KTK

Q3 and 9M 2010 Financial Results Presentation

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Presenters

Eduard Alekseenko

First Deputy Chief Executive Officer

Anton Rumyantsev

Investor Relations Manager

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Section I

Business Review

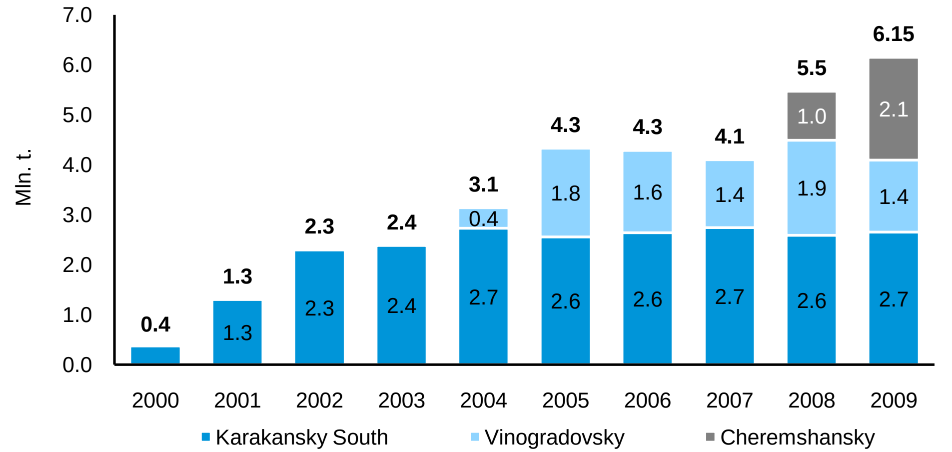
I. KTK at a Glance

- The Company is one of the fastest-growing thermal coal producers in Russia and a major supplier of coal in Western Siberia.
- Since its establishment in 2000, the Company has launched 3 open-pit mines and developed an extensive production and distribution infrastructure.
  - ▲ 6.15 mln. t. of thermal coal produced in 2009
  - ▲ 100% high-quality grade "D" thermal coal under Russian classification
  - ▲ structural capacity (1) of 11 mln. t.
  - ▲ 409 mln. t. of coal resources and 192 mln. t. of proven and probable reserves (2)
  - ▲ Developed railway network and facilities
- The Company utilizes a modern and high-performance equipment fleet supporting efficient low-cost production.
- The Company has diversified sales capabilities balanced between domestic (4.7 mln. t. sold in 2009) and export markets (2.7 mln. t.), and supported by one of the largest retail coal distribution networks in Western Siberia.
- The Company employs more than 3,800 people.
- In Q2 2010 the Company made an IPO on RTS and MICEX and raised RUR 2.83 bln. net of IPO costs.
- Main shareholders after IPO: Igor Prokudin (48%) and Vadim Danilov (16%); free-float – 36%.

(1) here and further through 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

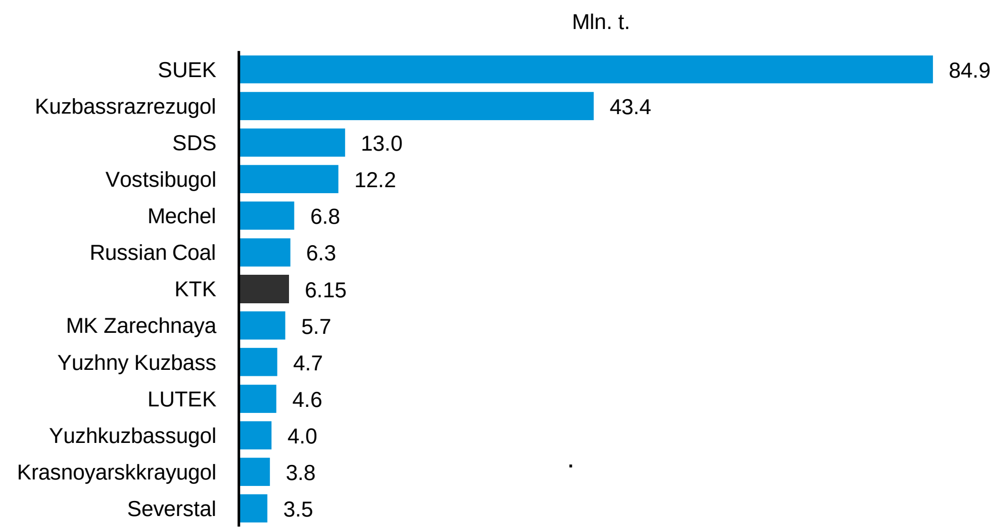
(2) run-of-mine coal, JORC classification; Coal reserves and resources are audited by IMC as of 1 January 2010 (measured, indicated and inferred); reserves are based on auditing methodology adopted by IMC, under which only resources recoverable within a 20-year period can be deemed as reserves

