



# MEETINGS WITH INVESTORS



Presentation

April, 2012 (Tallinn, Helsinki, Stockholm, Moscow)

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## PRESENTERS:



Eduard  
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# 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
Structural capacity <sup>(3)</sup>	11 mln. tonnes	3-5 mln. tonnes
Reserves	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

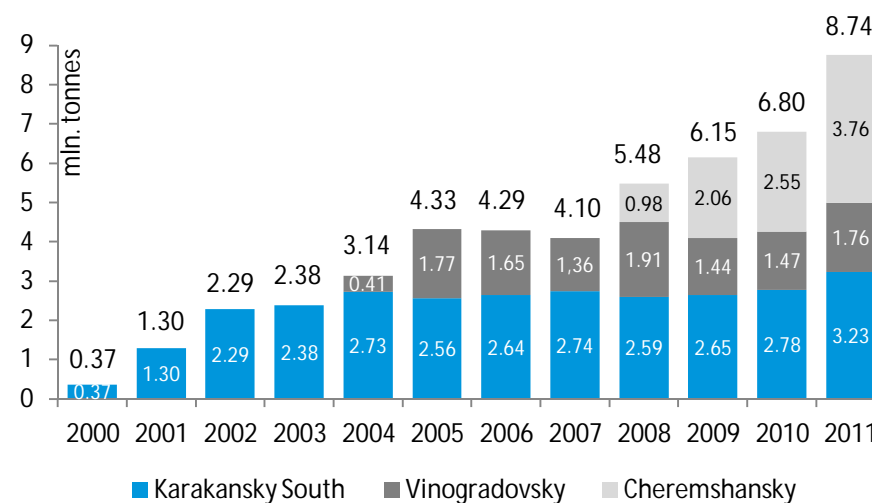
- Utilization of modern and high-performance equipment fleet supporting efficient low-cost production – USD 22 per tonne of coal
- Diversified sales capabilities balanced between domestic market (4.21 mln. tonnes sold in 2011) and export markets (6.45 mln tonnes sold in 2011).
- One of the largest retail coal distribution networks in Western Siberia.
- Employing about 4,000 people.
- KTK shares are quoted on RTS and MICEX (ticker: KBTk)
- 66% of share capital is owned by the management (I. Prokudin - 50%, V. Danilov – 16%), free-float – 34%.

(1) Metal Expert, January 2012

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

(3) Here and further the presentation structural capacity means the maximum production capacity that the Company believes could be achieved (taking into account projected stoppages for planned repair and maintenance) in an annual period if the Company were able to process all the coal that could be mined using the Company's existing mine facilities after acquisition of certain mining and transportation equipment in accordance with its current capital expenditure program

Coal production history with open-pit mine breakdown



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

USD mln.	2009	2010	2011
Coal sales, mln. tonnes	7.4	8.54	10.66
incl. purchased coal	1.4	2.16	2.08
Revenue	344	466	814
% of growth	-2.3%	38.7%	74.7%
EBITDA <sup>(2)</sup>	69	70	133
% margin	20.1%	15.0%	16.3%
Net Income	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

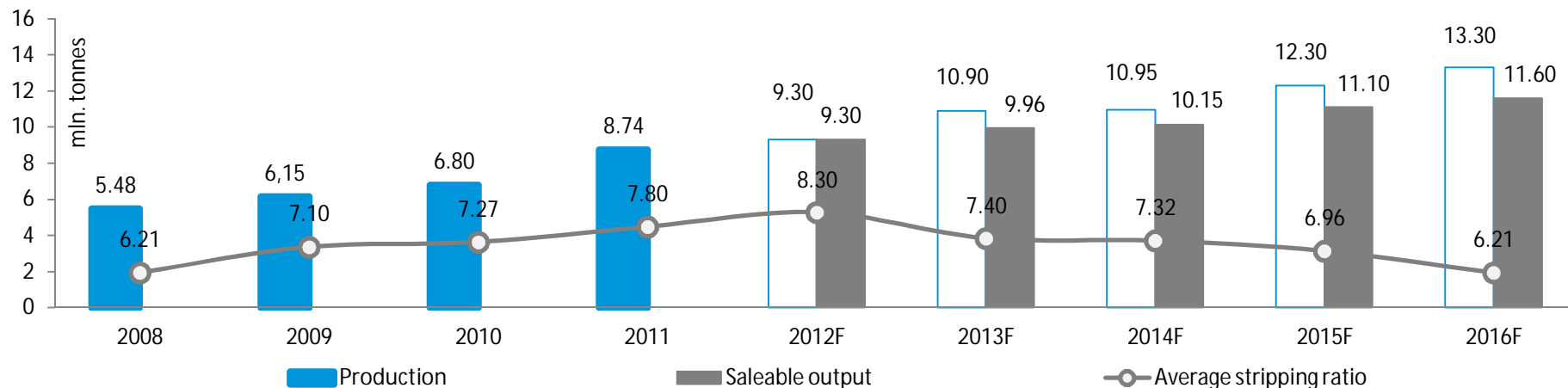
(1) In the table USD are converted from RUB using average Central Bank of the Russian Federation exchange rates for each year (2011: 29.39 RUB/USD; 2010: 30.38 RUB/USD; 2009: 31.77 RUB/USD)

