



# FY 2013 IFRS FINANCIAL RESULTS

Presentation

April 15, 2014

Kemerovo, Russia

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## Sources

Audited FY'10-12 IFRS FS in which all amounts are presented in RUB

## Exchange rates

Average exchange rates of the Central Bank of the Russian Federation, RUB/USD: 2013: 31.45; 2012: 31.08; 2011: 29.39; 2010: 30.38

Exchange rates of the Central Bank of the Russian Federation for each date RUB/USD: 31.12.13: 32.73; 31.12.12: 30.37; 31.12.11: 32.20; 31.12.10: 30.48

# COMPANY AT A GLANCE



- ▶ Fast growing producer of thermal coal
- ▶ One of major suppliers of coal in Western Siberia
- ▶ №6 thermal coal producer in Russia<sup>(1)</sup>
- ▶ Largest retail coal distribution network in Russia, 94 PoS
- ▶ Since its establishment in 2000, the Company has launched 3 open-pit mines and 2 washing plants. All production assets including developed and extensive infrastructure are located in the same 10 km diameter industrial cluster
  - ▲ 100% high-quality grade D thermal coal under Russian classification
  - ▲ 10.15 mln tonnes of thermal coal produced in 2013
  - ▲ Developed railroad network and facilities: handling capacity – 17 mln tonnes per year, 90 km of railroad, 6 loading and 1 sorting station.
  - ▲ Structural capacity of 2 washing plants – 6 mln tonnes per year

## 3 existing open-pits

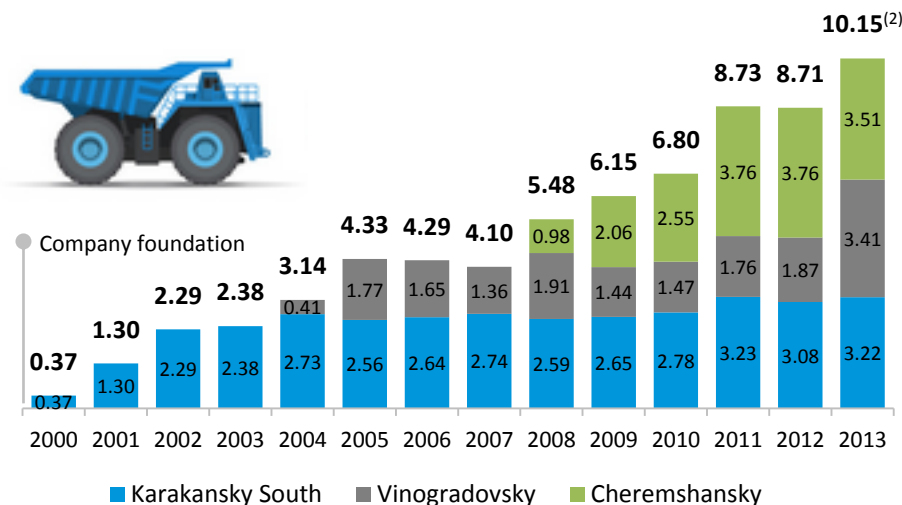
## 2 projected open-pits

	3 existing open-pits	2 projected open-pits
Structural capacity	13 mln tonnes	4.5-7 mln tonnes

Coal reserves	C1: 280 mln tonnes C2: 18 mln tonnes	C2: 307 mln tonnes
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- ▶ Utilization of modern and high-performance equipment fleet supporting efficient low-cost production – USD 19 per tonne of coal in 2013
- ▶ Diversified sales capabilities balanced between domestic market (2013: 3.67 mln tonnes) and export to Eastern Europe and Asia-Pacific region (2013: 6.93 mln tonnes)
- ▶ Employing over 4,400 people
- ▶ KTK shares are quoted on MICEX (ticker: KBTk)
- ▶ 65.61% of share capital is owned by the management (Prokudin – 50.001%, Danilov – 15.61%), free-float – 34.39% is distributed between more than 15 investment funds.

