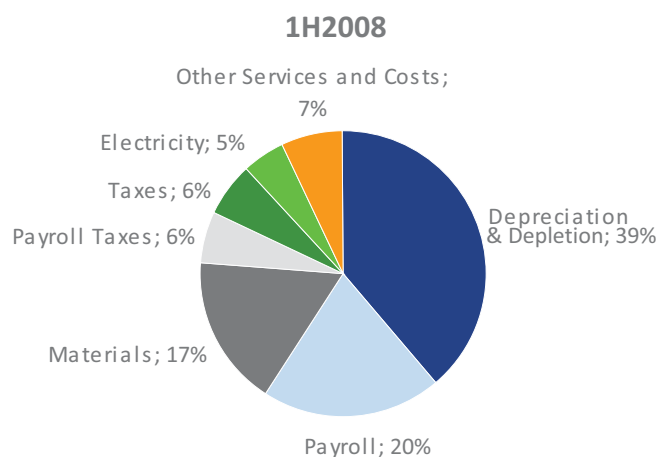
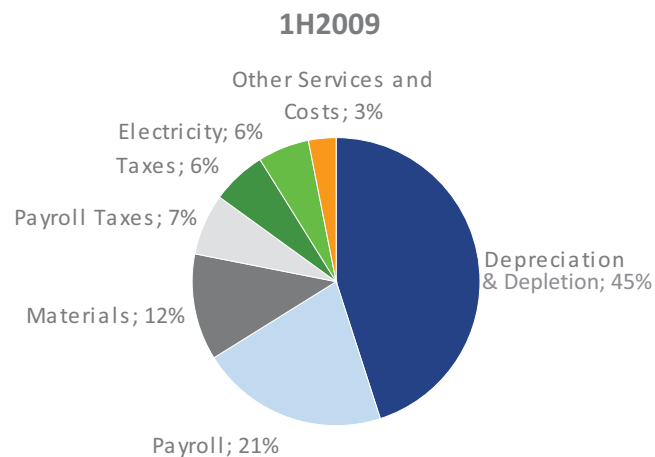


* for domestic market (not less than 65% of total coal concentrate sales)

Source: Raspadskaya

- 1H2009 revenue dropped by 76% YoY mainly as a result of the decrease in sales volumes and coal concentrate price
- 1H2009 revenue fall was also affected by the increase of RUB/US\$ weighted average exchange rate in 1H2009 by 38% YoY
- 2Q2009 revenue increased by 28% QoQ as a result of domestic and export sales volumes growth
- In 4Q2008, coking coal prices dropped as a result of decreasing global demand for metallurgical products
- During 9m2009, coal concentrate sales prices remained rather flat
- During 9M2009, Raspadskaya fulfilled all the obligations to its clients and already signed contracts for the full 4Q2009 with the domestic sales price of coal concentrate of 2,700 RUB/tonne (approximately US\$90/tonne at the current RUB/US\$ exchange rate) on FCA Mezhdurechensk basis
- Starting 2009, the Company operates in frames of long-term contracts with the major Russian customers and negotiates the volumes and prices on a quarterly basis depending on the market conditions

Cost of Production Breakdown



Source: Raspadskaya

Dynamics of Coal Concentrate Cost of Production

	1H2008	1H2009	Change, %
Cost of Production			
US\$m	169	92	(45)%
RUBm	4,049	3,054	(25)%
Cash Cost of Production per Tonne			
US\$	26.4	16.6	(37)%
RUB	632	549	(13)%

Source: Raspadskaya

- For almost one year the Company has been working in conditions of industrial production recession and uncertain consumer demand. In October 2008, the effective anticrisis program was implemented that enabled to cut costs:
 - Suspension of some works where it couldn't harm production process and safety
 - Reduction of mining works
 - Reduction of working week, ban on new employment
 - Tough cost control
- In 1H2008, production cash cost per tonne of coal concentrate dropped by 37% (in US\$ terms) YoY mainly due to the following factors:
 - Increase of the average RUB/US\$ exchange rate in 1H2009 by 38% YoY
 - Reduction in underground development, overburden removal and major repairs
 - Materials prices decrease
- In 1H2009, production cash cost per tonne of raw coal dropped by 41% YoY to US\$10.9/tonne
- In 1H2009, preparation cash cost of raw coal fell by 40% YoY to US\$1.2/tonne
- Until the end 2009 costs for underground development and overburden removal, personnel costs and capital repairs are supposed to slightly increase as a result of production and sales growth. At the same time the Company does not expect production cash cost per tonne of coal concentrate to rise significantly