(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

# 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.

# INVESTMENT PROGRAM

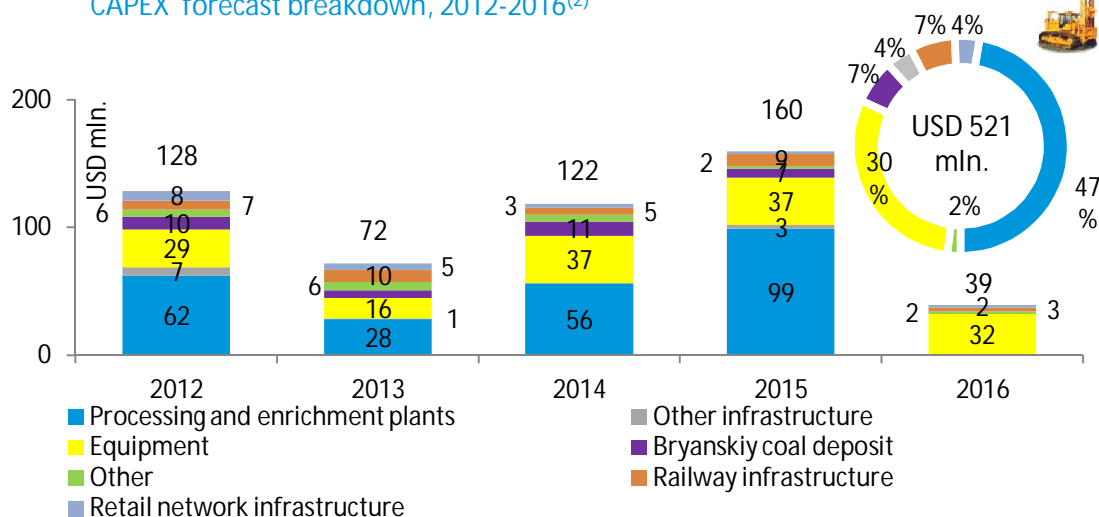


- ▶ Investment program<sup>(1)</sup> in 2011 composed USD 88 mln. net of VAT. The largest investment items included:
  - ▲ Acquisition of large mining and transport equipment
  - ▲ The construction of the second enrichment plant with 4 mln. tonnes annual capacity
  - ▲ The completion of construction fuel and lubricants dump
- ▶ In 2012-2016 there will be 4 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

## 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>



- ▶ Enrichment facilities launching schedule:
  - ▲ Enrichment plant #2 (KNS and Dense-medium technology) with 4 mln. tonnes annual capacity planned to be launched in Q4 2012
  - ▲ Enrichment plant #3 (Oxidized coal) planned to be launched in 2013
  - ▲ Enrichment plant #4 (Dense-medium technology) with 7-8 mln. tonnes annual capacity planned to be launched in 2015.

(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



# OPERATIONAL HIGHLIGHTS



# OPERATIONAL HIGHLIGHTS



YOY growth of coal extraction and processing

- ▶ In Q4 2011 coal production increased by 5.3% QOQ to 2.57 mln. tonnes (Q3 2011: 2.44 mln. tonnes). During 2011 it increased 28.4% YOY to 8.74 mln. tonnes (2010: 6.80 mln. tonnes).
- ▶ The coal sorting volume in Q4 remained on the level of Q3 2010 - 1.51 mln. tonnes. As for total 2011 – the volume increased by 35.4% YOY to 5.56 mln. tonnes (2010: 4.10 mln tonnes).

KNS enrichment plant is working at full capacity

- ▶ In 2011 the Company's first KNS enrichment plant worked at close to full capacity level and produced 736 th. tonnes of export quality coal (2010: 200 th. tonnes).

Boost of coal sales volume and increase of average realised price

- ▶ During Q4 2011 the sales volume increased by 18.9% QOQ to 3.34 mln. tonnes (Q3 2011: 2.81 mln. tonnes). The volume of coal sales in 2011 increased by 24.8% YOY and reached 10.66 mln. tonnes (2010: 8.54 mln. tonnes).
- ▶ In Q4 the average realized coal price<sup>(1)</sup> increased by 4.5% QOQ to RUB 1,285 per tonne (Q3 2011: RUB 1,229 per tonne). The average price for 2011 increased by 25.6% YOY to RUB 1,228 per tonne (2010: RUB 977 per tonne).