## Coal production history, mln tonnes



## Key operating and financial performance indicators

	2010	2011	2012	2013
Coal sales, mln tonnes	8.54	10.66	10.20	10.60
including coal resale, mln tonnes	2.16	2.08	1.70	1.78
Revenue, USD mln	466	814	743	715
% change	39%	75%	-9%	-4%
EBITDA, USD mln	70	133	112	77
% margin	15.1	16.3	15.1	10.8
Net income, USD mln	27	69	58	20
% margin	5.8	8.4	7.8	2.8

(1) Metal Expert, January 2014

(2) Starting from 2013 coal production volume is higher than volume of commercial coal output. For the FY 2013 commercial coal output was 8.96 mln tonnes

# KEY FINANCIAL HIGHLIGHTS

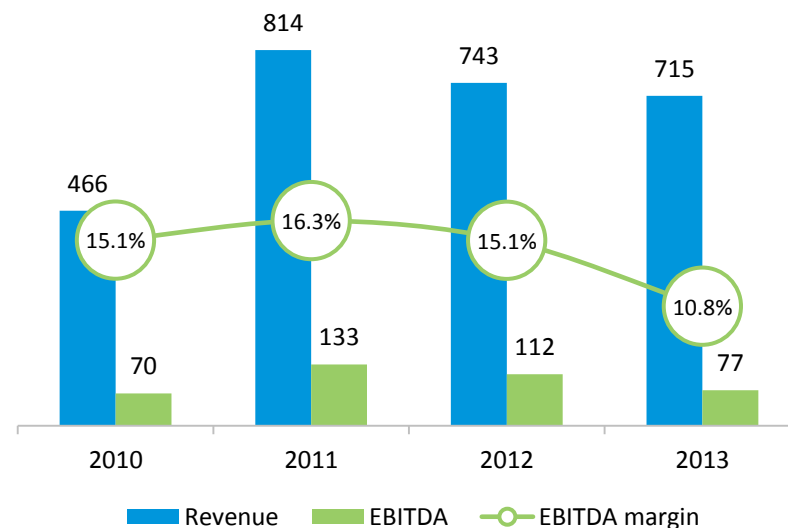


## 2013 financial results

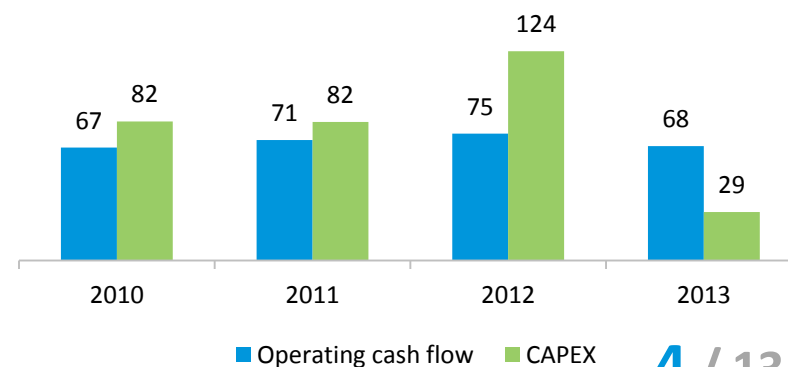
➤ Revenue	USD 715 mln	(4%) Y-o-Y
➤ EBITDA	USD 77 mln	(31%) Y-o-Y
➤ EBITDA margin	10.8%	(4.3 ppts) Y-o-Y
➤ Net income	USD 20 mln	(65%) Y-o-Y
➤ Operating cash flow	USD 68 mln	(10%) Y-o-Y
➤ CAPEX	USD 51 mln	(70%) Y-o-Y
➤ Net debt	USD 120 mln	(22%) Y-o-Y
➤ Net debt/EBITDA	1.55 <sup>(1)</sup>	13% Y-o-Y
➤ Cash and cash equivalents	USD 83 mln.	6% Y-o-Y

