



# MEETINGS WITH INVESTORS



Presentation

May 15, 2012 (ATON Coal Day, Moscow)

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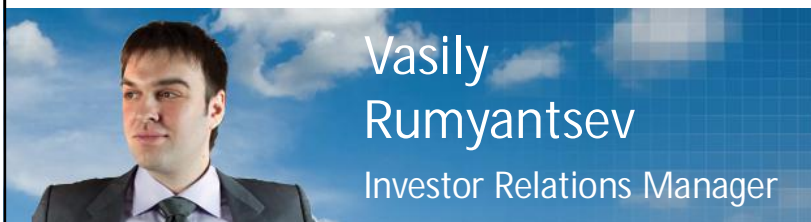
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## PRESENTER:





# 1. BUSINESS REVIEW

# KTK AT A GLANCE

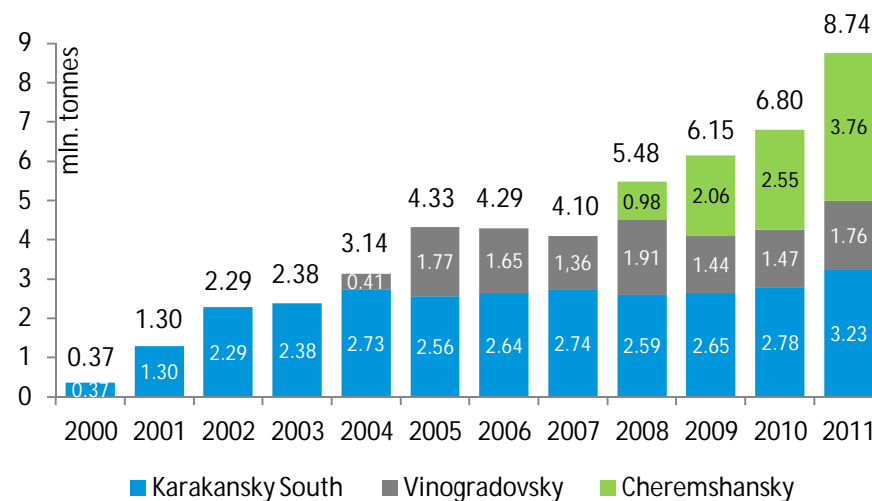


- One of the fastest-growing thermal coal producers in Russia
- One of major suppliers of coal in Western Siberia
- In 2011 the Company became 7<sup>th</sup> largest thermal coal producer in Russia<sup>(1)</sup>
- Since its establishment in 2000, the Company has launched 3 open-pit mines and developed an extensive production and distribution infrastructure and the fourth one is now under construction:
  - ▲ 8.74 mln. tonnes of thermal coal produced in 2011
  - ▲ 100% high-quality grade "D" thermal coal under Russian classification
  - ▲ Developed railway network and facilities
  - ▲ Enrichment plant with 2 mln. tonnes input capacity

	3 existing open-pit mines	Bryanskiy open-pit mine
<b>Structural capacity</b>	11 mln. tonnes	3-5 mln. tonnes
<b>Reserves</b>	402 mln. tonnes of coal resources and 185 mln. tonnes of proven and probable reserves <sup>(2)</sup>	250 mln. tonnes according to the C2 category

- Utilization of modern and high-performance equipment fleet supporting efficient low-cost production – USD 22 per tonne of coal
- Diversified sales capabilities balanced between domestic market (4.21 mln. tonnes sold in 2011) and export markets (6.45 mln tonnes sold in 2011)
- One of the largest retail coal distribution networks in Western Siberia
- Employing about 4,000 people
- KTK shares are quoted on RTS and MICEX (ticker: KBTk)
- 65.61% of share capital is owned by the management (I. Prokudin – 50,001%, V. Danilov – 15.61%), free-float – 34.39% is distributed between 25 investment funds. Individual traders own 0.31%

Coal production history with open-pit mine breakdown



Key operating and financial indicators <sup>(1)</sup>

USD mln.	2009	2010	2011
<b>Coal sales, mln. tonnes</b>	7.4	8.54	10.66
incl. purchased coal	1.4	2.16	2.08
<b>Revenue</b>	344	466	814
% of growth	-2.3%	38.7%	74.7%
<b>EBITDA</b>	69	70	133
% margin	20.1%	15.0%	16.3%
<b>Net Income</b>	21	27	69
% margin	6.1%	5.8%	8.5%

Source: audited IFRS FS for 2009-2010 in which all amounts are presented in RUB, Company

(1) Metal Expert, January 2012

(2) Run-of-mine coal, JORC classification;

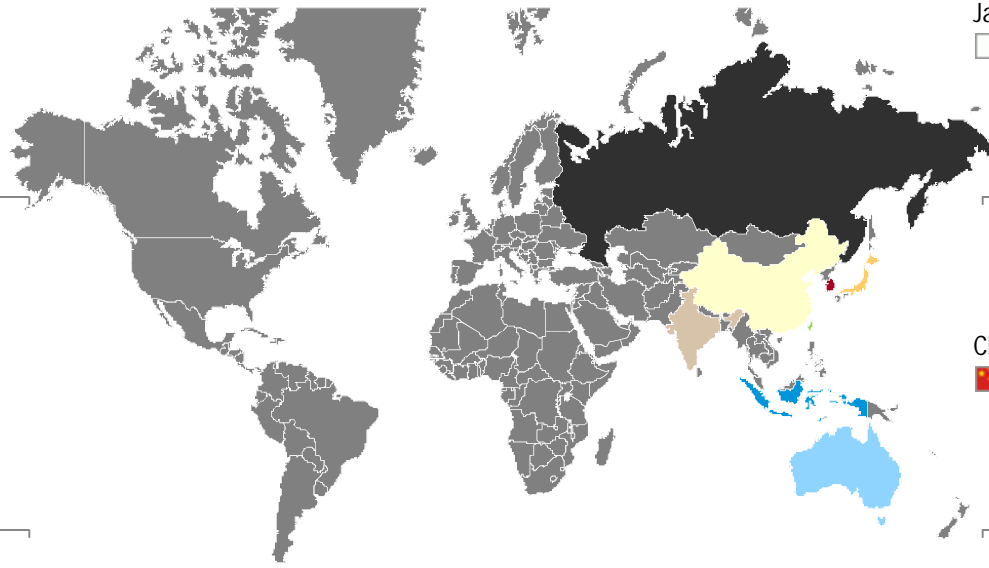
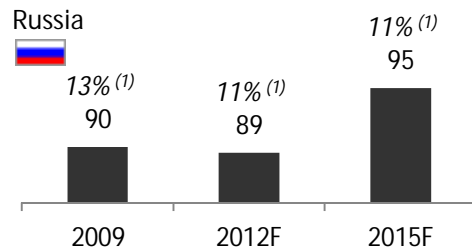
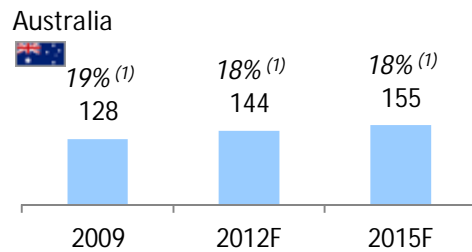
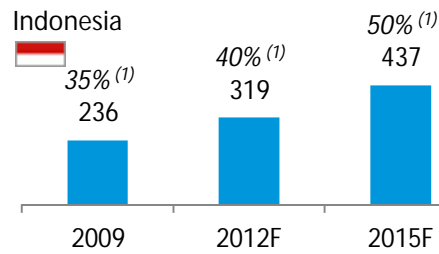
(3) In the table USD are converted from RUB using average Central Bank of the Russian Federation exchange rates for each year (2011: 29.39 RUB/USD; 2010: 30.38 RUB/USD; 2009: 31.77 RUB/USD)