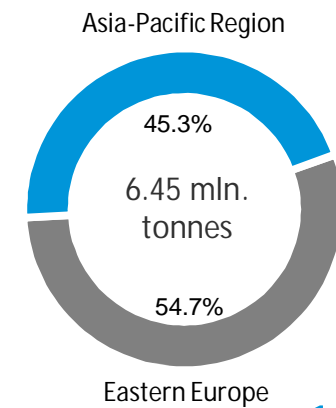
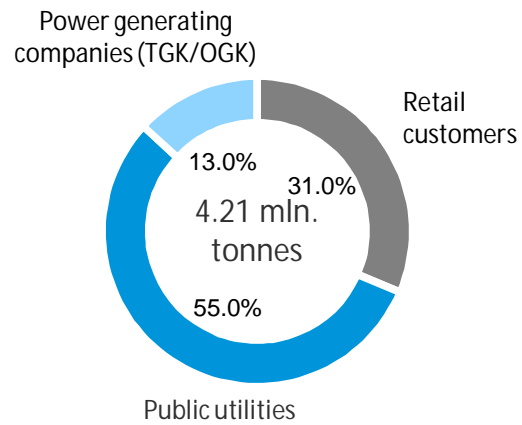
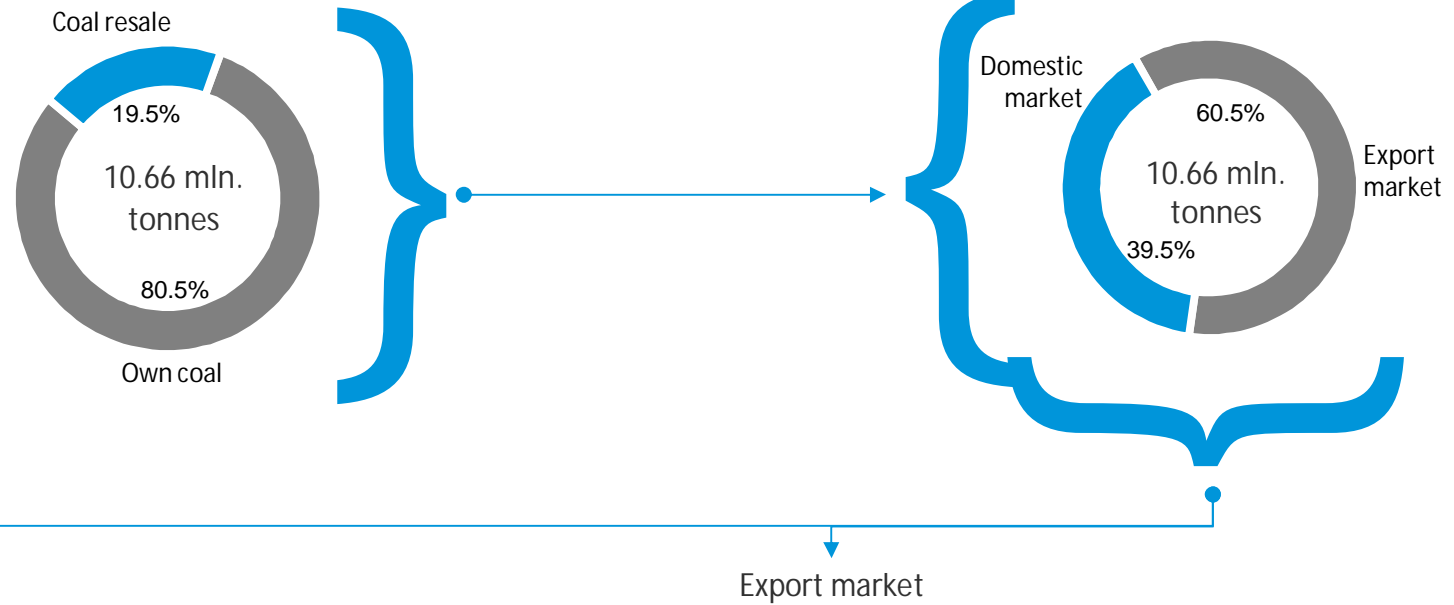
Stripping ratio QOQ decrease, but slight growth YOY

- ▶ The stripping ratio in Q4 decreased by 0.3% QOQ to 7.35x (Q3 2011: 7.37x). The volume of blasted rock mass increased by 42.3% QOQ to 10.72 mln. cbm. (Q3 2011: 7.53 mln. cbm.). The average stripping transportation distance decreased by 4.1% QOQ to 2.95 km (Q3 2011: 3.08 km)
- ▶ During 2011 the stripping ratio raised by 7.3% YOY to 7.80x (2010: 7.27x). The blasted rock mass grew by 29.0% to 32.79 mln cbm. (2010: 25.43 mln cbm.). The average stripping transportation distance extended by 5.9% YOY to 2.88 km (2010: 2.72 km).