(1) 1.62 if calculated in RUB

## Revenue and EBITDA, USD mln



## Operating cash flow and CAPEX, USD mln





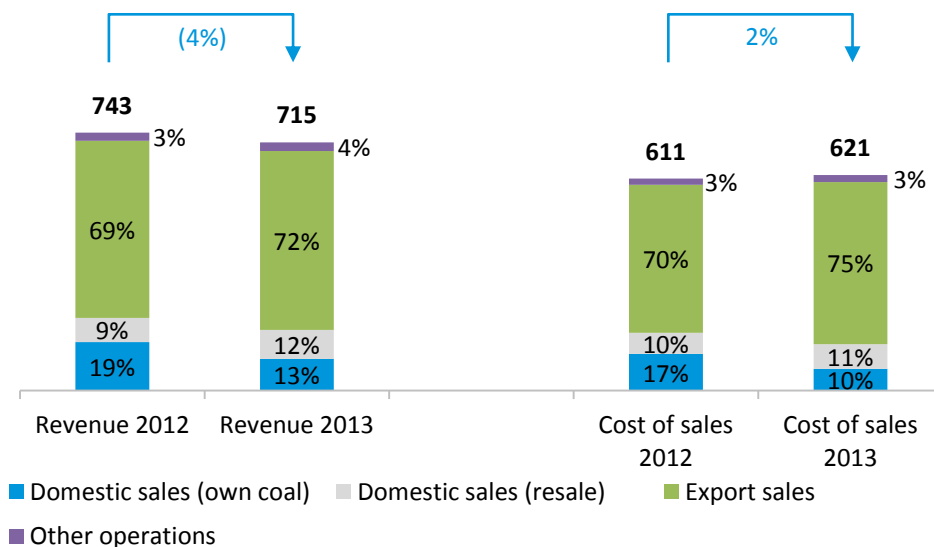
# SEGMENT REPORTING



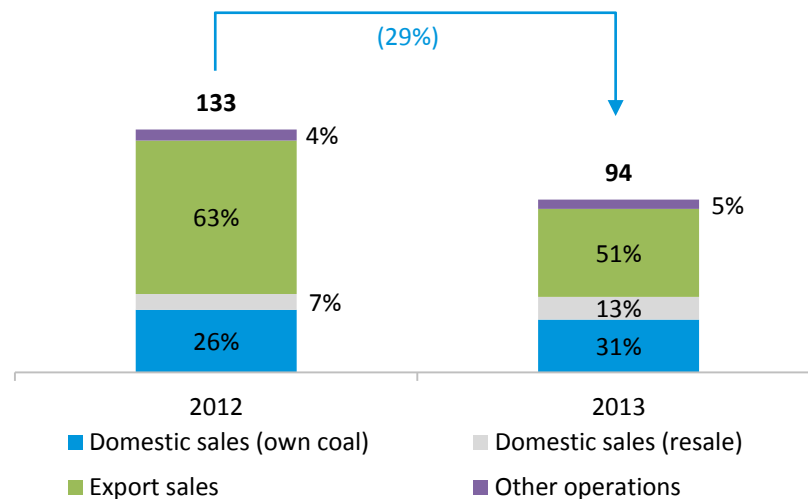
## 2013 Segment results

- Strong domestic market performance in 2013
- Share of export sales in total revenue and gross profit is decreasing
- Coal resale on domestic market becomes more profitable
- Other operations segment shows growth in margin and flat cost of sales

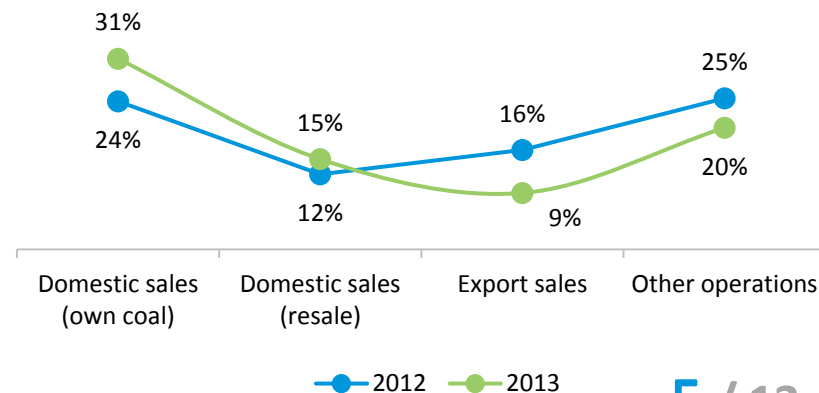
Revenue and cost of sales by segment, USD mln



