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FOR IMMEDIATE DISTRIBUTION



OJSC "KUZBASSKAYA TOPLIVNAYA COMPANY"
Consolidated Interim IFRS Financial Statements
for second quarter and six months ended June 30, 2012

Kemerovo, Russian Federation – OJSC "Kuzbasskaya Toplivnaya Company" (RTS/MICEX: "KBTk"), one of the fastest-growing thermal coal producers in Russia, is pleased to announce the unaudited consolidated IFRS financial results for Q2 and 6 months ended June 30, 2012.

Financial highlights

RUB mln.	Q2 ¹ 2012	Q1 ¹ 2012	Ch.	6M ¹ 2012	6M ¹ 2011	Ch.
Revenue	4,853	6,652	-27%	11,505	10,182	13%
Cost of sales	4,451	5,358	-17%	9,809	8,419	17%
<i>Production cash costs per tonne, RUB</i>	875	777	13%	823	660	25%
Gross profit	402	1,294	-69%	1,696	1,763	-4%
<i>Gross profit margin</i>	8.3%	19.5%		14.7%	17.3%	
Distribution, administrative and other costs	416	448	-7%	864	771	12%
Operating profit	-14	846	-	832	992	-16%
<i>Operating profit margin</i>	-	12.7%		7.2%	9.7%	
EBITDA ²	259	1,117	-77%	1,375	1,473	-7%
<i>EBITDA margin</i>	5.3%	16.8%		12.0%	14.5%	
Net profit	-391	896	-	505	793	-36%
<i>Net profit margin</i>	-	13.5%		4.4%	7.8%	

In Q2 2012, due to changing conditions in the export markets and the traditional seasonal decline in sales volumes of coal, most indicators showed a decline on the results of Q1.

Revenue for the six months of 2012 amounted to RUB 11,505 mln., up 13% over the same period last year (6M 2011: RUB 10,182 mln.). The seasonal decrease in coal sales on the domestic market in Q2 2012, revenue decreased by 27% to RUB 4,853 mln., compared to RUB 6,653 mln., received in Q1 2012.

The seasonal decline in revenue combined with an increase in costs of sales due to an stripping ratio increase in Q2 2012, resulted in a quarterly EBITDA decrease of 77% to RUB 259 mln. (Q1 2012: RUB 1,117 mln.). For the 6M 2012 EBITDA decreased by 7% to RUB 1,375 mln. (6M 2011: RUB 1,473 mln.).

¹ Here and after figures for the Q1 and Q2 2012 and for 6 month 2011 and 2012 are presented as unaudited

² EBITDA for each period is defined as results from operating activities, adjusted for amortization and depreciation, impairment loss and profit or loss on disposal of property, plant and equipment. EBITDA is not a measurement of 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 measure of the Company's liquidity.

For 6M 2012 the Company received RUB 505 mln. net income, which is 36% lower than the same period in 2011 (6M 2011: RUB 793 mln.). At the same time, in Q2 2012 was recorded a loss of RUB 391 mln.

Commenting on the financial results of the Company, Deputy CEO Eduard Alexeenko said:

«The company has already demonstrated a loss of RUB 275 mln. in Q2 2010, during the Company's IPO, but the current situation is quite different. In 2012, the losses are related to foreign exchange loss on debt denominated in foreign currency. In the fall of the price of coal on the international markets by 30% and increased stripping ratio, the Company managed to break even on operating results».

RUB mln.	30.06.12	31.03.12	Ch.	% of total	30.06.11	Ch. ³
Long term loans	5,515	4,001	35%	80%	1,894	186%
Short term loans	1,333	1,237	8%	20%	146	813%
Total debt, incl.:	6,747	5,238	29%		2,228	203%
<i>Ruble-denominated</i>	2,452	1,016	141%	36%	634	287%
<i>Foreign currency-denominated</i>	4,295	4,222	2%	64%	1,594	169%
Cash and cash equivalents	1,146	1,572	-27%		216	431%
Term deposits ⁴	470	320	47%		-	
Net debt	5,131	3,346	53%		2,012	155%
Net debt / EBITDA ⁵	1.05	0.82	26%		0.66	105%

Net debt as at June 30, 2012 amounted to RUB 5,131 mln., having increased by 53% from its level on March 31, 2012 (Q1 2012: RUB 3,346 mln.). Compared to the same indicator last year net debt increased by 155% (June 30, 2011: RUB 2,012 mln.) during the quarter. The net debt to EBITDA at the end of the reporting period was 1.05. Company's debt is increased as part of the investment program for 2012, in particular, the construction washing plant "Kaskad 2".