# GLOBAL THERMAL COAL MARKET OVERVIEW

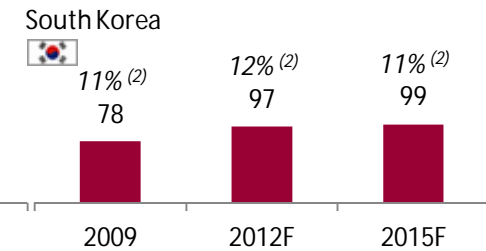
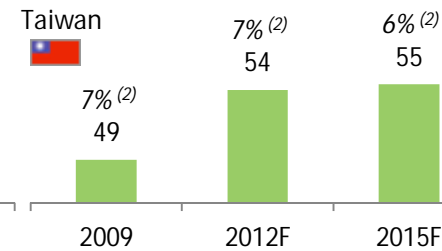
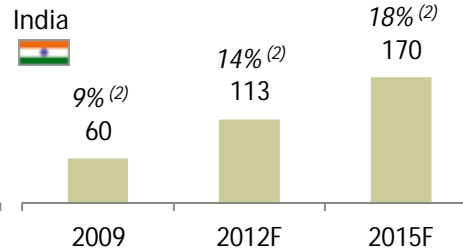
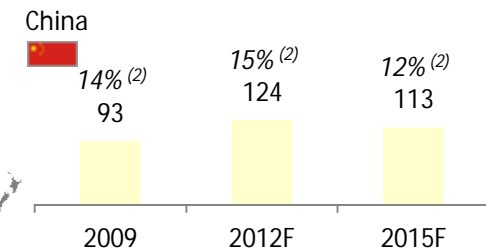
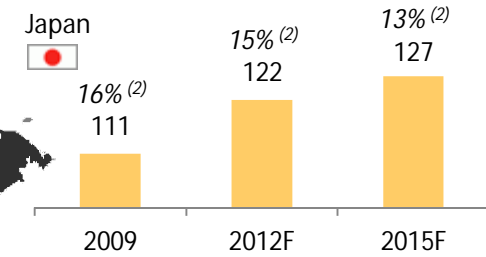


- ▶ Indonesia and Australia are expected to remain the major suppliers with the combined share of global supply around 68%.
- ▶ Japan and China are expected to continue their dominance in the traded thermal coal market. Their combined share of global demand is expected to be 25%.
- ▶ India is a new fast-growing market which will take a part of Australian and Indonesian exports.

## Export, mln. tonnes



## Import, mln. tonnes



Source: UBS Research

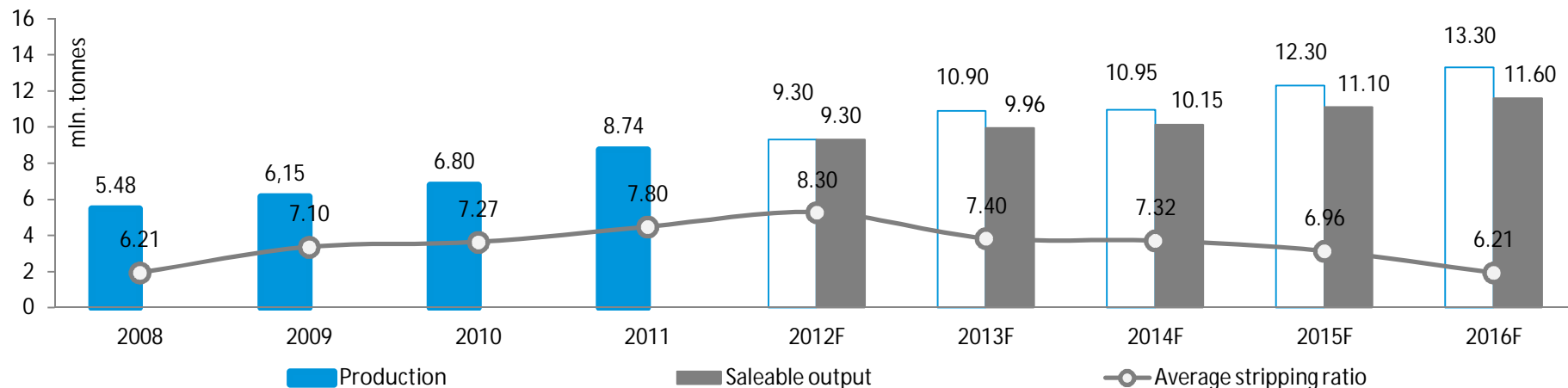
(1) % of global export (2015F: 883 mln. tonnes; 2012F: 803 mln. tonnes; 2009: 682 mln. tonnes)

(2) % of global import (2015F: 941 mln. tonnes; 2012F: 799 mln. tonnes; 2009: 682 mln. tonnes)

# KTK PRODUCTION GROWTH PROSPECTS

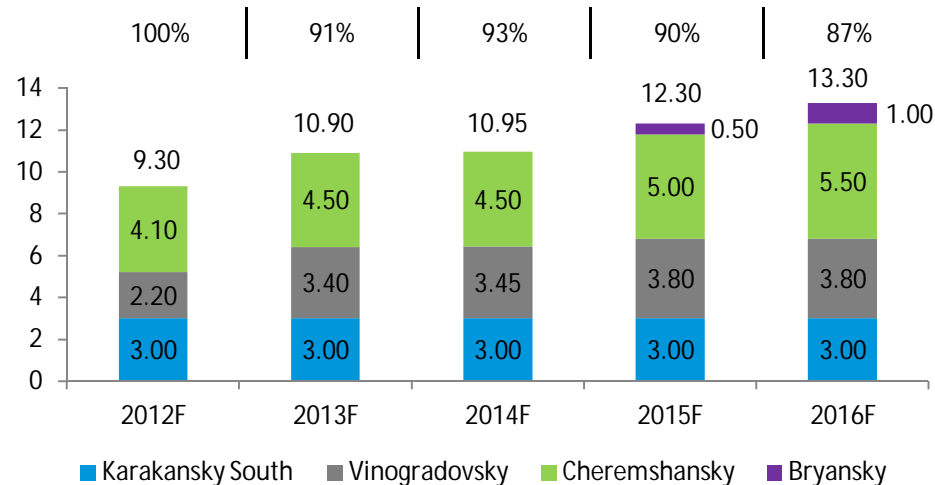


Forecast of production volume and stripping ratio dynamics



- ▶ The Company has established a well-developed production, logistics and distribution infrastructure required to sustain production capacity of the existing mining facilities – 11 mln. tonnes per year
  - ▲ Modern high-performance mining and transportation equipment (Komatsu, P&H and BelAZ);
  - ▲ 100% of coal transported to the Russian Railway network by the Company's own railway company (70 km of railroads, 6 railway stations, 12 mln. tonnes p.a. capacity);
  - ▲ Own repair and maintenance services and power infrastructure.
- ▶ The intra-year volatility of production and stripping ratio, driven by a seasonality of Russian coal market should become lower with the growth of export volumes.
- ▶ Further expansion of the production will be based on existing facilities, licenses, and infrastructure and will not require significant capital expenditure, other than into additional mining and transportation equipment.