Gross profit by segment, USD mln



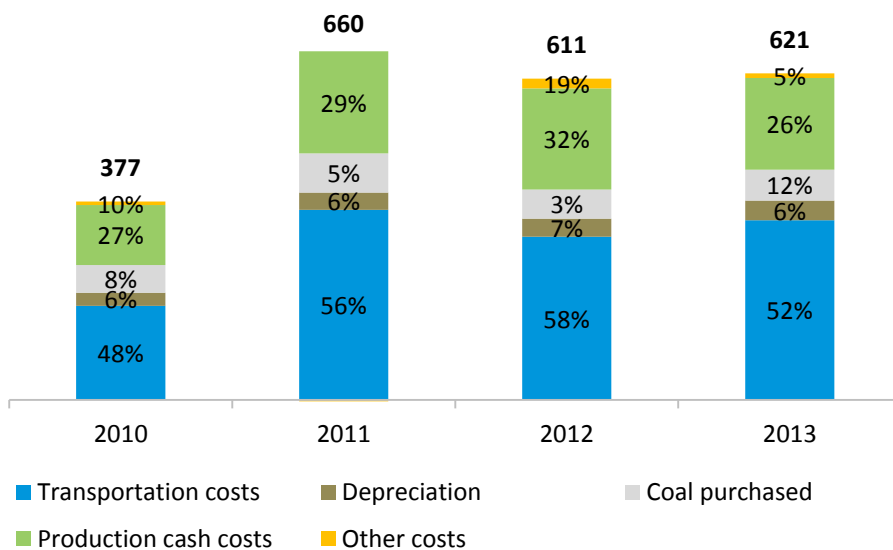
Gross profit margin by segment



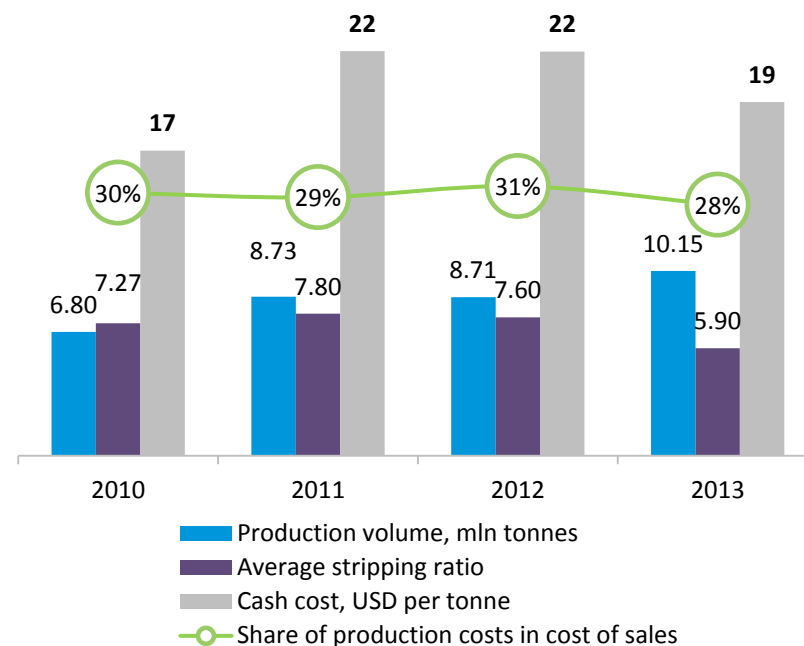
# COST OF SALES AND PRODUCTION CASH COSTS