Source: Company

(1) - excl. VAT, Russian Railways tariff (FCA Meret, incl. KTK retail margin)

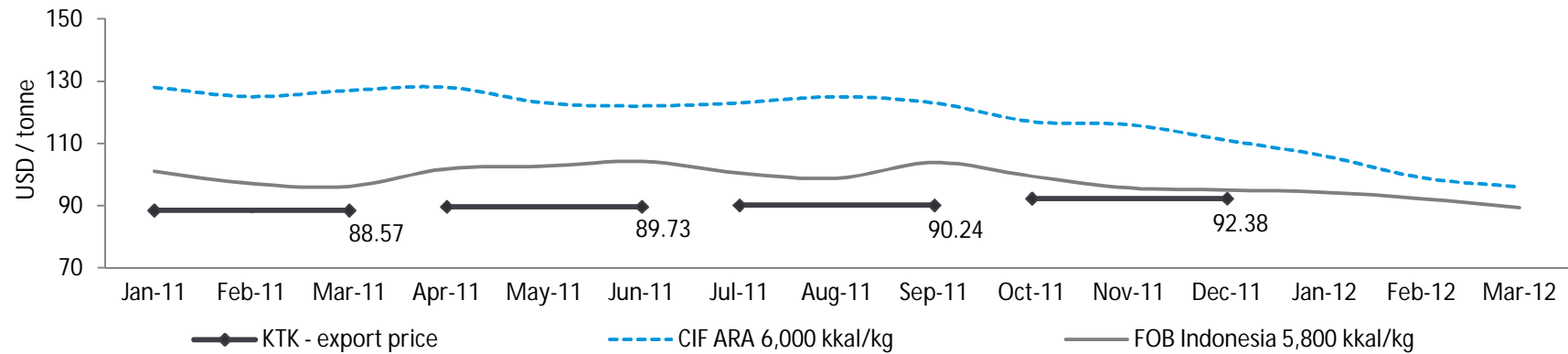
# 2011 COAL SALES BREAKDOWN



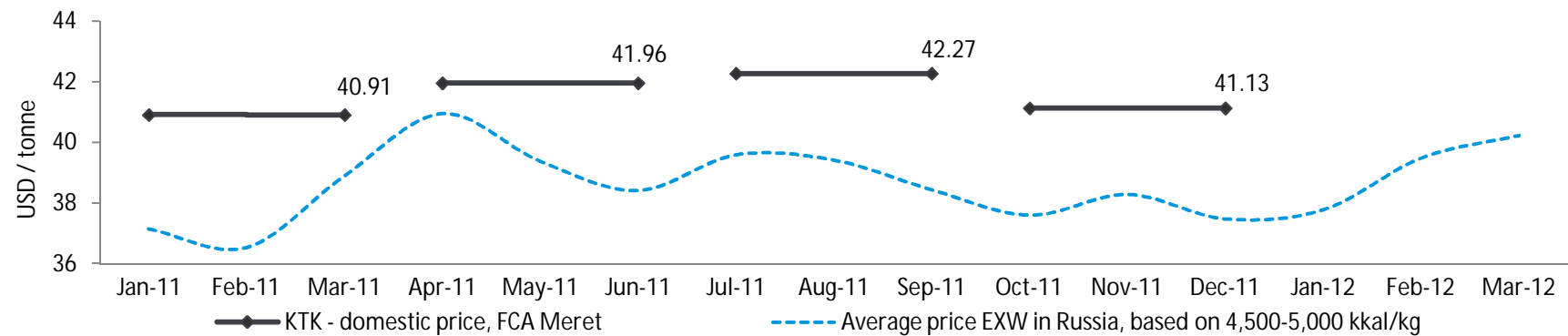
# AVERAGE REALISED PRICES VS BENCHMARKS



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 and CIF ARA, Argus for FOB Indonesia

(1) - Net of VAT, average KTK export realized price incl. railway tariffs

(2) - Average KTK realized quarterly Western shipments price DAF, excluding shipments to Ukraine