Coal production history



Source: Company

Russia's largest thermal coal producers, 2009

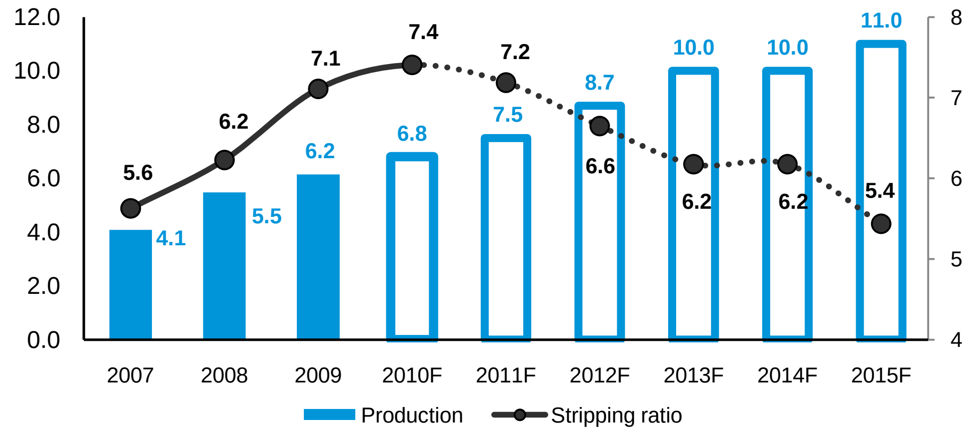


Source: Metal Expert, February 2010

II. KTK Production Growth Prospects

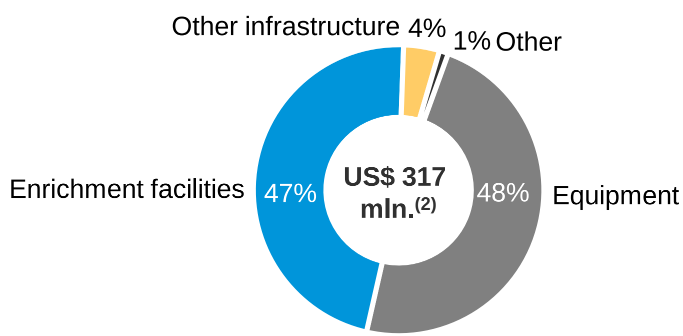
- The Company has established most of the infrastructure required to sustain production at the level of the structural capacity[(1)] of the existing mining facilities – 11 mln. t. per year.
  - Further expansion of the production volume will be based on existing facilities, licenses, and infrastructure and will not require significant capital expenditure, other than into additional mining and transportation equipment.
- In August 2010 the Company has commissioned it's first coal enrichment plant with 2 mln. t. annual capacity. Furthermore, in the period of 2012-2013, the Company plans to commission another 2 coal enrichment facilities that will increase the total installed annual capacity to 8.5 mln. t.
- Enrichment facilities will allow the Company to enhance its ability to provide quality products to its clients, reduce operational losses, expand its export capabilities and enter into new and perspective markets.