Operational highlights⁶

mln. tonnes	Q2 2012	Q1 2012	Ch.	6M 2012	6M 2011	Ch.
Coal production, incl.:	1.90	2.18	-13%	4.08	3.74	9%
<i>Karakansky South</i>	0.72	0.75	-4%	1.47	1.49	-1%
<i>Vinogradovsky</i>	0.28	0.37	-24%	0.65	0.62	5%
<i>Cheremshansky</i>	0.91	1.07	-15%	1.98	1.65	20%
<i>Sorted coal</i>	1.41	1.59	-11%	3.00	2.53	19%
<i>Enriched coal</i>	0.21	0.20	5%	0.41	0.35	17%
Stripping, mln. cbm.	19.42	19.29	1%	38.71	31.28	24%
<i>Blasted rock mass⁸, mln. cbm.</i>	9.43	9.54	-1%	18.97	14.54	30%
Stripping ratio ⁹	10.21	8.86	15%	9.49	8.36	13%
Average stripping transportation distance, km.	3.04	3.33	-9%	3.19	2.84	17%

In the first 6M 2012, the volume of production increased by 9% to 4.08 mln. tonnes, over the same period of the previous year (3.74 mln. tonnes). In the Q2 2012 the volume of coal production decreased by 13% quarter-on-quarter and amounted to 1.90 mln. tonnes (Q1 2012 2.18 mln. tonnes).

³ Change rates in 30.06.12 to 30.06.11

⁴ Included in Other investments

⁵ Annualized EBITDA

⁶ 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.

⁷ Including Kaskad washing plant

⁸ Included in stripping

⁹ Share of coal produced in stripping

In the first 6M 2012 the company increased its coal sorting and washing. Sorting volume grew by 19% to 3.00 mln. tonnes (6M 2011: 2.53 mln. tonnes), which corresponds to 74% of total production for the period. In Q2 2012, the amount of sorting was down 11% to 1.41 mln. tonnes (Q1 2012: 1.59 mln. tonnes).

For 6M 2012 the volume of production at the washing plant "Kaskad" has increased by 17% to 0.41 mln. tonnes (6M 2011: 0.35 mln. tonnes). Quarter-on-quarter production of washed coal has increased by 5% to 0.21 mln. tonnes (Q1 2012: 0.20 mln. tonnes).

Sales

mln. tonnes	Q2 2012	Q1 2012	Ch.	6M 2012	6M 2011	Ch.
Sales ¹⁰ , incl.:	2.04	2.81	-27%	4.85	4.51	8%
<i>Export sales</i>	1.45	1.61	-10%	3.06	3.07	0%
<i>Domestic sales</i>	0.59	1.21	-51%	1.79	1.44	24%
<i>Own coal</i>	1.80	2.17	-17%	3.97	3.65	9%
<i>Coal re-sale</i>	0.24	0.64	-63%	0.88	0.87	1%
Average selling price, RUB/tonne ¹¹	1,271	1,352	-6%	1,318	1,165	13%
Average export price, RUB/tonne	1,259	1,440	-13%	1,354	1,187	14%
Average domestic price, RUB/tonne	1,302	1,233	6%	1,256	1,117	12%

The volume of coal sales for 6M 2012 increased by 8% to 4.85 mln. tonnes (6M 2011: 4.51 mln. tonnes), while exports totaled 3.06 mln. tonnes, which is a level of 6M 2011, while sales of coal in the domestic market increased by 24% to 1.79 mln. tonnes (6M 2011: 1.44 mln. tonnes).