# AVERAGE REALISED PRICES VS BENCHMARKS

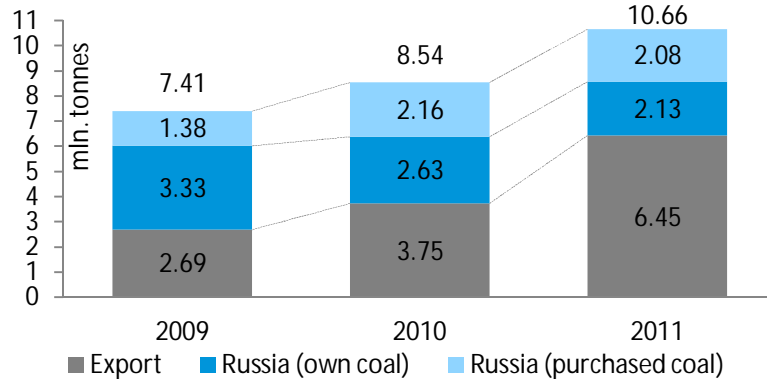


**3.53** mln. tonnes  
Eastern European  
Countries

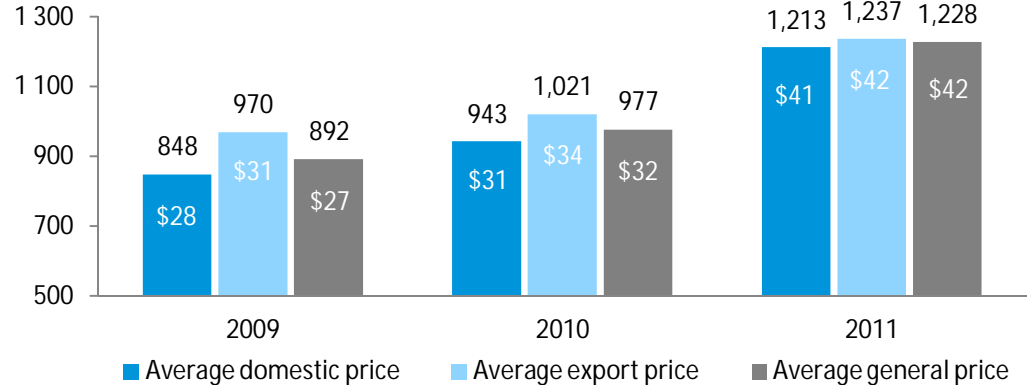


Source: Company  
(1) - Sales volumes FY 2011 (incl. purchased coal)

Quarterly coal sales breakdown by market



Average quarterly domestic and export prices comparison (2)



Source: Company

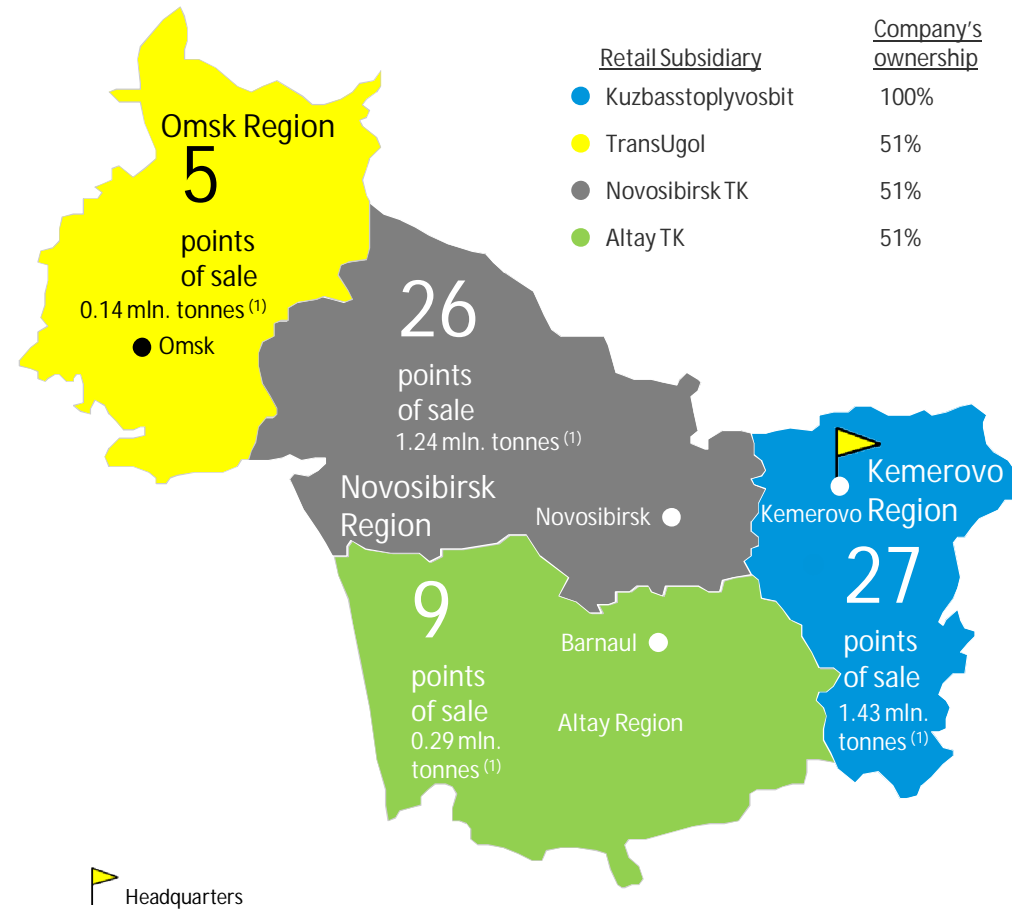
(2) - prices are net of VAT and railroad tariffs; domestic prices include costs associated with retail distribution network; prices are converted to USD using average Central Bank of the Russian Federation exchange rates for each year (2009: 31.72 RUB/USD; 2010: 30.38 RUB/USD; 2012: 29.39 RUB/USD)

