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Operational results of Kuzbasskaya Toplivnaya Company OJSC for the 2 quarter and 6 months 2014.

On August 15 2014, Kuzbasskaya Toplivnaya Company OJSC (KTK, MICEX: KBTK), one of the largest producers and exporters of thermal coal in Russia, is pleased to announce operational results for the 2 quarter and 6 months 2014.

Key production results for the Q2 2014

	Q2 2014	% of total	Q1 2014	Chg	Q2 2013	Chg[1]
Coal production[2], mln tonnes, incl.:	2.48		2.31	7%	2.50	(1%)
Karakansky South open-pit mine	*0.76*	*31%*	*0.71*	*7%*	*0.75*	*1%*
Vinogradovsky open-pit mine	*0.90*	*36%*	*0.80*	*13%*	*0.90*	*-*
Cheremshansky open-pit mine	*0.82*	*33%*	*0.80*	*2%*	*0.86*	*(5%)*
Commercial products[3], mln tonnes	2.20		2.02	9%	2.50	(12%)
Coal processing[4], mln tonnes, incl.:	2.07	94%	1.71	21%	2.14	(3%)
Sorted coal	*1.27*	*61%*	*0.98*	*30%*	*1.43*	*(11%)*
Washed coal	*0.80*	*39%*	*0.73*	*10%*	*0.71*	*13%*
Washing plant Kaskad 1	*0.25*	*32%*	*0.24*	*4%*	*0.18*	*39%*
Washing plant Kaskad 2	*0.54*	*68%*	*0.49*	*10%*	*0.53*	*2%*
Stripping, mln cbm, incl.:	15.36		15.14	1%	14.78	4%
Blasted rock mass[5],mln cbm	*8.88*	*58%*	*8.78*	*1%*	*6.64*	*34%*
Average stripping ratio[6]	6.20		6.50	(5%)	5.90	5%
Average stripping transportation distance, km	2.80		2.60	8%	2.60	8%

In Q2 2014, the Company has produced 2.48 mln tonnes of coal, which is 1% lower than the previously published production plan. Coal production increased by 7% Q-o-Q and decreased by 1% Y-o-Y. The volume of commercial products increased by 9% to 2.20 mln tonnes. Compared with the level of same period of 2013, the volume of the Company's commercial products is 12% lower. Coal processing amounted 2.07 mln tonnes, which is 21% higher than in Q1 2014. That is 3% lower than in Q2 2013. The share of processed coal in the commercial products amounted to 94%. The total coal washing in the Q2 2014 increased by 10% to 0.80 mln tonnes of which 68% relates to the washing plant Kaskad 2. The volume of coal sorting increased by 30% compared to the Q1 2014 and amounted to 1.27 mln tonnes.

The volume of stripping in Q2 2014 amounted 15.36 mln cbm and increased by 1% Q-o-Q. The volume of blasted rock mass was 8.88 mln cbm, an increase for the quarter by 1%. The share of blasted rock in the stripping was 58%. Average stripping transportation distance in the Q2 2014 increased by 8% to 2.80 km. The average stripping ratio in Q2 2014 decreased by 5% and reached 6.20 which is 3% above the expectations of management.

1 Change, Q2 2014/Q2 2013
2 Including washing plant Kaskad 1
3 Volume of salable output after sorting and washing of produced coal
4 Coal washing and sorting
5 Included in stripping
6 Share of coal produced in stripping

Key commercial results for Q4 2013

	Q2 2014	% of total	Q1 2014	Chg	Q2 2013	Chg[7]
Sales volume[8], mln tonnes, incl.:	1.89		2.12	(11%)	2.16	(13%)
Export sales volume	*1.61*	*85%*	*1.47*	*10%*	*1.74*	*(7%)*
Domestic sales volume	*0.28*	*15%*	*0.64*	*(56%)*	*0.42*	*(33%)*
Own coal	*1.85*	*98%*	*1.96*	*(6%)*	*2.02*	*(8%)*
Coal resale	*0.04*	*2%*	*0.15*	*(73%)*	*0.14*	*(71%)*
Average selling price, RUB/tonne[9]	894		1,146	(22%)	1,025	(13%)

In Q2 2014 sales decreased by 11% versus the volume of Q1 2014, reaching 1.89 mln tonnes of coal. Year-on-year, this figure shows a decrease by 13%. In Q2 export sales increased by 10% to 1.61 mln tonnes. For the quarter, the share of export in total sales was 85%. Exports decreased by 7% Y-o-Y because of warm winter in Poland which is a key market foe KTK in Eastern Europe. At the moment significant amounts of coal are stored at the storages in Poland to supply local coal re-sellers during upcoming heating season. Coal sales in the domestic market decreased by 56% due to seasonality and reached 0.28 mln tonnes. The volume of coal purchased for resale decreased by 73% to 0.04 mln tonnes. Company prepared sufficient coal stockpile for retail sales during the heating season in Russia.

In Q2 2014, the average selling price of coal has decreased by 22% compared to Q1 2014 figure, amounting to RUB 894 per tonne. Compared to Q2 2013, the average price decreased by 13%. More information about average selling prices available to investors and analysts on request.

