


Kuzbasskaya Toplivnaya Company OJSC Reports Operating Results for the Third Quarter and Nine Months of 2014

KEMEROVO, Russian Federation—November 12, 2014 1:00 PM (UTC +7:00)—Kuzbasskaya Toplivnaya Company OJSC (KTK, MICEX: KBTX), one of the largest producers and exporters of thermal coal in Russia, today announced operating results for the third quarter and nine months ended September 30, 2014.

Third quarter of 2014 key production results

	Q3 2014	% of total	Q2 2014	Chg	Q3 2013	Chg ¹
Coal production², in millions of tonnes, incl.:	2.79		2.48	13%	2.50	12%
<i>Karakansky South open-pit mine</i>	<i>0.88</i>	<i>32%</i>	<i>0.76</i>	<i>16%</i>	<i>0.80</i>	<i>10%</i>
<i>Vinogradovsky open-pit mine</i>	<i>1.19</i>	<i>43%</i>	<i>0.90</i>	<i>32%</i>	<i>0.89</i>	<i>34%</i>
<i>Cheremshansky open-pit mine</i>	<i>0.72</i>	<i>26%</i>	<i>0.82</i>	<i>(12%)</i>	<i>0.80</i>	<i>(10%)</i>
Commercial products³, in millions of tonnes	2.47		2.20	12%	2.50	(1%)
Coal processing⁴, in millions of tonnes, incl.:	2.13		2.07	21%	2.13	18%
<i>Sorted coal</i>	<i>1.72</i>	<i>69%</i>	<i>1.27</i>	<i>35%</i>	<i>1.33</i>	<i>29%</i>
<i>Washed coal</i>	<i>0.79</i>	<i>31%</i>	<i>0.80</i>	<i>(1%)</i>	<i>0.80</i>	<i>(1%)</i>
<i>Kaskad 1 washing plant</i>	<i>0.20</i>	<i>25%</i>	<i>0.25</i>	<i>(20%)</i>	<i>0.25</i>	<i>(20%)</i>
<i>Kaskad 2 washing plant</i>	<i>0.59</i>	<i>75%</i>	<i>0.54</i>	<i>9%</i>	<i>0.55</i>	<i>7%</i>
Stripping, in millions of cbm, incl.:	14.54		15.36	(5%)	14.81	(2%)
<i>Blasted rock mass⁵, in millions of cbm</i>	<i>9.15</i>		<i>8.88</i>	<i>3%</i>	<i>7.50</i>	<i>22%</i>
Average stripping ratio⁶	5.20		6.20	(16%)	5.90	(12%)
Average stripping transportation distance, km	2.80		2.80	-	3.00	(7%)

In the third quarter of 2014 the Company produced 2.79 million tonnes of coal, which is 1% less than foreseen in the previously published production plan. Coal production increased by 13% Q-o-Q and by 12% Y-o-Y. The volume of commercial products grew by 12%, to 2.47 million tonnes. Compared to the year-ago quarter, the volume of the Company's commercial products declined by 1%.

Coal processing amounted to 2.13 million tonnes, which is 21% more than in the previous quarter and 18% more than in the third quarter of 2013. Third quarter total coal washing fell by 1%, to 0.79 million tonnes, of which 69% relates to the Kaskad 2 washing plant. The volume of coal sorting grew by 35% compared to the second quarter of 2014 and amounted to 1.72 million tonnes.

The volume of stripping in the third quarter was 14.54 million cbm and fell by 5% Q-o-Q. The volume of blasted rock mass was 9.15 million cbm, an increase for the quarter by 3%. The share of blasted rock in the stripping was 63%. Third quarter average stripping transportation distance stood at 2.80 km, same as in the previous quarter and 7% less than in the year-ago quarter. The average stripping ratio in the

1 Change, Q3 2014/Q3 2013

2 Including Kaskad 1 washing plant

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

quarter saw a decrease by 16% Q-o-Q and 12% Y-o-Y and reached 5.20 which is 2% above management expectations.

Third quarter of 2014 key commercial results

	Q3 2014	% of total	Q2 2014	Chg	Q3 2013	Chg ⁷
Sales volume ⁸ , in millions of tonnes, incl.:	2.89		1.89	53%	2.98	(3%)
<i>Export sales volume</i>	2.00	69%	1.61	24%	1.96	7%
<i>Domestic sales volume</i>	0.89	31%	0.28	218%	1.02	(13%)
<i>Own coal</i>	2.61	90%	1.85	41%	2.38	10%
<i>Coal resale</i>	0.28	10%	0.04	600%	0.59	(53%)
Average selling price, RUB/tonne ⁹	1,059		894	18%	1,146	(8%)

In the third quarter sales grew by 53% versus the volume of the previous quarter, reaching 2.89 million tonnes of coal. Year-on-year, this figure shows a contraction by 3%. Third quarter export sales increased by 24%, to 2.00 million tonnes, due to the sale of reserves previously stocked at the storages in Poland. For the quarter, the share of export in total sales fell to 69%.