Key Highlights, US\$m (unless stated otherwise)	1H2009	1H2008	1H2009/1H2008	
			+/-	%
Revenue	148	607	(459)	(76)%
EBITDA*	63	424	(361)	(85)%
Margin, %	43%	70%		
EBIT	19	358	(377)	(95)%
Margin, %	13%	45%		
Net Profit / (Loss)	(11)	262	(273)	n.a.
Margin, %	n.a.	43%		

Note: 1H2009 IFRS Financial Results released on 25 September 2009

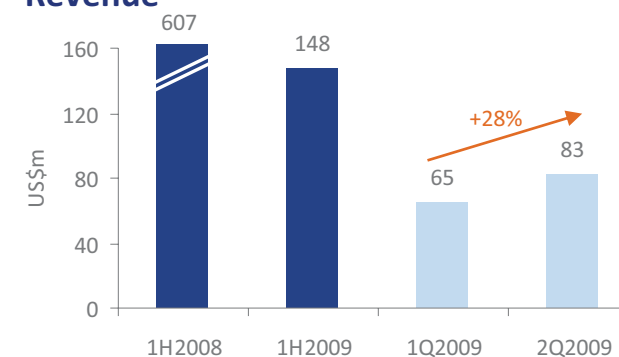
Source: Raspadskaya

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

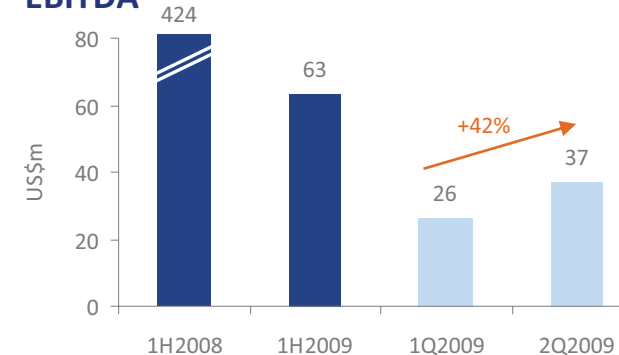
- Decrease in prices and sales volumes of coal concentrate in 1H2009
- Increase of the weighted average RUB/US\$ exchange rate by 38% in 1H2009 compared to 1H2008
- Foreign exchange loss of US\$23.6m