% of saleable output









# INVESTMENT PROGRAM

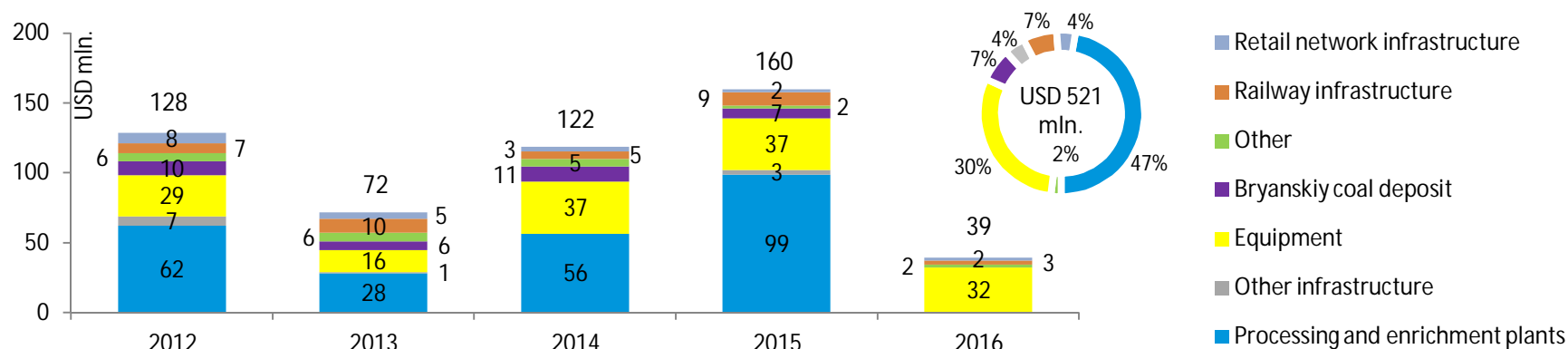


- ▶ Investment program<sup>(1)</sup> in 2011 composed USD 88 mln. net of VAT. The largest investment items included:
  - ▲ Acquisition of large mining and transport equipment
  - ▲ The construction of the second enrichment plant with 4 mln. tonnes annual capacity
  - ▲ The completion of construction fuel and lubricants dump
- ▶ In 2012-2016 there will be 5 major investment categories:
  - ▲ Development of Bryanskiy open-pit mine to start coal production in 2015
  - ▲ Construction of 3 new coal processing and enrichment facilities to improve coal quality and raise production efficiency
  - ▲ Continued procurement of mining equipment to increase production at the existing open-pit mines
  - ▲ Construction of own railway infrastructure to increase capacity from 12 to 16 tonnes per year
  - ▲ Development of company retail network

## Equipment procurement plan

	CAPEX 2011	Dec 31, 2011	CAPEX 2012-2016
 Shovels (P&H, Komatsu, EO)	2	22	15 (3 P&H)
 Trucks (BelAZ)	22	88	64
 Dozers (Komatsu)	6	20	9
 Loaders (Komatsu)	2	34	3
 Graders (Komatsu, CAT)	1	4	2
 Drill Rigs (Ingersoll Rand)	1	4	3

## CAPEX forecast breakdown, 2012-2016<sup>(2)</sup>



(1) Figures were converted to USD using the average exchange rate of the Central Bank of the Russian Federation (2011: 29.39 RUB/USD)

(2) Net of VAT, USD figures were converted from RUB using 30.00 RUB/USD exchange rate



# PLAN OF PROGRAM IMPLEMENTATION



**Bryanskiy open-pit mine**  
Reserves: 250 mln. tonnes  
Launch: 2015

USD 10 mln.

USD 6 mln.

USD 11 mln.

USD 7 mln.

Structural capacity  
3 – 5 mln. tonnes

Investment in infrastructure

Coal production

0.5 mln.  
tonnes

1 mln.  
tonnes

**Enrichment plant  
«Kaskad»**

Launch: Q3 2010  
Capacity: 2 mln. tonnes  
Caloric output: 5,300 - 5,750  
Cost: USD 27 mln.  
Technology: steeply-inclined separation

**Enrichment plant  
«Kaskad-2»**

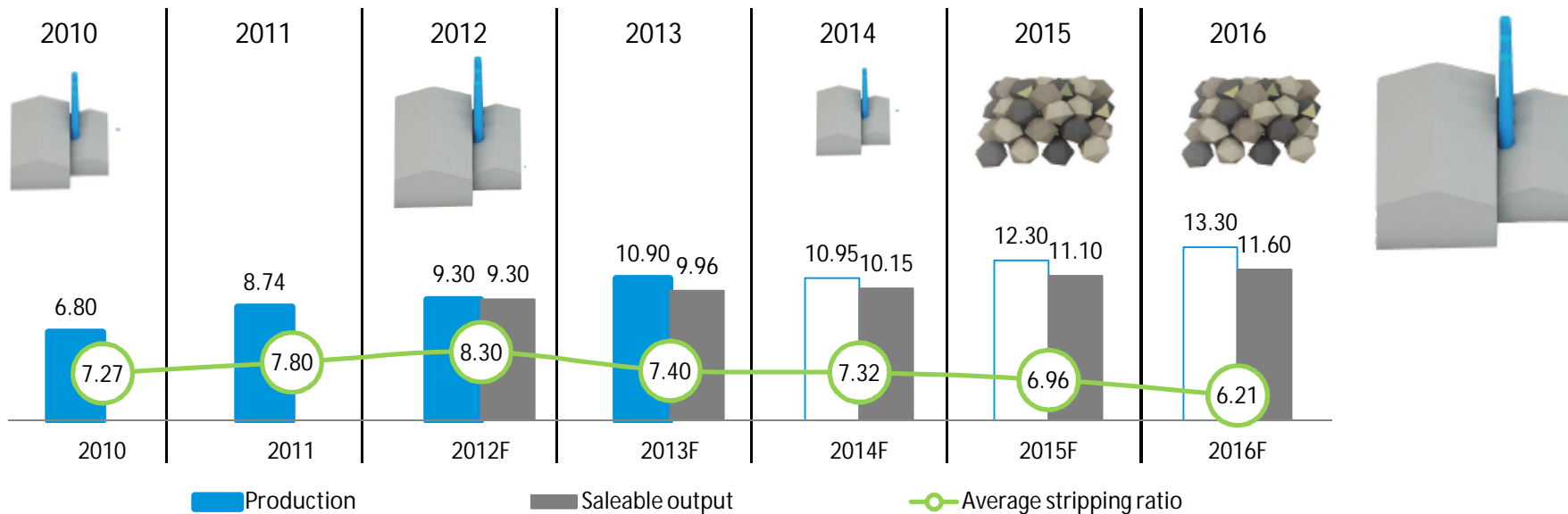
Launch: Q4 2012  
Capacity: 4 mln. tonnes  
Caloric output: 5,500 - 5,750  
Cost: USD 81 mln.  
Technology: steeply-inclined separation;  
dense medium separation

**Enrichment plant  
for oxidized coal**

Launch: 2014  
Capacity: 1 mln. tonnes  
Caloric output: 5,500  
Cost: USD 28 mln.  
Technology: reduction of moisture

**Enrichment plant  
«Vinogradskaya»**

Launch: 2016  
Capacity: 7 - 8 mln. tonnes  
Caloric output: 5,500 – 6,000  
Cost: USD 155 mln.  
Technology: steeply-inclined separation;  
dense medium separation








mln. tonnes









# NEW EXPORT MARKETS







## NEW MARKETS

 Poland	5,300 kcal/kg	 South Korea (Premium segment)	5,500 – 5,700 kcal/kg
 China	5,300 – 5,500 kcal/kg	 Taiwan (Premium segment)	5,500 – 5,700 kcal/kg
 South Korea	5,500 kcal/kg	 Czech Republic	5,500 – 5,700 kcal/kg
 Taiwan	5,300 – 5,500 kcal/kg	 Germany	5,700 – 6,000 kcal/kg
		 Japan	6,000 kcal/kg