Third quarter average selling price of coal rose by 18% compared to the second-quarter figure, amounting to RUB 1,059 per tonne. The quarterly average price hike was caused by a price increase in the domestic market, due to the heating season start in Eastern Siberia, and a gradual sales volume recovery as part of a new sales model in Poland. Compared to the year-ago quarter, the average price dropped by 8%.

⁷ Change, Q3 2014/Q3 2013

⁸ Sales for the group of companies, including third parties coal resale

⁹ Excluding rail tariffs and VAT

Key production results for the nine months to September 30, 2014

	9M 2014	% of total	9M 2013	Chg
Coal production ¹⁰ , in millions of tonnes, incl.:	7.59		7.39	3%
<i>Karakansky South open-pit mine</i>	2.36	31%	2.34	1%
<i>Vinogradovsky open-pit mine</i>	2.90	38%	2.48	17%
<i>Cheremshansky open-pit mine</i>	2.34	31%	2.57	(9%)
Commercial products ¹¹ , in millions of tonnes	6.69		7.39	(9%)
Coal processing ¹² , in millions of tonnes, incl.:	6.29	94%	6.05	4%
<i>Sorted coal</i>	3.97	63%	4.17	(5%)
<i>Washed coal</i>	2.32	37%	1.88	23%
<i>Kaskad 1 washing plant</i>	0.69	30%	0.76	(9%)
<i>Kaskad 2 washing plant</i>	1.62	70%	1.12	45%
Stripping, in millions of cbm, incl.:	45.04		44.29	2%
<i>Blasted rock mass¹³, in millions of cbm</i>	26.81	60%	20.50	31%
Average stripping ratio ¹⁴	5.90		6.00	(2%)
Average stripping transportation distance, km	2.70		2.70	-

For the nine months of 2014 the Company produced 7.59 million tonnes of coal, which is 3% more than in the previous corresponding period. Vinogradovsky open-pit mine was the main contributor to this growth and produced 2.90 million tonnes of coal, adding 17% Y-o-Y. Commercial product volume for nine months stood at 6.69 million tonnes, a contraction of 9% in yearly terms. This decrease in volume paired with production growth is due to a washing increase at Kaskad 2.

Coal processing amounted to 6.29 million tonnes, which is 4% lower than in the nine months of 2013. The share of processed coal in the commercial products was 94%. The total coal washing in the nine months grew by 45% to 1.62 million tonnes. The volume of coal sorting fell by 5% Y-o-Y and stood at 3.97 million tonnes.

During the nine months of 2014 stripping volume rose by 2% Y-o-Y and amounted to 45.04 million cbm. The volume of blasted rock mass was 26.81 million cbm, an increase by 31%. The average stripping ratio in the period dropped by 2% Y-o-Y and reached 5.90.

10 Including Kaskad 1 washing plant

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

Key commercial results for the nine months to June 30, 2014

	9M 2014	% of total	9M 2013	Chg
Sales volume ¹⁵ , in millions of tonnes, incl.:	6.89		7.52	(8%)
<i>Export sales volume</i>	5.08	74%	5.10	-
<i>Domestic sales volume</i>	1.81	26%	2.42	(25%)
<i>Own coal</i>	6.42	93%	6.53	(2%)
<i>Coal resale</i>	0.47	7%	0.99	(53%)
Average selling price, RUB/tonne ¹⁶	1,041		1,074	(3%)

In the nine months of 2014 sales decreased by 8% versus the volume of the previous corresponding period, reaching 6.89 million tonnes of coal. Export sales stood flat in yearly terms, at 5.08 million tonnes, representing 74% of total sales. Domestic market coal sales declined by 25% Y-o-Y, to 1.81 million tonnes. The volume of coal purchased for resale dropped by 53%, to 0.47 million tonnes, to support sales of own coal.

For the nine months of 2014 the average selling was RUB 1,041 per tonne, a drop of 3% over a year-ago period. Exports to Asia-Pacific were the main driver for average selling price decrease.

On November 25, 2014 the Company is planning to release its unaudited IFRS financial statements for the nine months ended September 30, 2014. A conference call to discuss the financial results and ask questions will be held the same day at **5:00 PM Moscow time** (UTC +4:00).



Conference call details and the presentation will be published separately in the 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

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KTK at a glance:

Kuzbasskaya Toplivnaya Company OJSC (KTK, MICEX: KBTK) is one of the largest manufacturers¹⁷ and exporters of thermal coal in Russia. Production assets of the Company include three current and one projected open-pit mines in Kemerovo region, two washing plants and own railroad infrastructure located in the same industrial cluster. The Company operates a retail network in four regions of Siberia, supplying over 400 thousand households and over one 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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Financial highlights under IFRS:

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



Additional information about the Company and investor calendar: www.aoaktk.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@aoaktk.ru.

¹⁷ Metal Expert, January 2013