# RETAIL NETWORK

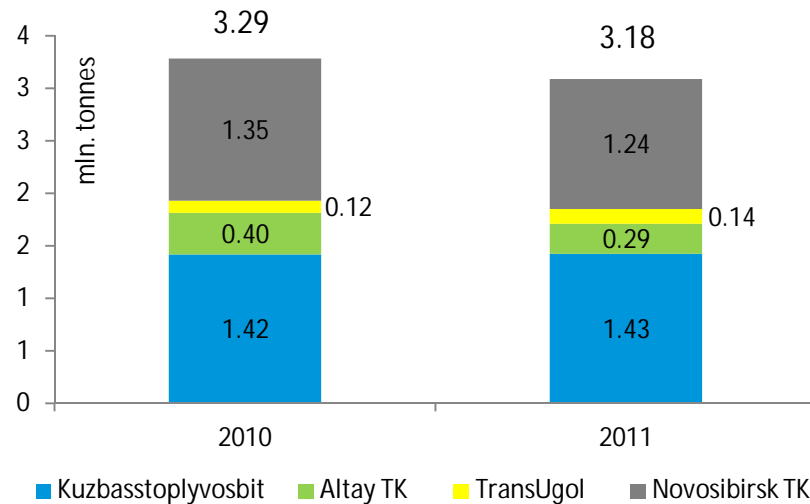


- Since its establishment, the Company has been continuously expanding and building its retail sale and storage network:
  - ▲ own 67 points of sale as at the end of 2011;
  - ▲ additional points of sale planned to be acquired or established.
- Wide distribution network and strong regional presence position 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.

## Retail network in Western Siberia 2011



## Retail sales breakdown



Source: Company  
(1) – including coal resale



# FINANCIAL PERFORMANCE

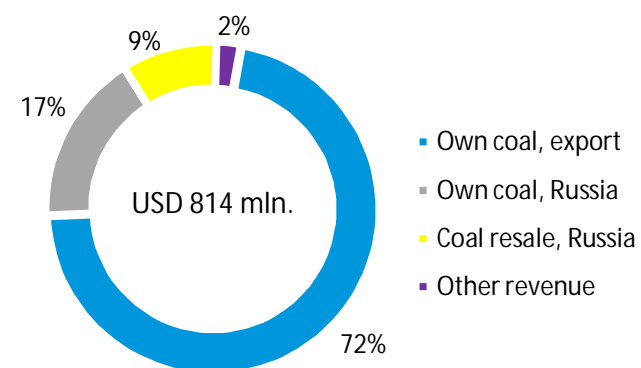
# REVENUE



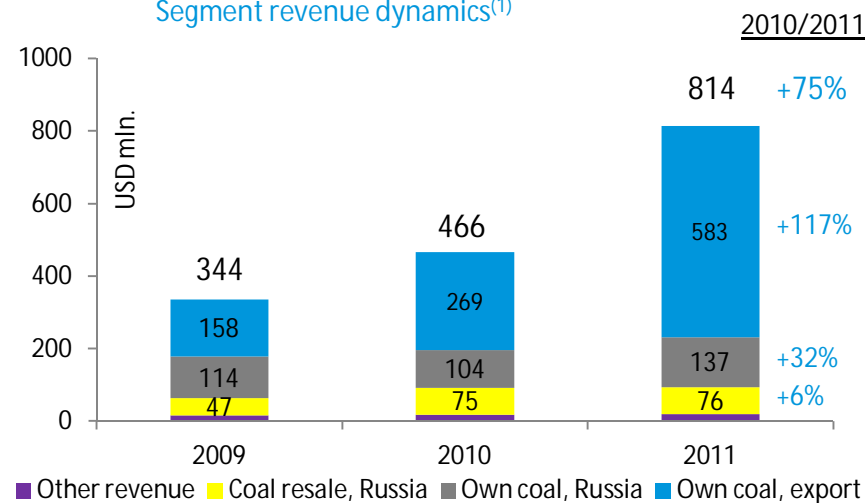
## Key financial indicators<sup>(1)</sup>

