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FOR IMMEDIATE RELEASE

## MEDIA RELEASE



### OJSC "KUZBASSKAYA TOPLIVNAYA COMPANY" FIRST QUARTER 2012 OPERATIONAL RESULTS

Kemerovo, Russian Federation - OJSC "Kuzbasskaya Toplivnaya Company" (RTS/MICEX: "KBTk"), one of the fastest-growing thermal coal producers in Russia, is pleased to announce its operational results for the first quarter 2012.

#### Quarterly Operational Results <sup>1</sup>

	Q1 2012	% of total	Q4 2011	Ch.	Q1 2011	Ch. <sup>2</sup>
<b>Coal production, (mln. tonnes) incl.:</b>	<b>2.18</b>		<b>2.56</b>	<b>-15%</b>	<b>1.83</b>	<b>19%</b>
<i>Karakansky South</i>	<i>0.75</i>	<i>34%</i>	<i>0.87</i>	<i>-14%</i>	<i>0.69</i>	<i>9%</i>
<i>Vinogradovsky</i>	<i>0.37</i>	<i>17%</i>	<i>0.59</i>	<i>-37%</i>	<i>0.44</i>	<i>-16%</i>
<i>Cheremshansky<sup>3</sup></i>	<i>1.07</i>	<i>49%</i>	<i>1.10</i>	<i>-3%</i>	<i>0.71</i>	<i>51%</i>
<i>Sorted coal</i>	<i>1.59</i>	<i>73%</i>	<i>1.52</i>	<i>5%</i>	<i>1.17</i>	<i>36%</i>
<i>Enriched coal</i>	<i>0.20</i>	<i>9%</i>	<i>0.19</i>	<i>5%</i>	<i>0.16</i>	<i>25%</i>
<b>Sales volume<sup>4</sup> (mln. tonnes), incl.:</b>	<b>2.81</b>		<b>3.34</b>	<b>-16%</b>	<b>2.43</b>	<b>16%</b>
<i>Export sales volume</i>	<i>1.61</i>	<i>57%</i>	<i>1.77</i>	<i>-9%</i>	<i>1.40</i>	<i>15%</i>
<i>Domestic sales volume</i>	<i>1.21</i>	<i>43%</i>	<i>1.57</i>	<i>-23%</i>	<i>1.03</i>	<i>17%</i>
<i>Own coal</i>	<i>2.17</i>	<i>77%</i>	<i>2.60</i>	<i>-16%</i>	<i>1.92</i>	<i>13%</i>
<i>Coal re-sale</i>	<i>0.64</i>	<i>23%</i>	<i>0.74</i>	<i>-14%</i>	<i>0.51</i>	<i>25%</i>
<b>Average selling price, RUB/tonne<sup>5</sup></b>	<b>1,352</b>		<b>1,285</b>	<b>5%</b>	<b>1,193</b>	<b>13%</b>
<i>Average export price</i>	<i>1,440</i>		<i>1,367</i>	<i>5%</i>	<i>1,203</i>	<i>20%</i>
<i>Average domestic price</i>	<i>1,233</i>		<i>1,192</i>	<i>3%</i>	<i>1,178</i>	<i>5%</i>

In Q1 2012 in comparison to Q4 2011 the results decreased because of thermal coal consumption seasonality in Russia. The major part of thermal coal is used domestically for heating power generation, therefore its demand peaks in Q4 of every year and then starts to fall in Q1 when the heating season comes closer to its end. At the same time, an analysis of Q1 2012 operational results of the Company in

<sup>1</sup> The Company's business is affected by seasonality of thermal coal demand in Russia and globally. This means its quarterly operational results can be subject to significant fluctuations. Historically, the Company has been producing more coal in Q3 and Q4 than in Q1 and Q2 of each year. However, the Company does not guarantee that this trend will continue in the future.

<sup>2</sup> Change rates in Q1 2012 to Q1 2011

<sup>3</sup> Including Kaskad enrichment plant

<sup>4</sup> Sales of the group of companies, subject to the resale of coal purchased from third parties

<sup>5</sup> Excluding railway tariffs and VAT

comparison with Q1 2011 shows that all production and sales figures in the reporting period exceeded the corresponding figures of the previous year.

In Q1 2012 the Company produced 2.18 mln. tonnes of coal, decreasing production volume by 15% quarter-on-quarter (Q4 2011: 2.56 mln. tonnes). On the other hand, the volume of coal production increased by 19% year-on-year (Q1 2011: 1.83 mln. tonnes).

Enriching plant "Kaskad", which produces export quality coal, continued work at level close to 100% capacity. The volume of quarterly production of enriched coal increased by 5% to 0.20 mln. tonnes (Q4 2011: 0.19 mln. tonnes).

In the Q1 2012 the volume of coal sorted by coal-crushing and screening units increased by 5% and amounted 1.59 mln. tonnes (Q4 2011: 1.52 mln. tonnes), up 36% higher than Q1 2011 (1.17 mln. tonnes). The stability of this volume reflects a high demand for sorted coal among export clients of the Company, shipments that are not so affected by seasonality factors.

The volume of coal sales in Q1 2012 decreased by 16% to 2.81 mln. tonnes (Q4 2011: 3.34 mln. tonnes) because of decrease of shipments to Eastern Europe. The Company sold 2.17 mln. tonnes of own coal and 0.64 mln. tonnes of coal purchased from third-parties and processed 0.20 mln. tonnes of coal. Export sales rose slightly from 53% to 57%.