## ENRICHMENT

Enrichment plant for oxidized coal		«Kaskad-2»		«Kaskad»		«Vinogradskaya»	
Design capacity, mln. tonnes per year	1	Design capacity, mln. tonnes per year	4	Design capacity, mln. tonnes per year	2	Design capacity, mln. tonnes per year	7 – 8
Launch	2014	Launch	Q4 2012	Launch	Q3 2010	Launch	2016
Caloric output, kcal/kg	5,500	Caloric output, kcal/kg	5,500 - 5,750	Caloric output, kcal/kg	5,300 - 5,750	Caloric output, kcal/kg	5,500 – 6,000
Sources of coal	   	Sources of coal		Sources of coal		Sources of coal	 

## MINING

 Karakansky South		 Vinogradovsky		 Cheremshansky		 Bryansky	
Design capacity, mln. tonnes per year	3	Design capacity, mln. tonnes per year	3	Design capacity, mln. tonnes per year	5	Design capacity, mln. tonnes per year	3 – 5
Caloric value, kcal/kg	4,900 – 5,300	Caloric value, kcal/kg	4,900 – 5,500	Caloric value, kcal/kg	5,100 – 6,000	Caloric value, kcal/kg	5,100 – 6,000
Sulfur content, %	0.27 – 0.30	Sulfur content, %	0.27 – 0.30	Sulfur content, %	0.50 – 0.80	Sulfur content, %	n/a
Ash content, %	13.2 – 15.2	Ash content, %	14.5 – 18.2	Ash content, %	17.2	Ash content, %	n/a
Moisture content, %	14.0 – 17.0	Moisture content, %	13.9 – 17.0	Moisture content, %	12.5 – 15.0	Moisture content, %	n/a



# OPERATIONAL HIGHLIGHTS

# OPERATIONAL HIGHLIGHTS Q1 2012



Seasonal decrease in coal production QoQ, but growth YoY

- ▶ In Q1 2012 Company produced 2.18 mln. tonnes of coal, decreasing production volume by 15% QoQ (Q4 2011: 2.56 mln. tonnes)

KNS enrichment plant is working at close to full capacity level

- ▶ In Q1 2012 the Company's first KNS enrichment plant worked at close to full capacity level and produced 0,20 mln. tonnes of export quality coal (Q4 2011: 0,19 mln. tonnes).

Seasonal QoQ decrease in coal sales volume, but growth in average realised price

- ▶ The volume of coal sales in Q1 2012 decreased by 16% QoQ to 2.81 mln. tonnes (Q4 2011: 3.34 mln. tonnes). Compared to Q1 2011 coal sales increased by 16% from 2.43 mln. tonnes.
- ▶ In Q1 2012 the average realized coal price<sup>(1)</sup> increased by 9% QoQ to USD 45.02 per tonne (Q4 2011: USD 41.13 per tonne). Compared to a net average price of Q1 2011 (USD 40.91 per tonne), the price in reported quarter increased by 10%

Key production cost drivers growth

- ▶ The quarterly average stripping ratio increased by 21% QoQ to 8.86 (Q4 2011: 7.35) and by 10% YoY (Q1 2011: 8.03)
- ▶ The blasted rock mass decreased by 11% to 9.54 mln. cbm. QoQ (Q4 2011: 10.72 mln. cbm.) and increased by 32% YoY (Q1 2011: 7.21 mln. cbm.)
- ▶ The average stripping transportation distance increased by 13% QoQ to 3.33 km. (Q4 2011: 2.95 km.) and increased by 29% YoY (Q1 2011: 2.59 km.)

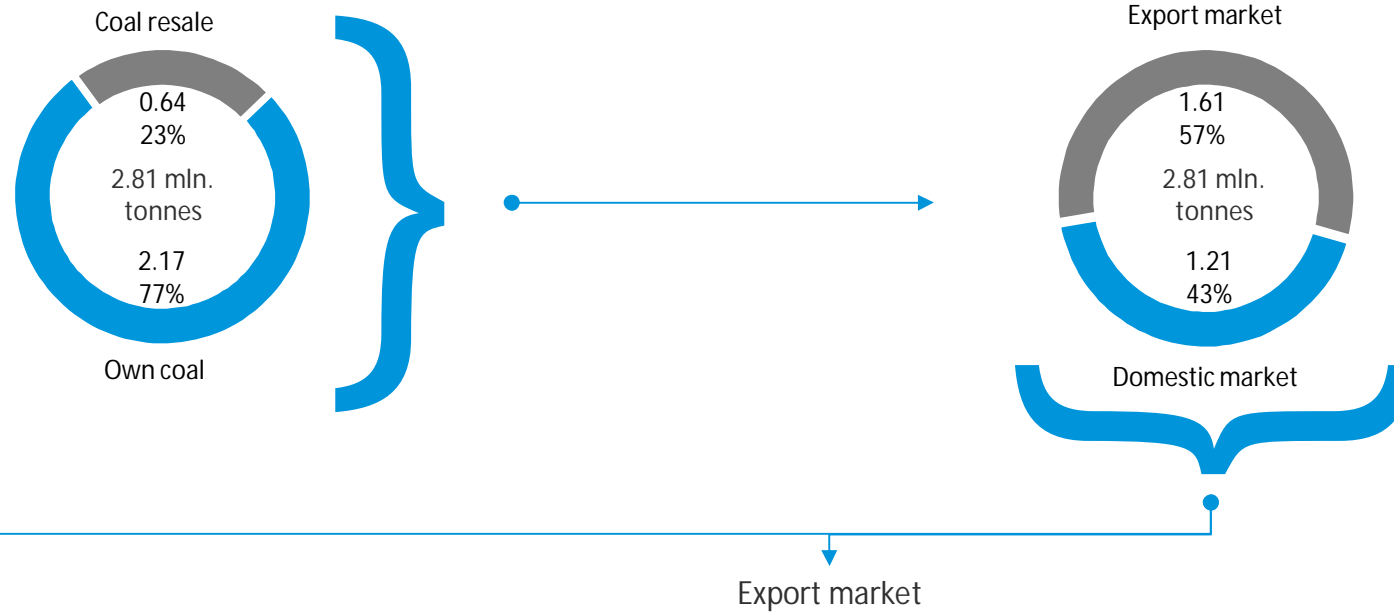
Transportation costs hedging policy execution

- ▶ During the Q1 2012 the Company's JV "Kuzbasskaya Transportnaya Company" increased its fleet by 9% from 2,673 to 2,918 railroad cars. 90% of the fleet in purchased under leasing agreements and 10% is owned by JV. These cars are rented by KTK at a long-term fixed price.