Due to the traditional decline in trading activity in the domestic market of thermal coal, observed in Q2, the Company reduced its sales compared to Q1 2012 to 27% by implementing the 2.04 mln. tonnes (Q1 2012: 2.81 mln. tonnes). It sold 1.80 mln. tonnes of own coal and 0.24 mln. tonnes of coal purchased from third parties. Quarterly sales in Russia fell by 51% to 0.59 mln. tonnes (Q1 2012: 1.21 mln. tonnes), and the volume of export shipments declined by 10% to 1.45 mln. tonnes (Q1 2012: 1.61 mln. tonnes).

In the first half of 2012 the average price of the Company's coal sales amounted to RUB 1,318 per tonne, up 13% over the same period last year (RUB 1,165 per tonne). Average selling price of coal in the domestic market increased by 12% to RUB 1,256 per tonne (6M 2011: RUB 1,117 per tonne). The average export price in the first 6M 2012 amounted to RUB 1,354 per tonne, an increase of 14% over 6M 2011 (RUB 1,187 per tonne).

In the second quarter of 2012, the average selling price of coal fell by 6% compared with the previous quarter and reached RUB 1,271 per tonne (Q1 2012: RUB 1,352 per tonne). Prices in Russia rose by 6% to RUB 1,302 per tonne (Q1 2012: RUB 1,233 per tonne). Average selling price of coal for export, excluding railroad tariff in Q2 decreased by 13% compared to Q1 2011 to RUB 1,259 per tonne (Q1 2012: RUB 1,440 per tonne).

¹⁰ Sales of the group of companies, subject to the resale of coal purchased from third parties

¹¹ Excluding railway tariffs and VAT

Cost of sales

RUB mln.	Q2 2012	Q1 2012	Ch.	6M 2012	6M 2011	Ch.
<i>Railway tariff and transportation services</i>	2,251	2,704	-17%	4,955	4,661	6%
<i>Coal purchased</i>	345	712	-52%	1,057	864	22%
<i>Extraction, processing and sorting of coal</i>	577	605	-5%	1,182	619	91%
<i>Fuel</i>	394	561	-15%	855	622	37%
<i>Wages, salaries and social charges</i>	354	340	4%	694	587	18%
<i>Depreciation</i>	255	257	-1%	512	447	15%
<i>Spare parts</i>	170	135	26%	305	277	10%
<i>Repair and maintenance</i>	117	91	29%	208	167	25%
<i>Mining and environmental taxes</i>	61	68	-10%	129	137	-6%
<i>Other materials</i>	43	41	5%	84	85	-1%
<i>Other services</i>	35	42	-17%	77	41	88%
<i>Electricity</i>	17	20	-15%	37	37	0%
<i>Operating leases</i>	15	22	-32%	37	41	-10%
<i>Security services</i>	12	11	9%	23	19	21%
<i>Other costs</i>	0	11	-100%	11	7	57%
<i>Land rent</i>	2	1	100%	3	2	50%
<i>Change in coal stock</i>	-197	-163	21%	-360	-194	86%
Cost of sales	4,451	5,258	-17%	9,809	8,419	17%

In Q2 2012, the cost of sales decreased by 17% quarter-on-quarter, reaching RUB 4,451 mln. (Q1 2012: RUB 5,258 mln.) Cost of sales for 6M 2012 increased by 17% compared to the same period in 2011 and amounted to RUB 9,809 mln. (6M 2011: RUB 8,419 mln.)