*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

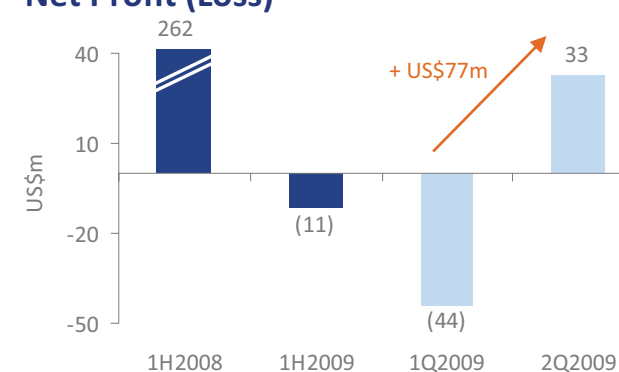
Revenue



EBITDA

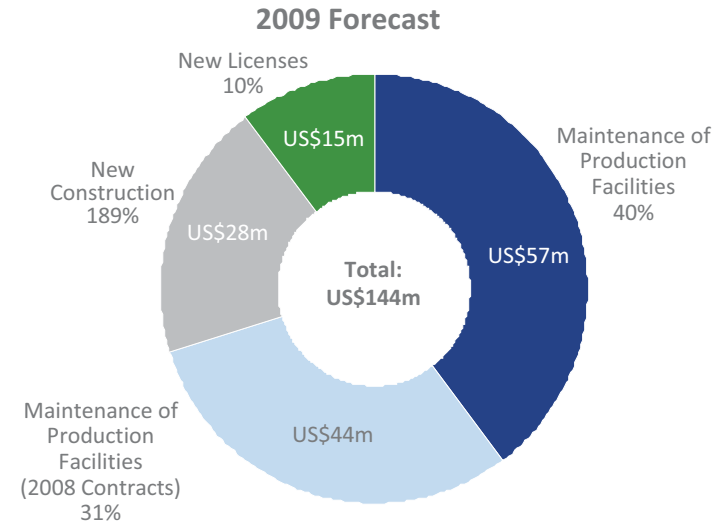
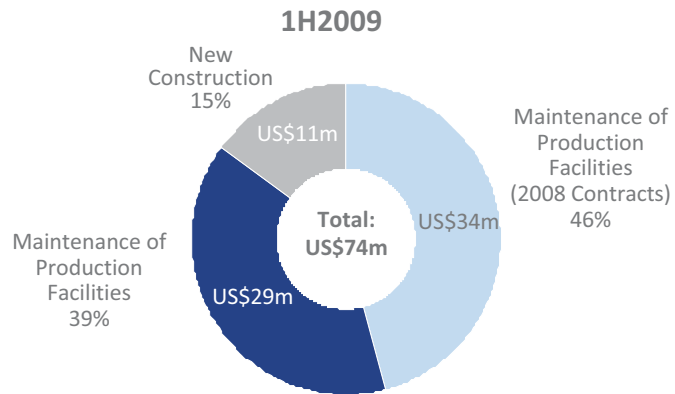


Net Profit (Loss)



Source: Raspadskaya

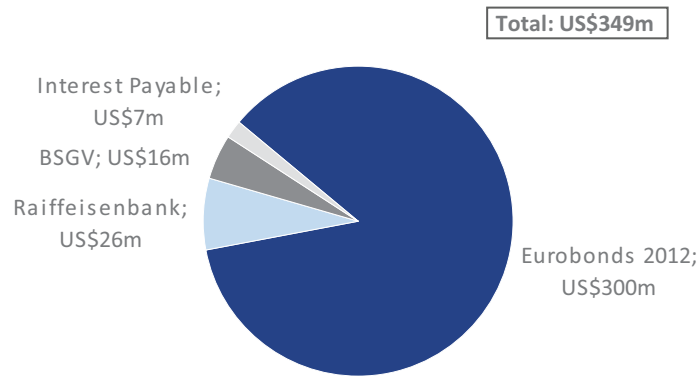
Breakdown of Capital Expenditures Financing in 1H2009



Source: Raspadskaya

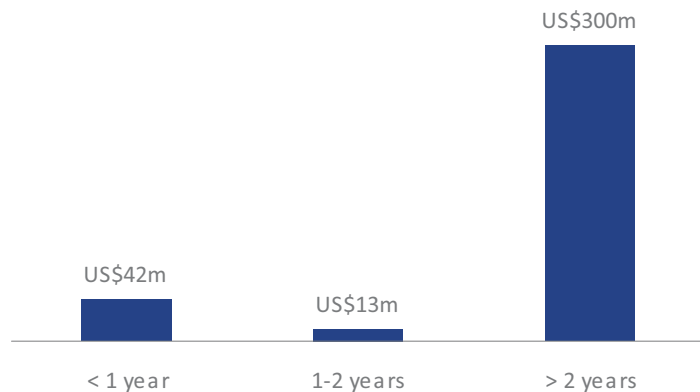
- In 1H2009, total amount of the capital expenditures financing program accounted for US\$74m, including:
 - US\$63m for reconstruction and development of the current production, that is 53% less compared to 1H2008;
 - More than US\$11m for Raspadskaya-Koksovaya mine construction (high quality coking coal reserves)
- The largest share of financing of capital expenditures was represented by the contracts signed in 2008
- In 2H2009, the Company expects capital expenditures on new licenses to amount to US\$15m
- The Company plans to specify its mid-term business development program in frames of the budget process for 2010. The program will be formed on the base of licenses, plans for exploration works, current production potential and expected market conditions