Coal sales in the domestic market decreased by 23% at the completion of the heating season and the seasonal decline in demand and amounted 1.21 mln. tonnes (Q4 2011: 1.57 mln. tonnes). The export volume fell by 9% to 1.61 mln. tonnes compared to 1.77 mln. tonnes in Q4 2011. It should be noted the growth of exports compared to the Q1 2011, amounted to 15% (Q1 2011: 1.40 mln. tonnes).

In Q1 2012 Company's largest export markets remained Eastern European countries (42% of export volume) and Asia-Pacific region (57% of export volume). Export deliveries to customers in Eastern Europe decreased in Q1 2012 by 30%, reaching a level of 0.68 mln. tonnes (Q4 2011: 0.97 mln. tonnes) due to significant coal reserves in warehouses in Poland. Deliveries in the Asian-Pacific region grew by 15% and amounted to 0.92 mln. tonnes of coal (Q4 2011: 0.80 mln. tonnes).

In Q1 2012 the average price of coal increased by 5% quarter-on-quarter to RUB 1,352 per tonne net of VAT and railroad costs (Q4 2011: RUB 1,285 per tonne). The average domestic price increased by 3% to RUB 1,233 per tonne (Q4 2011: RUB 1,192 per tonne). The average export price continued its growth and reached RUB 1,440 per tonne, exceeding Q4 2011 price by 5% (RUB 1,367 per tonne). The average export price in the Asia-Pacific region reached RUB 1,472 per tonne, showing an increase of 18% compared to the Q4 2011 (RUB 1,250 per tonne) and an increase of 33% compared to the Q1 2011. (RUB 1,105 per tonne). The average selling price in the European market amounted RUB 1,421 per tonne.

Management of the Company is satisfied with the operational results of the first quarter 2012.

The Company plans to release its unaudited interim 3M 2012 IFRS Statements on May 23, 2012. A conference-call to discuss the financial results will be held the same day at 5 PM Moscow time (2 PM London time, 9 AM New York time). Conference call details will be issued separately.

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Notes to editors:

Additional information about the Company and investor calendar: [www.oaoktk.ru/en/investors](http://www.oaoktk.ru/en/investors)

### *Company Overview*

OJSC "Kuzbasskaya Toplivnaya Company" ("KTK" or the "Company") is one of the fastest-growing thermal coal producers in Russia. In terms of 2011 production volume<sup>6</sup>, it was ranked 7<sup>th</sup> among the largest thermal coal producers in the country. In the twelve years since its establishment, the Company has commissioned and launched three open-pit mines and an enrichment plant, achieving annual production volume of 8.74 mln. tonnes of coal in 2011.

The Company's JORC coal resources totaled 402 mln. tonnes of ROM coal as of January 1, 2011 and proven and probable reserves amounted to 185 mln. tonnes of ROM coal, recoverable during the period of 2011-2030. In December 2011 the Company won an auction for the right to use subsurface of "Bryansky" coal deposit with reserves of 250 mln. tonnes of coal in the C2 category. The surface mine is located in close proximity to existing infrastructure and production assets.

The Company produces exclusively thermal coal, classified as grade "D" under the Russian classification system, with a naturally low sulphur and phosphorus content, as well as a relatively high calorific value.

The Company conducts mining operations at three open-pit mines, located in the Kuzbass area, Russia's largest coal producing region. The Company's mining operations are supported by an extensive production and logistics infrastructure, including its own railway network and facilities, which enable the Company to transport 100% of produced coal from the open-pit mines to the main railway hub at the long-distance railway network, operated by the Russian Railways. Furthermore, as the Company's mines are compactly located within 5 km from each other, a number of operations are conducted centrally, thereby minimizing overhead costs and expenses.

In 2011, the Company's total coal sales amounted to 10.66 mln. tonnes of coal, of which 8.58 mln. tonnes were produced by the Company and 2.08 mln. tonnes were retailed after purchasing from other

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<sup>6</sup> Metal Expert, January 2012

coal producers. The Company maintains a diversified sales structure balanced between export and domestic sales: in 2011 about 39% of total sales were sold to domestic consumers and approximately 61% exported, primarily to Eastern Europe and the Asia-Pacific region.

The Company's strong regional presence is supported by an extensive retail distribution network, located throughout the Kemerovo, Novosibirsk, Omsk and Altay regions of Western Siberia. As of 01 January 2012, the Company's distribution network included 67 owned and operated points of sale and delivered 3.18 mln. tonnes of coal in 2011, positioning KTK as one of the principal suppliers of coal to retail customers in Western Siberia.

#### *FY 2011 Financial Highlights*

- Revenue increased by 69% to RUB 23,939 mln. (2010: RUB 14,160 mln.)
- EBITDA<sup>7</sup> – RUB 3,911 mln. (2010: RUB 2,134 mln.)
- EBITDA margin – 16.3% (2010: 15.1%)
- Net income – RUB 2,018 mln. (2010: RUB 823 mln.)
- Net income margin – 8.4% (2010: 5.8%)

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<sup>7</sup> EBITDA for each period is defined as results from operating activities, adjusted for amortization and depreciation, impairment loss and loss on disposal of property, plant and equipment. EBITDA is not a measurement of the Company's operating performance under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of the Company's liquidity.