Key production results for the 6 months 2014

	1H 2014	% of total	1H 2013	Chg
Coal production[10], mln tonnes, incl.:	4.80		4.89	(2%)
Karakansky South open-pit mine	*1.48*	*31%*	*1.52*	*(3%)*
Vinogradovsky open-pit mine	*1.70*	*35%*	*1.59*	*7%*
Cheremshansky open-pit mine	*1.62*	*34%*	*1.79*	*(9%)*
Commercial products[11], mln tonnes	4.22		4.89	(14%)
Coal processing[12], mln tonnes, incl.:	3.78	79%	3.91	(3%)
Sorted coal	*2.25*	*60%*	*2.84*	*(21%)*
Washed coal	*1.53*	*40%*	*1.07*	*43%*
Washing plant Kaskad 1	*0.49*	*32%*	*0.44*	*11%*
Washing plant Kaskad 2	*1.04*	*68%*	*0.63*	*66%*
Stripping, mln cbm, incl.:	30.50		29.48	3%
Blasted rock mass[13],mln cbm	*17.66*	*58%*	*13.01*	*36%*
Average stripping ratio[14]	6.40		6.00	7%
Average stripping transportation distance, km	2.70		2.60	4%

7 Change, Q2 2014/Q2 2013
8 Sales for the group of companies, including third parties coal resale
9 Excluding rail tariffs and VAT
10 Including washing plant Kaskad 1
11 Volume of salable output after sorting and washing of produced coal
12 Coal washing and sorting
13 Included in stripping
14 Share of coal produced in stripping

For the 6 months 2014 the Company has produced 4.80 mln tonnes of coal, which is 2% lower Y-o-Y. Vinogradovsky open-pit mine produced 1.70 mln tonnes of coal, and added 7% of production Y-o-Y. Coal processing amounted 3.78 mln tonnes, which is 3% lower than in 1H 2013. The share of processed coal in the commercial products amounted to 79%. The total coal washing in the 1H 2014 increased by 43% to 1.53 mln tonnes. The volume of coal sorting decreased by 21% Y-o-Y and amounted to 2.25 mln tonnes. During the first half of 2014 volume of stripping increased by 3% Y-o-Y and amounted 15.14 mln cbm. The volume of blasted rock mass was 17.66 mln cbm, an increase by 36% Y-o-Y. Average stripping transportation distance in the 1H 2014 increased by 4% to 2.70 km. The average stripping ratio in 1H 2014 increased by 7% Y-o-Y and reached 6.40.

Key commercial results for 6 months 2014

	H1 2014	% of total	H1 2014	Chg
Sales volume[15], mln tonnes, incl.:	4.01		4.54	(12%)
Export sales volume	*3.08*	*77%*	*3.14*	*(2%)*
Domestic sales volume	*0.93*	*23%*	*1.40*	*(34%)*
Own coal	*3.81*	*95%*	*4.14*	*(8%)*
Coal resale	*0.19*	*5%*	*0.40*	*(53%)*
Average selling price, RUB/tonne[16]	1,027		1,027	-

In the 1H 2014 sales decreased by 12% versus the volume of 1H 2013, reaching 4.01 mln tonnes of coal, which corresponds with 77% of total sales. Coal sales in the domestic market decreased by 34% Y-o-Y due to 0.93 mln tonnes. The volume of coal purchased for resale decreased by 53% to 0.19 mln tonnes to support sales of own coal. For the 6 months 2014, the average selling was RUB 1,027 per tonne, flat Y-o-Y. Main diver for decrease of average selling prices were sales in Asia-Pacific region.

Despite prices decrease by 2% in Q1 2014 and by 22% in Q2 2014, average selling price for 6 months 2014 in flat Y-o-Y. Key coal indexes[17] are decreasing since the beginning of the year: (13%) for API2 CIF ARA and (16%) for API6 FOB Newcastle.

On August 27, 2014 the Company plans to release its unaudited IFRS financial statements for the 6 months 2014. A conference-call to discuss the financial results and to ask the questions will be held the same day at **17:00 PM Moscow time** (UTC +4:00).

Conference call details and the presentation will be published separately in investor calendar on the Company's website: www.oaoktk.ru/en/investors

15 Sales for the group of companies, including third parties coal resale
16 Excluding rail tariffs and VAT
17 Argus/McCloskey's Coal Price Index Report

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Company at a glance:

Kuzbasskaya Toplivnaya Company OJSC (KTK, MICEX: KBTK) is one of the largest manufacturers[18] and exporters of thermal coal in Russia. Production assets of the Company include three current and one projected opent-pit mines in Kemerovo region, two washing plants and own railroad infrostructure located in the same industrial cluster. The Company operates a retail network in 4 regions of Siberia, supplying over 400 thousands households and over thousand of public and commercial boilers. The company employs over 4,400 people. Shares of KTK are traded on MICEX, the free float is 34.39%.

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Video
www.youtube.com/oaoktkru

Financial highlights under IFRS:

RUB mln	2013	2012	2011
Revenue	22,490	23,104	23,939
Cost of sales	19,523	18,982	19,404
Production cash costs per tonne, RUB	*611*	*690*	*653*
EBITDA	2,422	3,479	3,911
EBITDA margin	*11%*	*15%*	*16%*
EBITDA per tonne, RUB	*239*	*399*	*448*
Net profit	640	1,810	2,018
Net profit margin	*3%*	*8%*	*8%*
Net debt	3,917	4,681	2,663
Net debt / EBITDA	*1.62*	*1.35*	*0.68*

Additional information about the Company and investor calendar: www.oaoktk.ru/en/investors

Rounding and errors:

Certain numerical figures included in this press release have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them. Calculations of change in % are made after rounding of figures.

We make every effort to check and verify the materials, but if you find any errors or inaccuracies please report it to vkr@oaoktk.ru.

[18] Metal Expert, January 2013