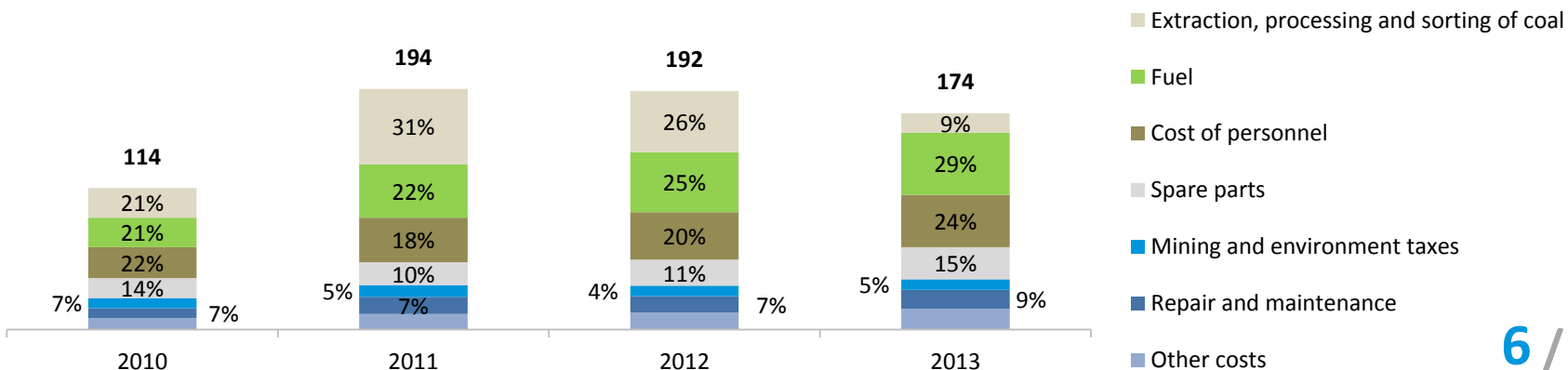
Cost of sales breakdown and dynamics, USD mln



Production cash costs dynamics



Production cash costs breakdown, USD mln



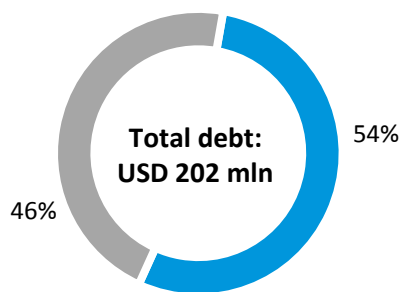
# SETTLEMENT OF FINANCIAL LIABILITIES



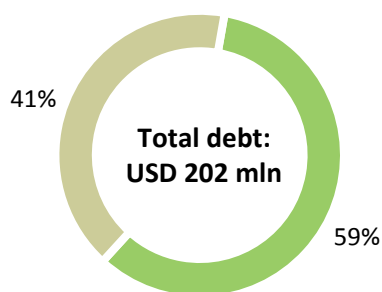
## Indebtedness as of 31.12.13

➤ Net debt	USD 120 mln	(22%) Y-o-Y
➤ Net debt to EBITDA	1.55 <sup>(1)</sup>	13% Y-o-Y
➤ Average interest on RUB loans	8.54% <sup>(2)</sup>	0.09 ppts Y-o-Y
➤ Average interest on USD loans	4,85%	0.05 ppts Y-o-Y
➤ Committed credit lines	USD 414 mln	
➤ Credit portfolio diversification	10 banks from Russia and Europe	