- It should be noted a 17% reduction in the cost of Railway tariff rate to a level of RUB 2,251 mln. in Q2 associated with the seasonal decline in sales of coal. (Q1 2012: RUB 2,704 mln.)
- All mining equipment moved to summer fuel consumption rates and summer diesel fuel, which resulted in a decline in fuel costs by 15% to RUB 394 mln. in Q2 2012 (Q1 2012: RUB 561 mln.).
- In the warmer months perform the basic repair and maintenance of mining equipment which led to an increase in costs associated with the repair and maintenance of 29% to RUB 117 mln. in Q2 (Q1 2012: RUB 91 mln.) and 26% higher costs for spare parts, which made RUB 170 mln. (Q1 2012: RUB 135 mln.)
- In Q2 decreased by 15% the cost of heating and lighting, which amounted to RUB 17 mln. (Q1 2012: RUB 20 mln.)
- Due to the decline in shipments volume was decided to cancel the lease loaders, which resulted in a decline in the operating lease expenses in Q2 by 32% to 15 mln. (Q1 2012: RUB 22 mln)

Production cash costs

RUB mln.	Q2 2012	Q1 2012	Ch.	6M 2012	6M 2011	Ch.
Consolidated cost of sales	4,451	5,358	-17%	9,809	8,419	17%
Excluding cost of sales of subsidiaries	244	705	-65%	949	708	34%
OJSC "KTK" cost of sales	4,207	4,653	-10%	8,860	7,711	15%
Excluding:						
<i>Depreciation (in cost of sales)</i>	-238	-240	-1%	-477	-412	16%
<i>Purchased coal</i>	-170	-234	-27%	-405	-385	5%
<i>Change of inventory balances</i>	45	89	-49%	134	133	1%
<i>Railroad tariffs and transportation costs</i>	-2,179	-2,576	-15%	-4,755	-4,582	4%
Production cash costs	1,664	1,693	-2%	3,358	2,464	36%
<i>Share of production cash costs in consolidated cost of sales</i>	37%	32%		34%	29%	

Coal production, mln. tonnes	1.90	2.18	-15%	4.08	3.74	9%
Total cash costs per 1 tonne of coal, RUB	875	777	13%	823	660	25%

In Q1 of the Company's cash cost of production per 1 tonne of coal increased by 13% compared to Q1 2012 (RUB 777 per tonne) and reached RUB 975 per tonne due to lower production volume. For 6M 2012 operating cash cost per 1 tonne of coal amounted to RUB 823 per tonne, which is 25% higher than in 2011 (RUB 660 per tonne).

Igor Prokudin, CEO of the Company, commented:

"The results of the Q2 were for us expected. Summer for coal miners – traditionally a period of declining profits. So it was last year, and this year was no exception.

Moreover, the situation in the markets, which has started to change in the first quarter of this year affected the results of Q2. Due to the current market conditions, the Company has adopted a number of anti-crisis measures that will reduce costs and survive the crisis. First, the production plan has been adjusted for a year - it has remained at the level of 2011 (previously we had planned to increase to 9.3 mln. tonnes). Second, negotiations were held with the contractors in key areas and reduced prices on contracts that will optimize the basic costs of the enterprise.

As for investment in 2012 - they will be implemented in full. The main direction of investments - construction of second washing plant, which will be put into operation in Q4 2012. Factory "Kaskad-2" – a strategically important facility for Company as the improvement of the quality of the product - one of the anti-crisis measures, which will produce more than marginal product, reduce costs, and thus provide the desired level of profit. Therefore, the ratio of net debt to EBITDA we plan to retain no more than 2.

Management of the company is continuously monitoring the situation in the presence of KTK to best take into account possible adverse changes in conditions in world markets. At the moment, due to the current difficult situation on export sales, the decision to increase the retail network in Siberia by 20% by the end of the year.

Considering all these facts, I am confident that the management of the Company will make every effort to predict and prevent all risks associated with the possible crisis in the country and the world".