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>



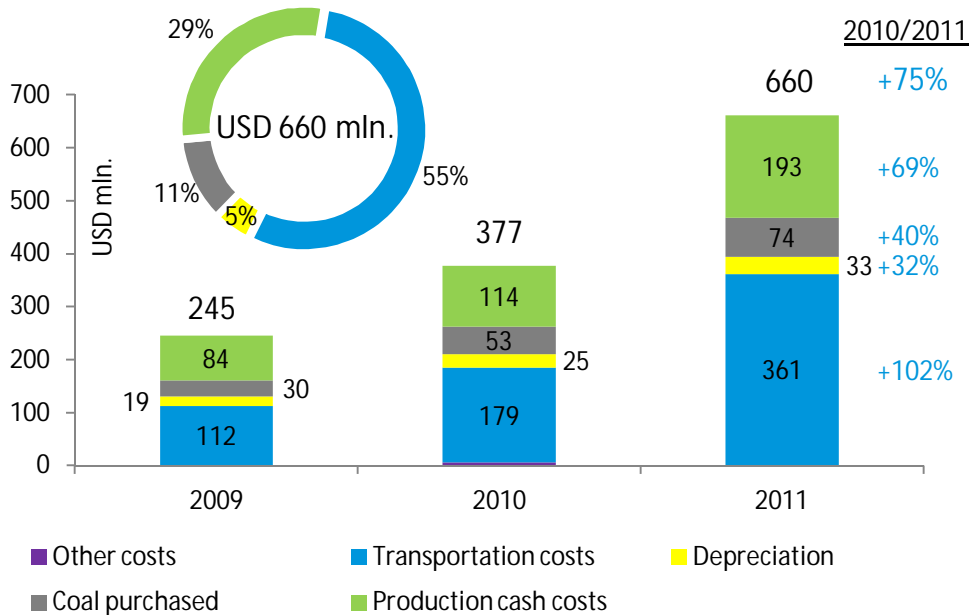
(1) Figures were converted to USD using the average exchange rates of the Central Bank of the Russian Federation for each period (2011: 32.20 RUB/USD; 2010: 30.48 RUB/USD; 2009: 30.24 RUB/USD)

(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

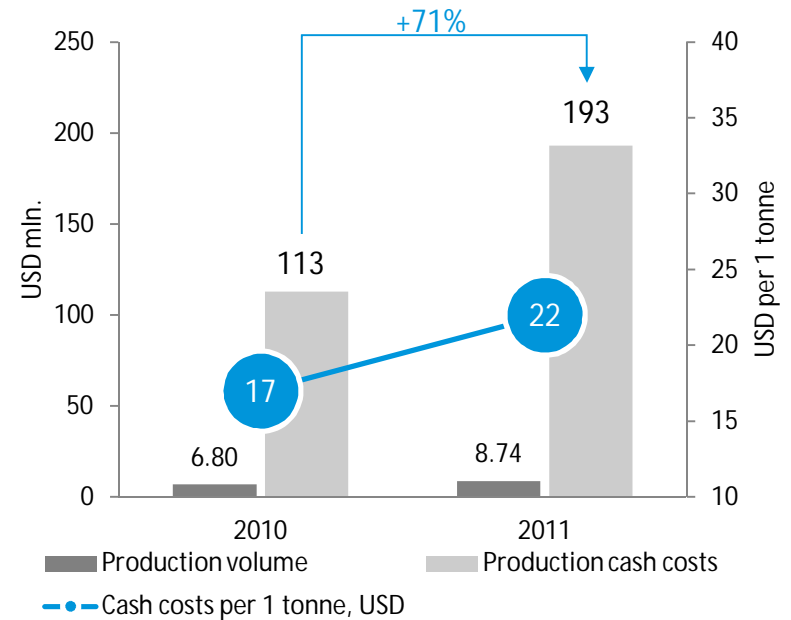
# COST OF SALES AND EBITDA



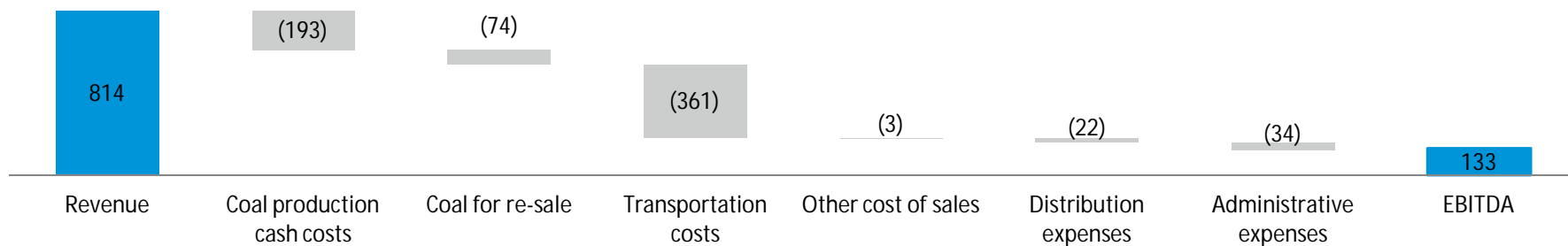
Cost of sales breakdown and dynamics<sup>(1)</sup>