Source: Company

(1) excl. VAT, Russian Railways tariff (FCA Meret, incl. KTK retail margin), converted from RUB using average Central Bank of Russian Federation exchange rates for each period (Q1 2012: 30.03 RUB/USD; Q4 2011: 31.24 RUB/USD; Q1 2011: 29.16 RUB/USD)

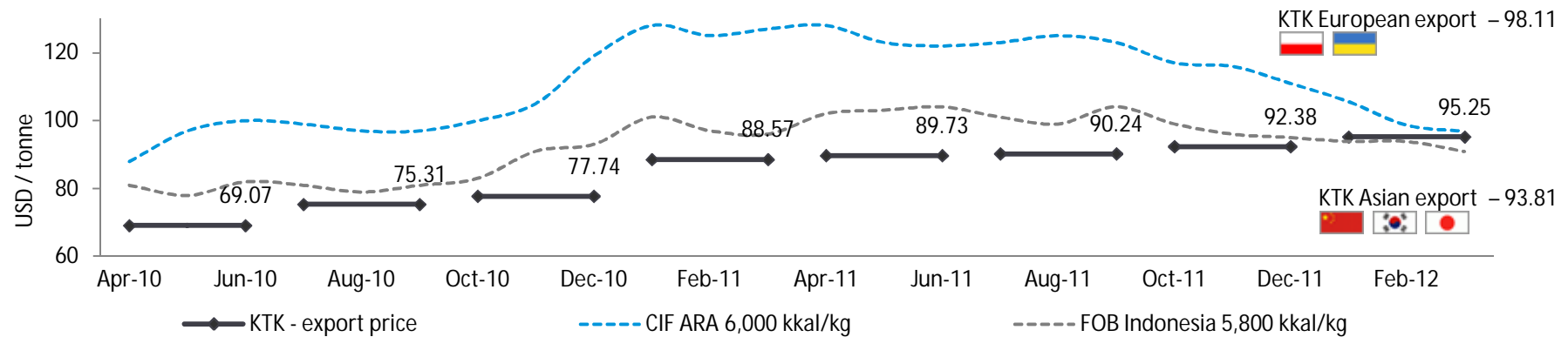
# Q1 2012 COAL SALES BREAKDOWN



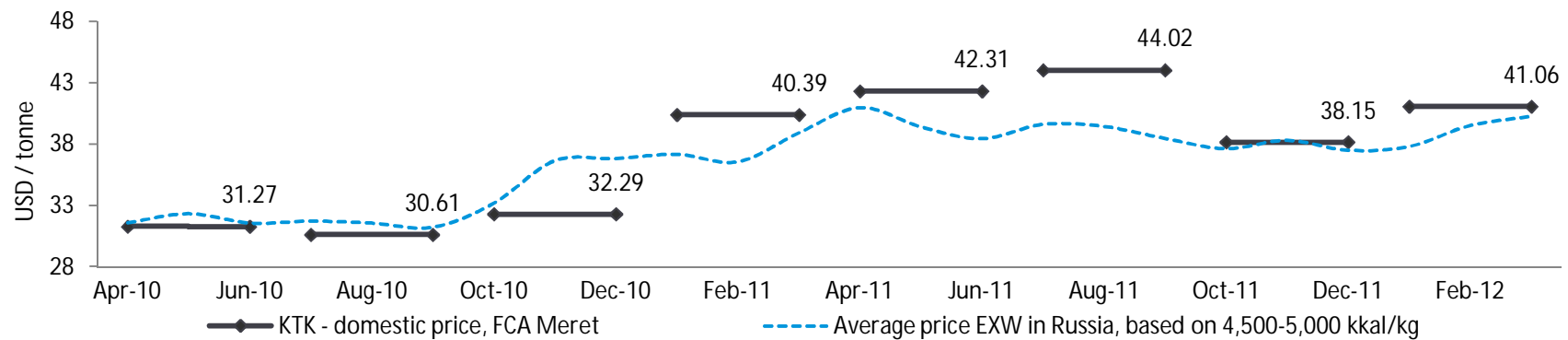
# AVERAGE REALISED PRICES VS BENCHMARKS



KTK realized export prices<sup>(1)</sup> vs. international FOB and CIF benchmarks, USD/tonne



KTK FCA prices vs. Russian EXW benchmark, USD/tonne



Source: Company, Metal Expert for average EXW prices in Russia, Argus for FOB Indonesia and CIF ARA  
 (1) Net of VAT, average KTK export realized price incl. railway tariffs

# AVERAGE REALISED PRICES VS BENCHMARKS



**0.68** mln. tonnes  
Eastern European Countries



Railroad tariff to the Polish border:  
50.69 USD/tonne<sup>(2)</sup>



→ KTK's transport flows  
Omsk region Domestic sales  
Asia-Pacific Export sales  
Headquarters

**0.92** mln. tonnes  
Asia-Pacific region

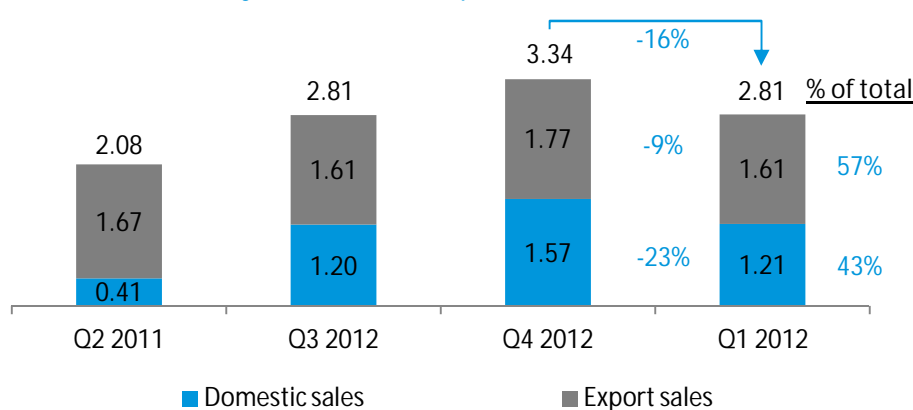


Railroad tariff to the station at Nakhodka-East port:  
44.79 USD/tonne<sup>(2)</sup>

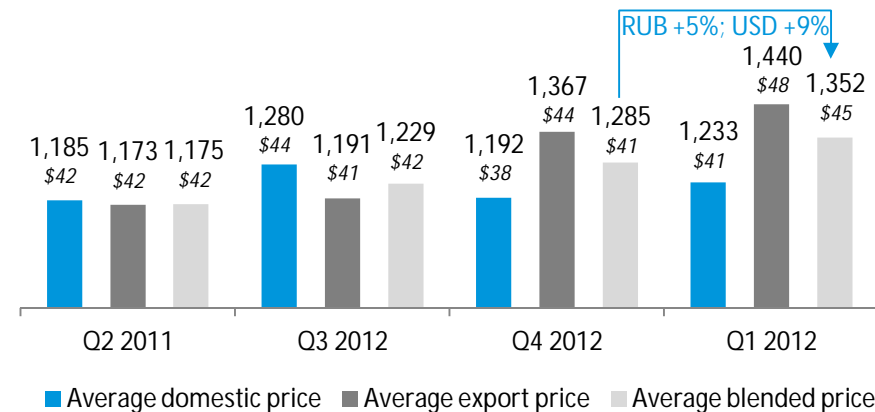
Source: Company

- (1) Sales volumes in Q1 2012 (incl. purchased coal)
- (2) Average KTK transportation cost is converted to USD using average Central Bank of the Russian Federation exchange rate (Q1 2012: 30.03 RUB/USD)

Quarterly domestic and export sales, mln. tonnes



Average quarterly domestic and export prices comparison<sup>(1)</sup>



Source: Company

- (1) Prices are net of VAT and railroad tariffs; domestic prices include costs associated with retail distribution network; prices are converted to USD using average Central Bank of the Russian Federation exchange rates for each quarter (Q1 2012: 30.03 RUB/USD; Q4 2011: 31.24 RUB/USD; Q3 2011: 29.08 RUB/USD; Q2 2011: 28.01 RUB/USD)