Forecast of production volume and stripping ratio dynamics



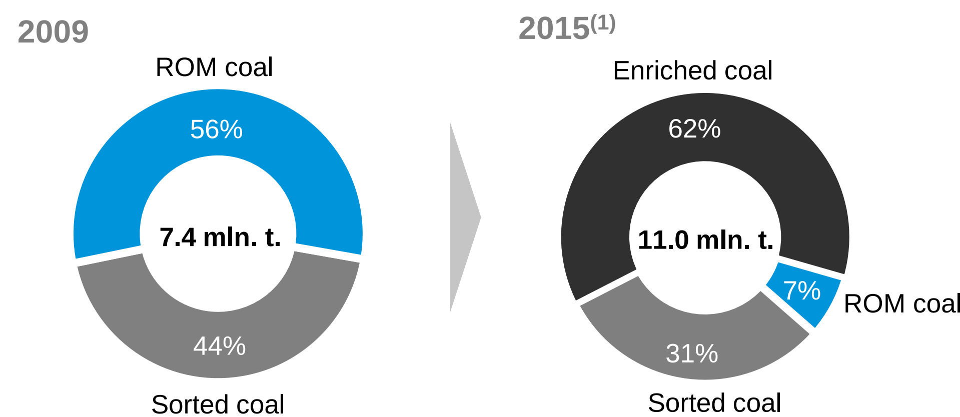
Source: Company

Company's investment program, 2010-2015



Source: Company

Targeted sale structure change



(1) - here and further through 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

(2) - net of VAT, converted to RUR at 30 RUR/US$ exchange rate, about 60 mln. USD is planned to be invested in 2010

Section II

Operational Highlights

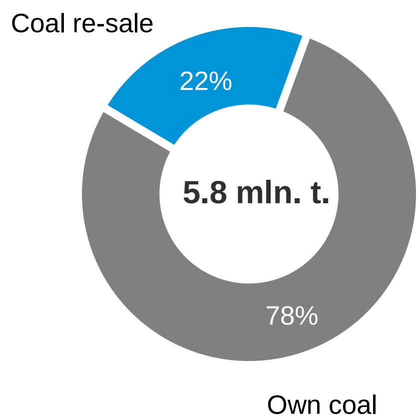
II. Operational highlights

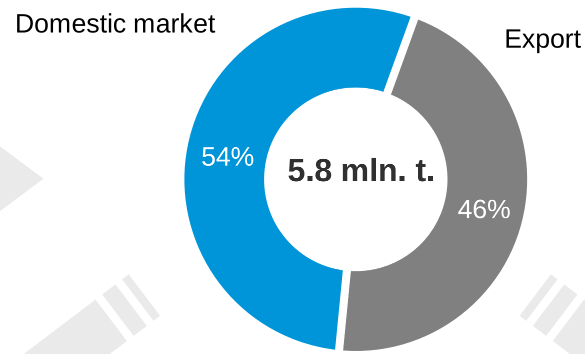
Strong growth of coal extraction and processing	• In Q3 2010 coal production increased by 52% QOQ 1.87 mln. tonnes (Q2 2010: 1.23 mln. tonnes). During 9M 2010 it increased 5% YOY to 4.59 mln. tonnes (9M 2009: 4.38 mln. tonnes). • Coal sorting increased by 33% QOQ to 1.16 mln. tonnes (Q2 2010: 0.87 mln. tonnes). Its 9M 2010 volume increased by 34% YOY to 2.94 mln. tonnes (9M 2009: 2.20 mln. tonnes).
Boost of coal sales volume and increase of average realised price	• During Q3 2010 the sales volume increased by 43% QOQ to 2.27 mln. tonnes (Q2 2010: 1.59 mln. tonnes). The volume of 9M 2010 coal sales increased by 14% YOY and reached 5.79 mln. tonnes (9M 2009: 5.08 mln. tonnes). • The average realized coal price (1) increased by 7% QOQ to RUR 1,010 per tonne (Q2 2010: RUR 946 per tonne). The price for 9M 2010 increased by 3% YOY to RUR 947 per tonne (9M 2009: RUR 920 per tonne).
QOQ decrease of technological costs per 1 tonne in Q3, but 9M costs are higher YOY	• The stripping ratio in Q3 decreased by 32% QOQ to 7.2x (Q2 2010: 10.6x).The volume of blasted rock mass fell by 34% QOQ to 4.8 mln. cbm. (Q2 2010: 7.4 mln. cbm.). The average stripping transportation distance increased by 7% QOQ to 3 km (Q2 2010: 2.8 km) • During 9M the stripping ratio raised by 4% YOY to 7.8x (9M 2009: 7.5x). The blasted rock mass grew by 28% to 18.6 mln. cbm. (9M 2009: 14.6 mln. cbm.). The average stripping transportation distance extended by 24% YOY to 2.9 km (9M 2009: 2.4 km).
Large-scale investments continued	• During Q3 the total volume of CAPEX reached RUR 572 mln. The CAPEX for 9M 2010 has been 2.3 times higher YOY and accounted for RUR 1,919 mln. (9M 2009: RUR 821 mln.) Investments included purchase of mining equipment, construction of the 1st enrichment plant of the Company and heated repair bay for trucks