Debt Breakdown as of 30 September 2009



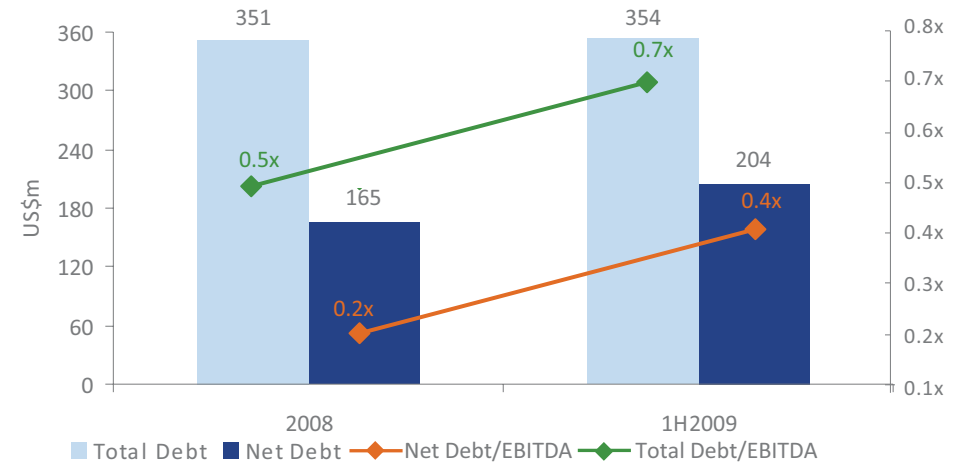
Source: Raspadskaya

Debt Repayment Schedule



Source: Raspadskaya

Total and Net Debt



Source: Raspadskaya

- The main debt is represented by Eurobonds for US\$300m with maturity in May 2012 and 7.5% coupon
- For 9m2009, annual average interest rate for long-term loans amounted to 3.4% in USD terms and 4.2% in EUR terms
- Debt as of 30 September 2009 comprised by 93% of US\$ and by 7% - of Euro
- One of the covenants stipulated in the Loan Agreement on the Eurobonds is the ratio of Consolidated Net Indebtedness* to 12-month Consolidated EBITDA, that may not exceed 3:1. In 1H2009 this ratio amounted to 0.4x
- Another covenant is the ratio of Consolidated Debt to 12-month Consolidated EBITDA, that may not exceed 3:1. In 1H2009 this ratio amounted to 0.7x
- The Company believes that none of the covenants will be infringed in the foreseeable future
- On 13 February 2009, Moody's downgraded to B1 the existing Ba3 rating of Raspadskaya, Stable outlook, as well as national rating from Aa3.ru to A1.ru
- On 22 June 2009, Fitch Ratings affirmed Raspadskaya's Long-term foreign currency Issuer Default Rating (IDR) at B+ and National Long-term rating at A(rus). The Outlooks on both ratings are Stable. Simultaneously, Fitch affirmed Raspadskaya's senior unsecured rating at B+ and Short-term IDR at B
- As of 30 June 2009 cash and short-term bank deposits amounted to US\$150m that proves high liquidity
- Taking into account dependence on coking coal prices the Company follows a conservative financial policy

*Net Debt includes cash and cash equivalents of US\$63.5m and short-term bank deposits of US\$86.7m

<p>Financial and Economic Policy</p>	<ul style="list-style-type: none"> ▪ Cost control toughening, reduction of fixed costs share, keeping production and coal sales costs at competitive level ▪ Maintain optimal balance between investments in production maintenance and perspective industrial development ▪ Maintain high liquidity and optimal capital structure ▪ Control over payables and receivables
<p>Production Policy</p>	<ul style="list-style-type: none"> ▪ Maintain production capabilities and increase output under favourable market conditions ▪ Extension of coal grades assortment in the medium-term ▪ Guaranteed support of output plans by licenses, preparation, sinking and transportation facilities ▪ Possible selective bolt-on acquisitions in accordance with mining conditions and further business growth potential criteria
<p>Sales Policy</p>	<ul style="list-style-type: none"> ▪ Priority to long-term relations with strategic customers ▪ Diversification of client base ▪ Maintain optimal balance between domestic and export sales ▪ Keeping historically high share of supply to Ukraine ▪ Expansion of export geography due to customers in Europe and especially in Asia, main international coal sales market ▪ Focus on export share increase in the short-term period ▪ Improve contract relations with clients ▪ Strengthen competitive positions due to modern production and infrastructure, stability of supply and quality of production ▪ Constant attention to transportation and production reloading
<p>Shareholder and Investor Relations, Social Responsibility</p>	<ul style="list-style-type: none"> ▪ Policy of building long-term relations with existing and potential shareholders, continue to pursue the policy of disclosure of material information, perfection of corporate governance procedures ▪ Constant attention to staff health protection, safety discipline and environmental protection ▪ Retention of highly qualified personnel while keeping the number of employees at optimal level ▪ Realization of social-economic partnership agreement with regional authorities and industrial labour unions

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