# RETAIL NETWORK IN WESTERN SIBERIA



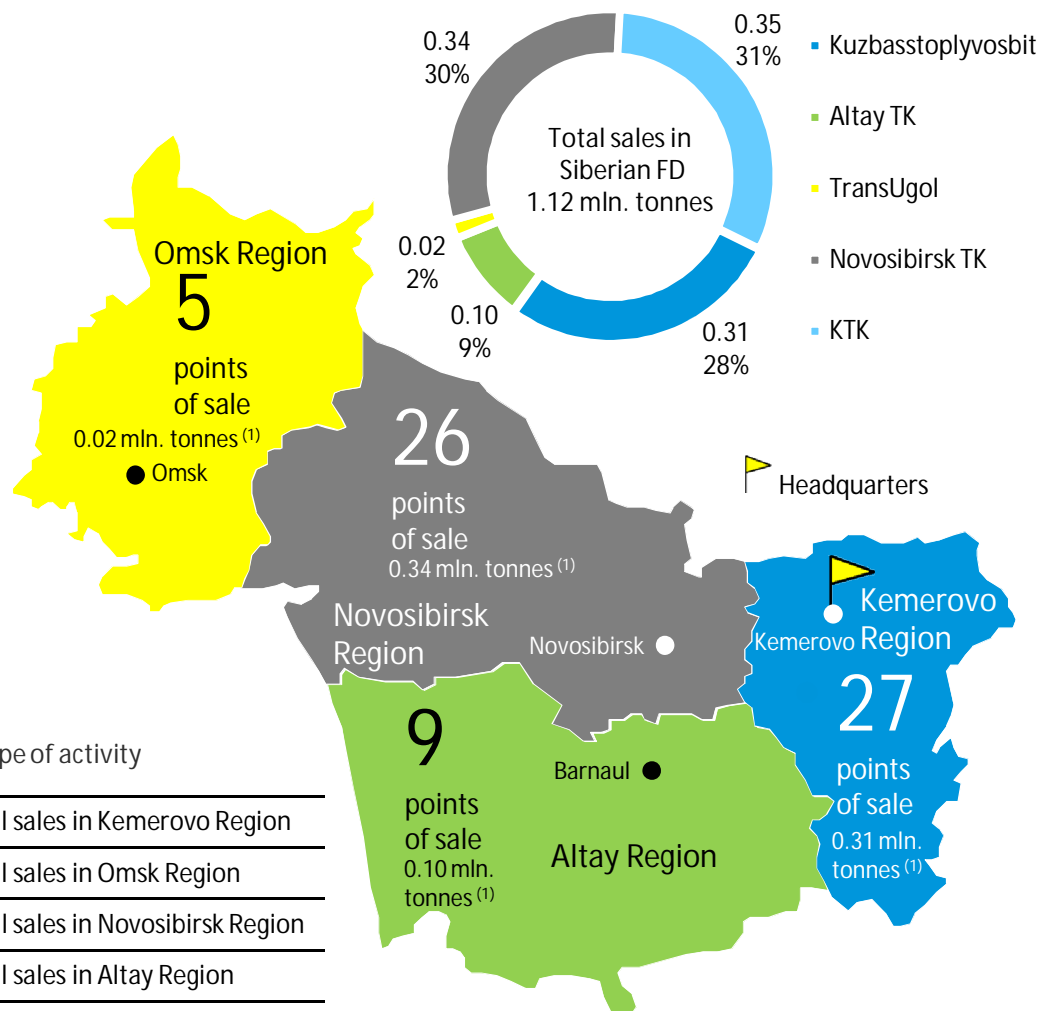
➤ Since its establishment, the Company has been continuously expanding and building its retail sale and storage network:

- ▲ own 67 points of sale as at the end of 2011;
- ▲ additional points of sale planned to be acquired or established;
- ▲ USD 8 mln. will be invested to develop retail network infrastructure in 2012 and USD 19 mln. in a period of 2012-2016

➤ Wide distribution network and strong regional presence position the Company as one of the principal suppliers of coal to retail costumers, municipalities, and public utilities in Western Siberia.

➤ When export prices are high, the Company uses lower quality third-party coal to satisfy domestic demand, while shifting its own higher quality coal to export markets.

Q1 2012 retail sales breakdown <sup>(1)</sup>, mln. tonnes



Retail Subsidiary	Company's ownership	Type of activity
OJSC "Kuzbasstoplyvosbit"	100%	Wholesale & retail sales in Kemerovo Region
LLC "TransUgol"	51%	Wholesale & retail sales in Omsk Region
LLC "Novosibirsk TK"	51%	Wholesale & retail sales in Novosibirsk Region
OJSC "Altay TK"	51%	Wholesale & retail sales in Altay Region

Source: Company  
 (1) Including coal resale





# FINANCIAL PERFORMANCE

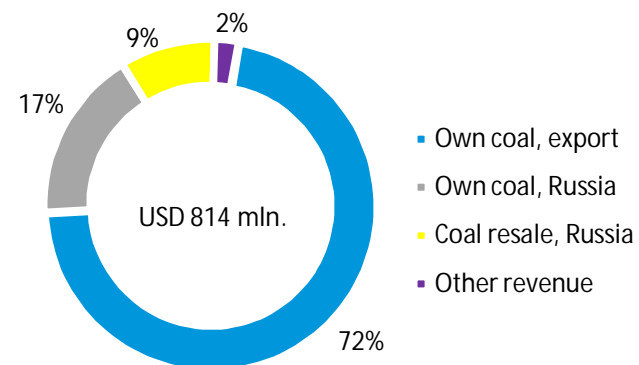
# REVENUE



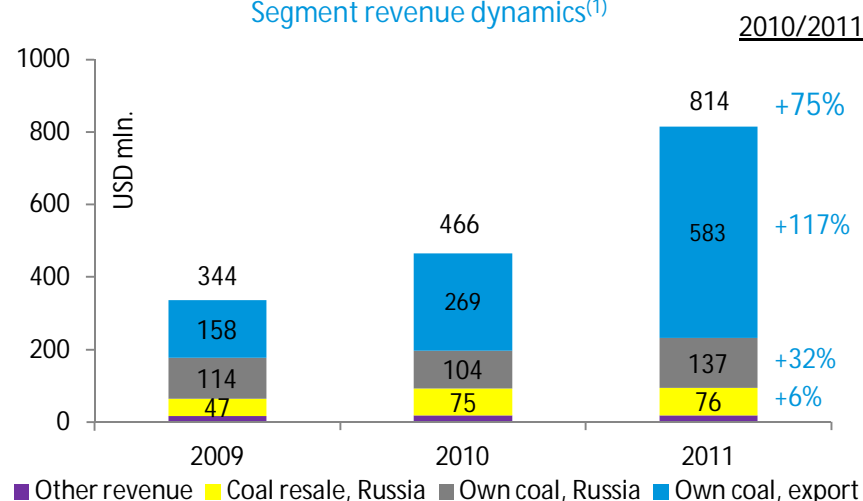
## Key financial indicators<sup>(1)</sup>

USD mln.	2009	2010	2011
Revenue	336	466	814
<i>Growth rate</i>	-2%	39%	75%
Cost of sales	(255)	(377)	(660)
Gross profit	81	89	154
<i>Gross profit margin</i>	24%	19%	19%
SG&A and other expenses	(34)	(44)	(56)
EBITDA <sup>(2)</sup>	69	70	133
<i>EBITDA margin</i>	20%	15%	16%
Operating profit (EBIT)	46	45	98
<i>Operating margin</i>	14%	10%	12%
Net income	21	27	69
<i>Net income margin</i>	6%	6%	9%
Gross debt	128	73	141
Net debt	125	58	83