## Loan portfolio structure

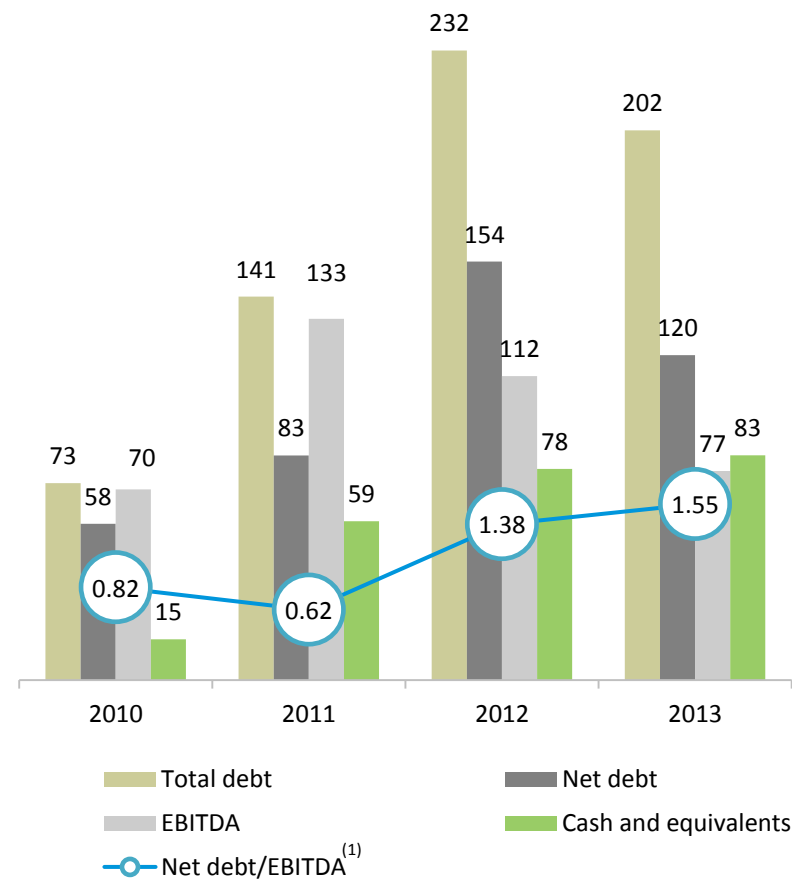


■ USD loans ■ RUB loans



■ 1-3 years ■ 3-5 years

## Net Debt to EBITDA, USD mln



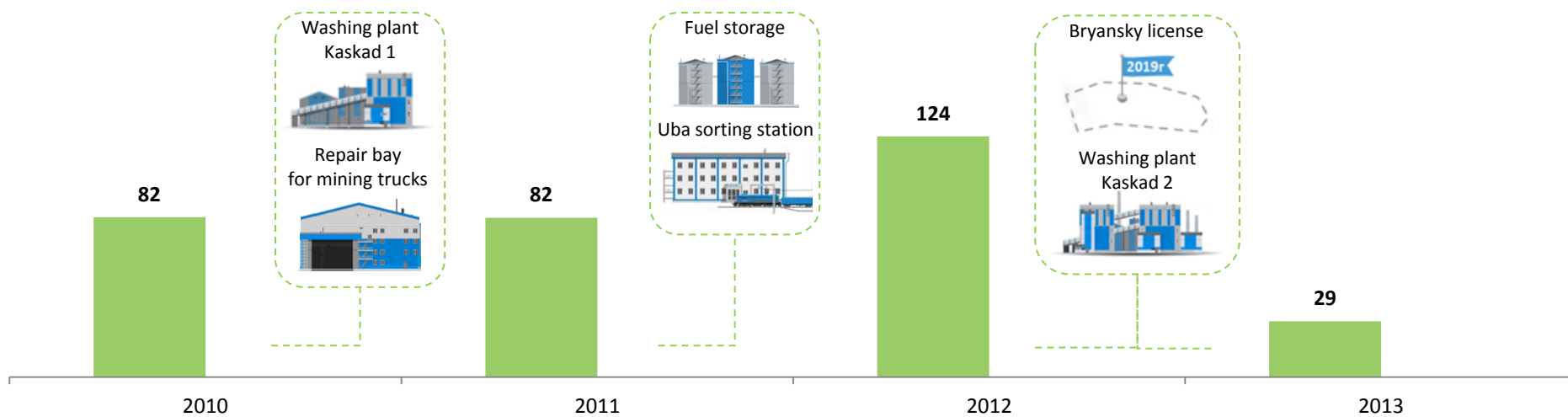
(1) 1.62 in 2013, if calculated in RUB

(2) Including subsidy of Belarus Republic for purchasing BelAZ mining trucks

# CAPEX AND KEY PROJECTS



CAPEX, USD mln







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# APPENDICES



# SUMMARY INCOME STATEMENT



USD mln unless otherwise stated	Q4 2013	Q3 2013	Change, %	2013	2012	Change, %
Revenue	202	202	-	715	743	(4%)
Cost of sales	177	171	4%	621	611	2%
<i>Production cash costs per tonne, USD</i>	19	21	(9%)	19	22	(12%)
Gross profit	24	31	(21%)	94	133	(29%)
<i>Gross profit margin, %</i>	12.0%	15.2%	(3.2 pts)	13.2%	17.8%	(4.6 pts)
EBITDA	21	24	(16%)	77	112	(31%)
<i>EBITDA margin, %</i>	10.2%	12.1%	(1.9 pts)	10.8%	15.1%	(4.3 pts)
<i>EBITDA per tonne, USD</i>	7	10	(24%)	8	13	(41%)
Distribution, administrative and other costs	8	16	(50%)	50	57	(12%)
<i>Distribution, administrative and other costs as % of revenue</i>	7.7%	8.1%	(0.4 pts)	7.0%	7.7%	(0.7 pts)
Operating profit	16	14	12%	44	75	(41%)
<i>Operating profit margin, %</i>	8.0%	7.1%	(0.9 pts)	6.2%	10.1%	(3.9 pts)
Finance income	-	-	-	3	10	(68%)
Finance costs	4	3	35%	20	9	121%
Profit / (loss) before income tax	13	12	8%	27	76	(64%)
<i>Income tax expense</i>	3	3	-	7	18	(60%)
Net profit / (loss)	10	9	6%	20	58	(65%)
<i>Net profit margin, %</i>	4.7%	4.5%	0.2 pts	2.8%	7.8%	(5.0 pts)
<i>Basic and diluted earnings per share, USD</i>	0.09	0.06	45%	0.19	0.58	(67%)