Key events in Q2 2012 and after the reporting date

- In the Q2 2012, due to changes in market conditions, management decided to reduce the annual production plan by 6% from 9.30 mln. tonnes to 8.70 mln. tonnes, which corresponds to the level of production in 2011. Therefore, the company retains only lucrative export markets and reduces the risk of loss of supply at low prices. Simultaneously, the Company implemented measures to enhance domestic market, where profitability of supply could be higher than the export market.
- Commissioning of fuel depot, input which will positively affect the cost. This project has a high potential return, which does not depend on the prices in the export markets.
- The company continues to build a second washing plant at the section "Vinogradovsky" open-pit mine with capacity of 4.0 mln. tonnes per year and plans to launch a factory in Q4 2012. Construction is in accordance with the plans of management. At present, it goes the process of installing equipment.
- Railroad car park of Kuzbass Transport Company increased to 210 carriages in the Q2 2012. Total fleet of railroad cars amounted 3,128 pcs.
- Company's retail network in the Altai region supplemented with 4 new retail coal depots. The total size of the retail network in the Siberian Federal District is 71 thermal coal point of sales.

Resignations and appointments

- In the second quarter, the company left the Technical Director Alexander Artemenko and Deputy Director for mining operations Sergei Kovalenko. Their duties are split between the relevant departments.
- In August 2012 as Deputy CEO for Economics and Finance adopted Andrey Ponomarev. Andrey is a graduate of the Tomsk State University and the Academy of National Economy under the Government of the Russian program "Crisis Management", the Moscow School of Economics. From 1999 he served as Deputy CEO for Economics and Finance, General Director at Novosibirsk, Tomsk, Chelyabinsk, St. Petersburg.

Prospects for the Q3 and the whole 2012

- In accordance with the adjusted production plan, the coal production in Q3 2012 will remain at the level of first quarter and reach 2.18 mln. tonnes, which is 15% higher than in Q2 2012.
- According to the estimates of management, the stripping ratio for the Q2 reached its peak and will decline in the second half of the year.
- New sales strategy on domestic and export markets
- Further expansion of the Company's network in the Kuzbass and Altai regions, the launch of a new retail coal storage.

Management reserved about the prospects of the company in Q3 and the second 6M 2012 Based on the price situation on export markets, the management of the KTK expects the decline in revenue, EBITDA and net profit in 2012 compared with 2011 possible measures for state support coal sector and its export component can have a positive impact on the company's business in Q4 2012.

Conference call

KTK's management will host a conference call for investors and analysts followed by a Q&A session on the day of the results.

The Company will be represented by:

Eduard Alexeenko – First deputy CEO

Vasily Rumyantsev – Investor relations manager

The dial-in details are:

Date: Friday, August 24, 2012

Time: 09.00 New York / 14.00 London / 17.00 Moscow¹²

Title: 6M 2012 IFRS Statements Conference Call of OJSC "Kuzbasskaya Toplivnaya Company"

You can join the conference call by dial-in:

Russia: +7 (495) 705 94 51

UK (toll free): 0800 279 4977

International: +44 (0) 207 784 1036

USA (toll free): 1877 280 22 96

Conference ID: 5747805 (press # after entering Access Code)

A live webcast or downloading of the presentation will be available at:

www.slideshare.net/oaoktk

www.oaoktk.ru/investors/presentations

The conference call replay will be available for 2 weeks:

Russia: 810 800 2870 1012

UK and International: +44 (0) 20 7111 1244

USA (national): 1866 932 5017

USA: +1 347 366 9565

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The record and transcript of the conference call will be uploaded in 2 weeks:

<http://www.oaoktk.ru/en/investors/>

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¹²We recommend that participants start dialing in 15 minutes before the indicated time to ensure a timely start to the conference call.

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

KTK in social networks:



News and announcements (Russian only)

www.facebook.com/oaoktk



Presentations

www.slideshare.net/oaoktk



Video

www.youtube.com/oaoktkru

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 converted to USD.

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 and we will provide you with the correct data and publish any correction notes on the website www.oaoktk.ru.

Forward-looking statements

This press release might contain forward-looking statements that refer to future events or forecast financial indicators for OJSC "Kuzbasskaya Toplivnaya Company". Such statements do not guarantee that these are actions to be taken by OJSC "Kuzbasskaya Toplivnaya Company" in the future, and estimates can be inaccurate and uncertain. Actual final indicators and results can considerably differ from those declared in any forward-looking statements. OJSC "Kuzbasskaya Toplivnaya Company" does not intend to change these statements to reflect actual results.