## 2011 Revenue breakdown by segments<sup>(1)</sup>



## Segment revenue dynamics<sup>(1)</sup>



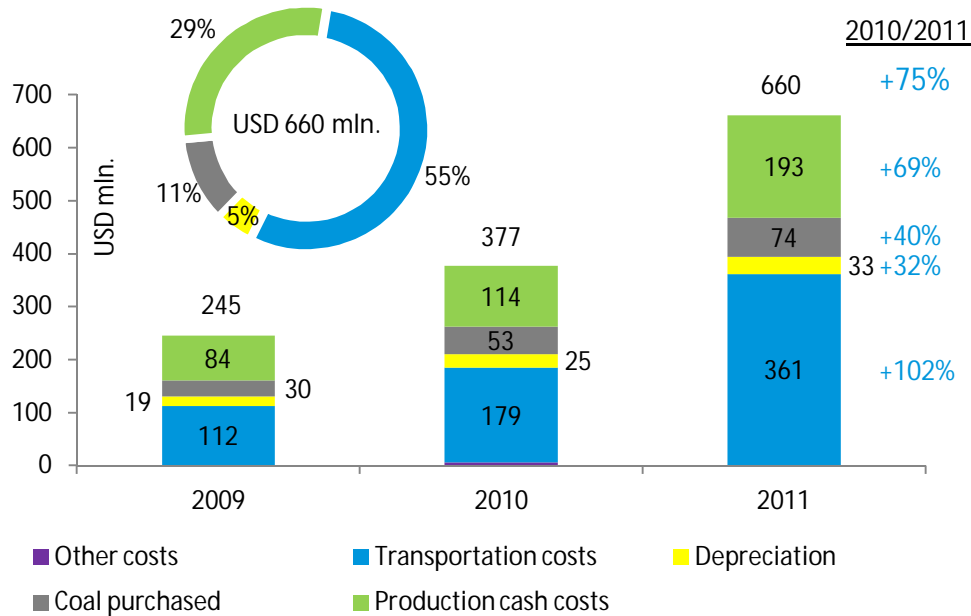
(1) Figures were converted to USD using the average exchange rates of the Central Bank of the Russian Federation for each period (2011: 29.39 RUB/USD; 2010: 29.08 RUB/USD; 2009: 31.77 RUB/USD)

(2) 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

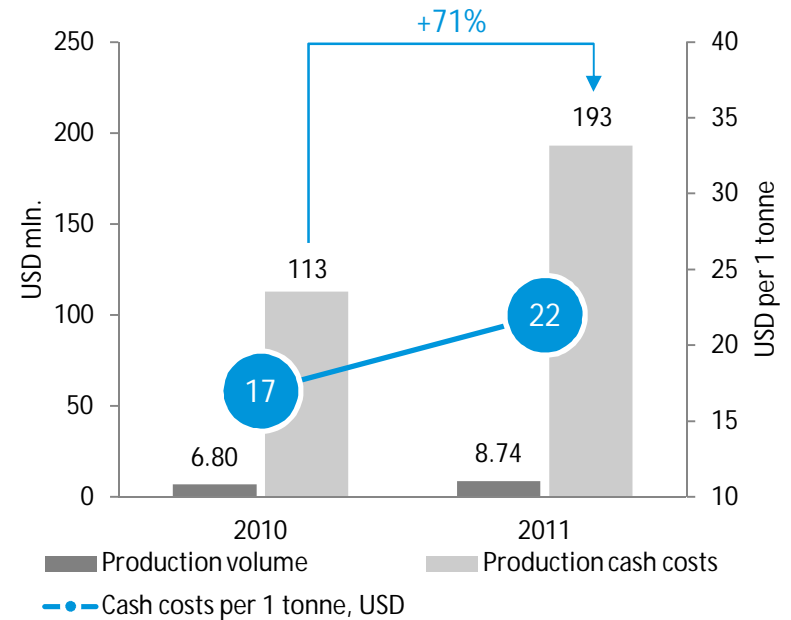
# COST OF SALES AND EBITDA



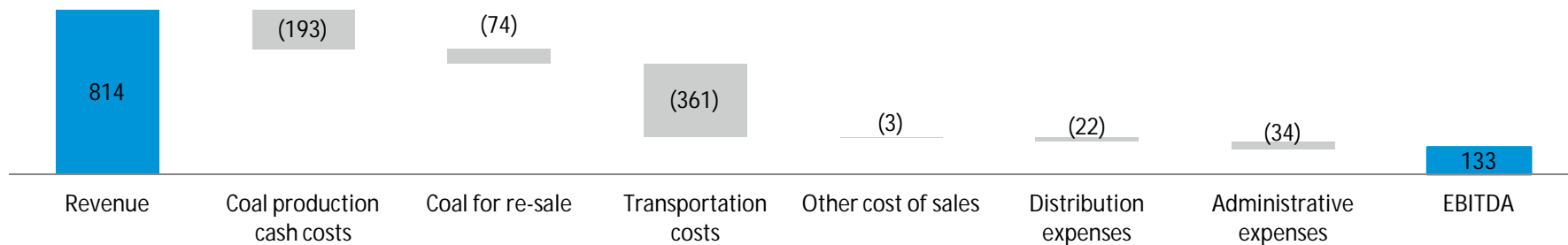
Cost of sales breakdown and dynamics<sup>(1)</sup>



Production cash costs dynamics<sup>(1)</sup>



EBITDA calculation<sup>(1)</sup> in USD, 2011



Source: Audited 2009, 2010, 2011 IFRS FS in which all amounts are presented in RUB

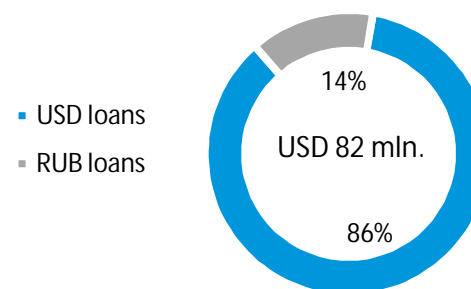
(1) Figures were converted to USD using the average exchange rates of the Central Bank of the Russian Federation for each period (2011: 29.39 RUB/USD; 2010: 30.38 RUB/USD; 2009: 31.77 RUB/USD)

# INDEBTEDNESS

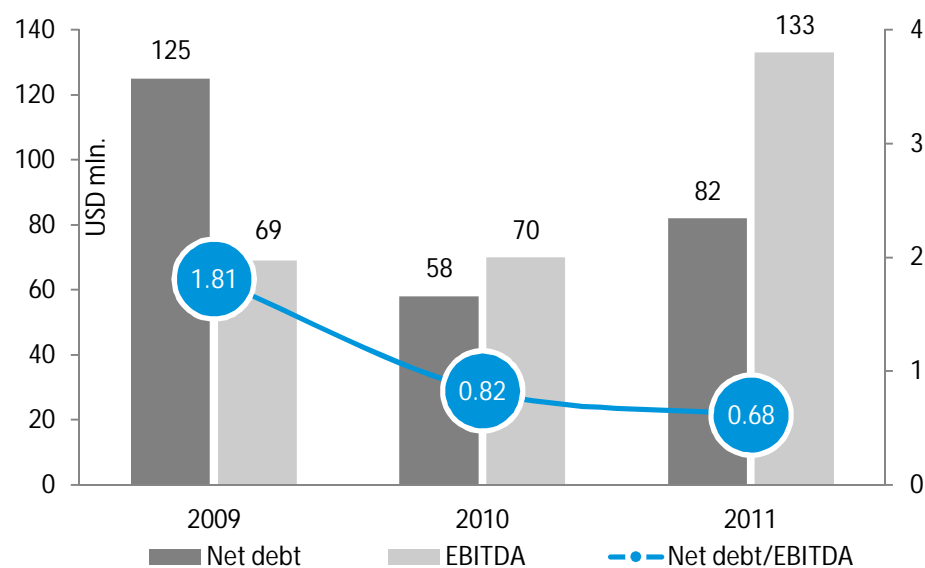


- During 2011 the total net debt increased by 51.8% YoY compared to 2010
- Interest paid decreased by 33.3%, from USD 9 mln. to USD 6 mln.
- The average effective interest rate decreased to 7.7% p.a.
- Net Debt to EBITDA ratio reduced from 0.82 to 0.68