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: 32.20 RUB/USD; 2010: 30.48 RUB/USD; 2009: 30.24 RUB/USD)

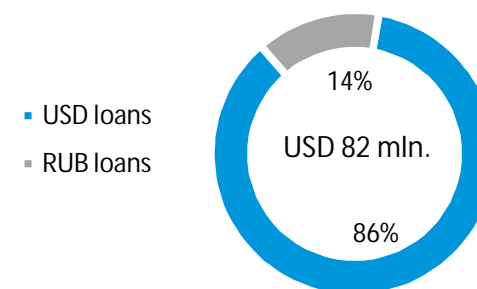


# INDEBTEDNESS

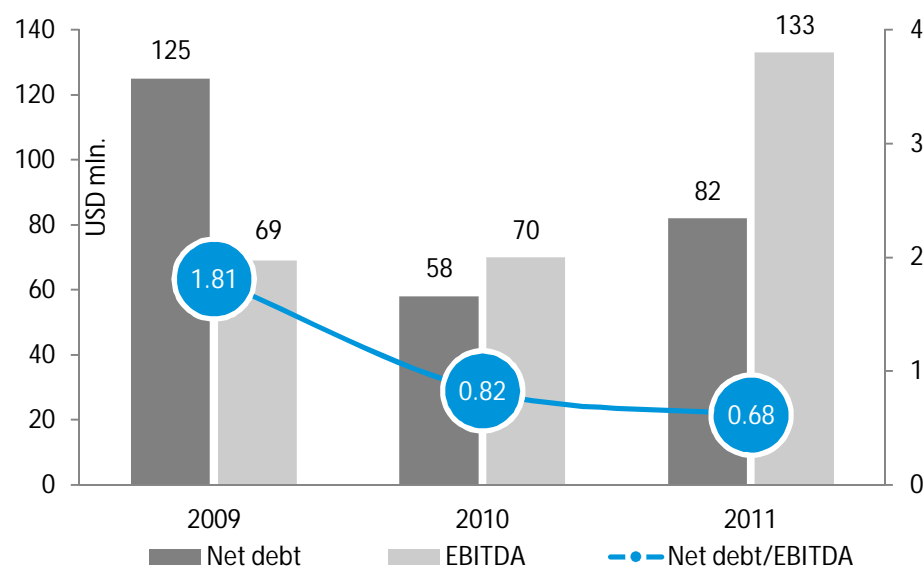


- During 2011 the total net debt increased by 51.8% YoY compared to 2010
- Interest paid decreased by 33.3%, from USD 9 mln. to USD 6 mln.
- The average effective interest rate decreased to 7.7% p.a.
- Net Debt to EBITDA ratio reduced from 0.82 to 0.68

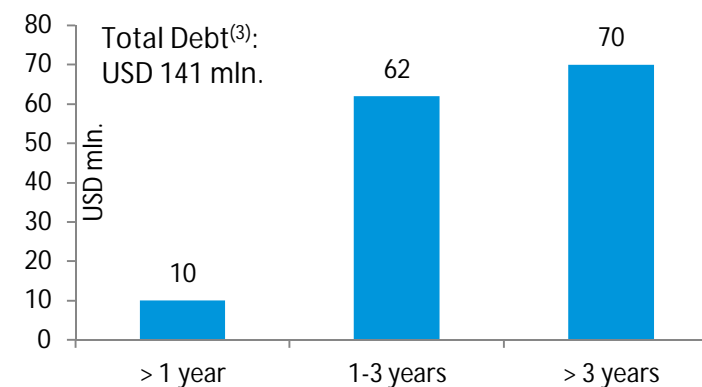
Debt structure<sup>(1)</sup> by currency as of Dec 2011



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

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(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>	<i>6%</i>	<i>6%</i>	<i>8%</i>
EBITDA <sup>(1)</sup>	2,178	2,134	3,911
<i>EBITDA margin</i>	<i>20%</i>	<i>15%</i>	<i>16%</i>

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



## OJSC "Kuzbasskaya toplivnaya Company"

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