# SUMMARY BALANCE SHEET



USD mln	As at December 31, 2013	As at December 31, 2012	Change, %
Cash and cash equivalents	83	78	6%
<b>Total assets</b>	<b>629</b>	<b>657</b>	<b>(4%)</b>
<i>Current assets</i>	226	207	9%
<i>Non-current assets</i>	403	449	(10%)
<b>Total liabilities</b>	<b>328</b>	<b>338</b>	<b>(3%)</b>
<i>Current liabilities</i>	102	181	(44%)
<i>Non-current liabilities</i>	226	157	44%
<b>Total equity</b>	<b>300</b>	<b>319</b>	<b>(6%)</b>
<b>Total equity and liabilities</b>	<b>629</b>	<b>657</b>	<b>(4%)</b>

# SUMMARY CASH FLOW STATEMENT



USD mln	Q4 2013	Q3 2013	Change, %	2013	2012	Change, %
<i>Profit before financing and taxation</i>	38	43	(10%)	85	99	(13%)
<i>Cash generated from operations</i>	35	38	(8%)	68	75	(10%)
<i>Interest paid</i>	4	4	-	16	12	38%
<i>Income tax (Paid)/Received</i>	0	0	-	4	15	(73%)
<b>Net cash from operating activities</b>	<b>35</b>	<b>38</b>	<b>(8%)</b>	<b>68</b>	<b>75</b>	<b>(10%)</b>
<b>Total cash used in investing activities</b>	<b>3</b>	<b>(14)</b>	<b>n.a.</b>	<b>(20)</b>	<b>(127)</b>	<b>(84%)</b>
<i>Acquisition of property, plant and equipment</i>	3	15	(82%)	29	124	(77%)
<b>Free cash flow</b>	<b>13</b>	<b>-</b>	<b>n.a.</b>	<b>15</b>	<b>-</b>	<b>n.a.</b>
<b>Cash used in financing activities</b>	<b>(17)</b>	<b>(24)</b>	<b>(29%)</b>	<b>(39)</b>	<b>68</b>	<b>n.a.</b>
<i>Effect of exchange rate on cash and cash equivalents</i>	1	-	-	3	(1)	n.a.
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>17</b>	<b>(48%)</b>
<i>Cash and cash equivalents at beginning of the period</i>	-	-	-	75	61	24%
<i>Cash and cash equivalents at end of the period</i>	22	-	-	86	76	13%