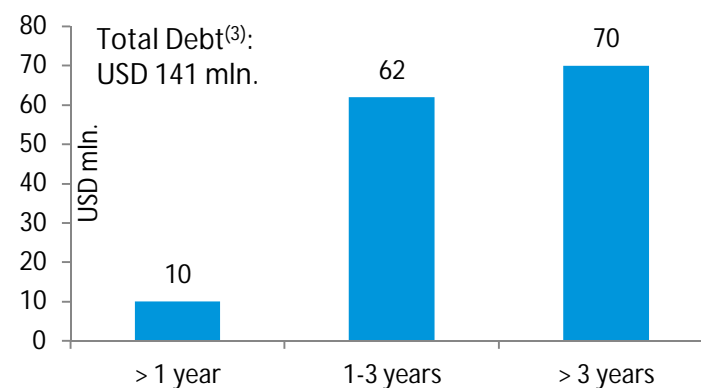
Debt structure<sup>(1)</sup> by currency as of Dec 2011



Net Debt to EBITDA<sup>(2)</sup>



Debt maturity structure<sup>(1)</sup>



Source: audited 2009, 2010, 2011 IFRS FS in which all amounts are presented in RUB

(1) Figures were converted to USD using the exchange rates of the Central Bank of the Russian Federation for the end of each period (2011: 32.20 RUB/USD; 2010: 30.48 RUB/USD; 2009: 30.24 RUB/USD)

(2) Figures were converted to USD using the average exchange rates of the Central Bank of the Russian Federation for each period (2011: 29.39 RUB/USD; 2010: 30.38 RUB/USD; 2009: 31.77 RUB/USD)

(3) Calculations are made before rounding of figures converted to USD



# IV. APPENDIX

# INCOME STATEMENT 2009-2011



RUB mln.	2009	2010	2011
Revenue	10,658	14,160	23,939
Cost of sales	(8,101)	(11,457)	(19,404)
Gross profit	2,557	2,703	4,535
Distribution expenses	(363)	(540)	(654)
Administrative expenses	(706)	(849)	(1,010)
Other income and expenses, net	(19)	39	24
Operating profit	1,469	1,353	2,895
Finance income	65	99	55
Finance costs	(656)	(385)	(394)
Income of associates	-	5	4
Profit / (loss) before income tax	878	1,072	2,560
Income tax expense	(215)	(249)	(542)
Profit / (loss) for the year	663	823	2,018
<i>Profit / (loss) for the year margin</i>	6%	6%	8%
EBITDA <sup>(1)</sup>	2,178	2,134	3,911
<i>EBITDA margin</i>	20%	15%	16%

Source: audited 2009, 2010, 2011 IFRS FS

(1) 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

# BALANCE SHEET 2009-2011



RUB mln.	2009	2010	2011
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	7,333	8,804	10,358
Goodwill and intangible assets	14	14	18
Investments in equity accounted investees	3	8	29
Other investments	67	6	5
Long-term receivables	7	1	-
Deferred tax assets	6	19	45
<b>Total non-current assets</b>	<b>7,430</b>	<b>8,852</b>	<b>10,455</b>
Current assets			
Inventories	405	759	1,275
Other investments	7	39	27
Income tax receivable	30	6	9
Trade and other receivables	1,227	1,086	1,562
Prepayments and deferred expenses	230	440	916
Cash and cash equivalents	86	457	1,884
<b>Total current assets</b>	<b>1,985</b>	<b>2,787</b>	<b>5,673</b>
<b>TOTAL ASSETS</b>	<b>9,415</b>	<b>11,639</b>	<b>16,128</b>

RUB mln.	2009	2010	2011
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	17	20	20
Retained earnings	3,409	3,975	5,672
Additional paid-in capital	-	2,829	2,829
<b>Total attributable to equity holders of the company</b>	<b>3,426</b>	<b>6,824</b>	<b>8,521</b>
Minority interest	41	11	4
<b>Total equity</b>	<b>3,467</b>	<b>6,835</b>	<b>8,525</b>
Non-current liabilities			
Loans and borrowings	2,204	1,676	2,794
Net assets attributable to minority participants in LLC entities	66	68	83
Provisions	237	265	262
Retirement benefit liability	-	15	39
Deferred tax liabilities	362	448	432
<b>Total non-current liabilities</b>	<b>2,869</b>	<b>2,472</b>	<b>3,837</b>
Current liabilities			
Loans and borrowings	1,655	535	1,753
Trade and other payables	1,414	1,767	1,955
Retirement benefit liability	-	4	5
Provisions	-	-	3
Income tax payable	10	26	50
<b>Total current liabilities</b>	<b>3,079</b>	<b>2,332</b>	<b>3,766</b>
<b>Total liabilities</b>	<b>5,948</b>	<b>4,804</b>	<b>7,603</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,415</b>	<b>11,639</b>	<b>16,128</b>

# CASH FLOW STATEMENT 2009-2011



RUB mln.	2009	2010	2011
<b>OPERATING ACTIVITIES</b>			
Profit / (loss) for the period	663	823	2,018
<i>Adjustments for:</i>			
Depreciation and amortisation	689	820	1,039
Impairment loss	15	7	(1)
Loss / (gain) on disposal or write-off of property, plant and equipment	4	(46)	(22)
Income of associates	-	(5)	(4)
Net finance expense	591	286	339
Income tax expense	215	249	542
Operating result before change in working capital	2,176	2,134	3,911
Change in inventories	107	(354)	(511)
Change in trade and other receivables	(126)	126	(487)
Change in prepayments for current assets	(27)	(215)	(478)
Change in trade and other payables	(583)	617	425
Cash flow from operations before income tax and interest	1,547	2,321	2,844
Income taxes and penalties paid	(281)	(101)	(563)
Interest paid	(640)	(275)	(207)
Cash flows from operating activities	626	2,031	2,074

RUB mln.	2009	2010	2011
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of property, plant and equipment	42	21	25
Loans issued	(217)	(87)	(17)
Proceeds from loans previously issued incl, interest received	233	130	60
Acquisition of property, plant and equipment	(1,084)	(2,499)	(2,581)
Acquisition of subsidiaries, net of cash acquired	-	-	(10)
Acquisition of equity accounted investees	-	-	(17)
Cash flow used in investing activities	(1,030)	(2,435)	(2,540)
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings	7,119	5,273	12,414
Repayment of borrowings	(6,904)	(6,960)	(10,210)
Proceeds from share issue, net of issue costs	-	2,805	-
Dividends paid	-	(253)	(298)
Cash flow from financing activities	221	840	1,906
Net increase / (decrease) in cash and cash equivalents	(183)	436	1,440





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