Source: Company

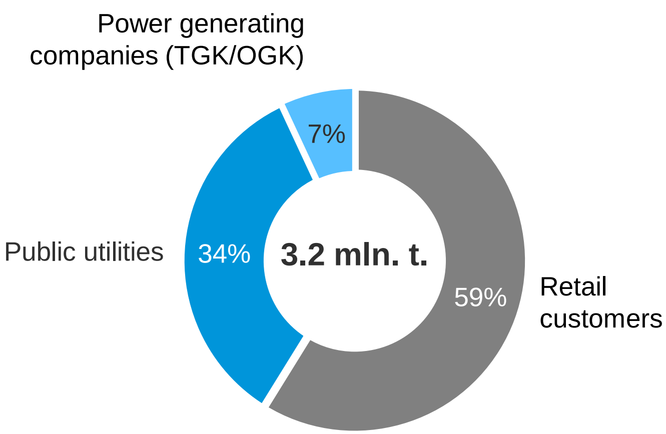
(1) - excl. VAT, Russian Railways tariff (FCA Meret, incl. KTK retail margin)

II. 9M 2010 Coal sales breakdown

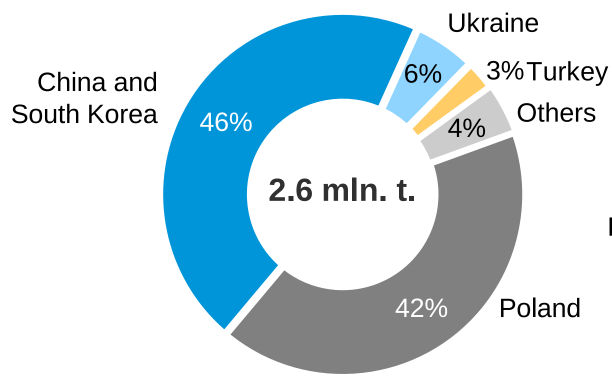


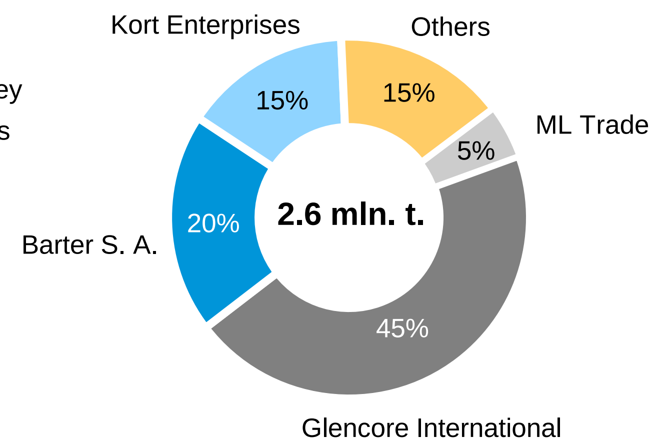


Domestic market



Export

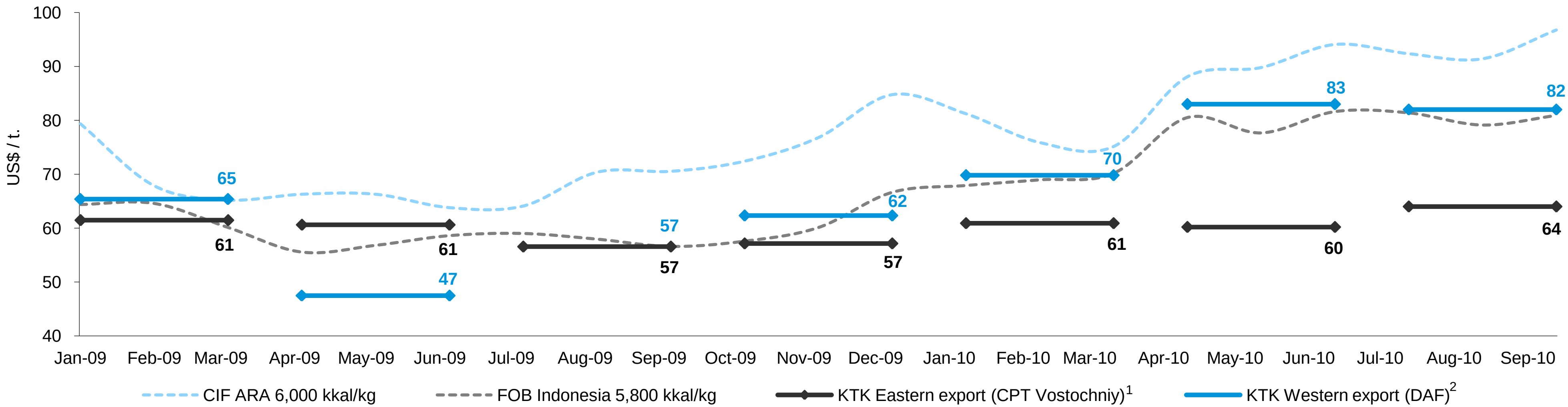




Source: Company

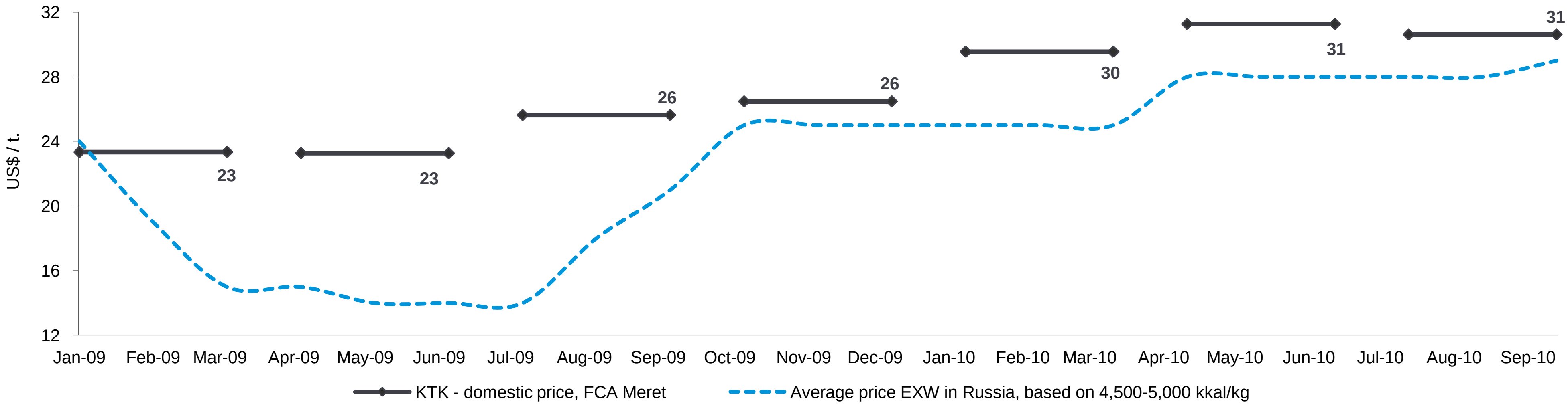
II. Average realised prices VS benchmarks

KTK realized export prices vs. international FOB and CIF benchmarks, $/t



Source: Company, Argus for FOB Indonesia and CIF ARA

KTK FCA prices vs. Russian EXW benchmark, $/t



Source: Company, Metal Expert for average EXW prices in Russia

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

II. Quarterly production volumes and cash costs analysis

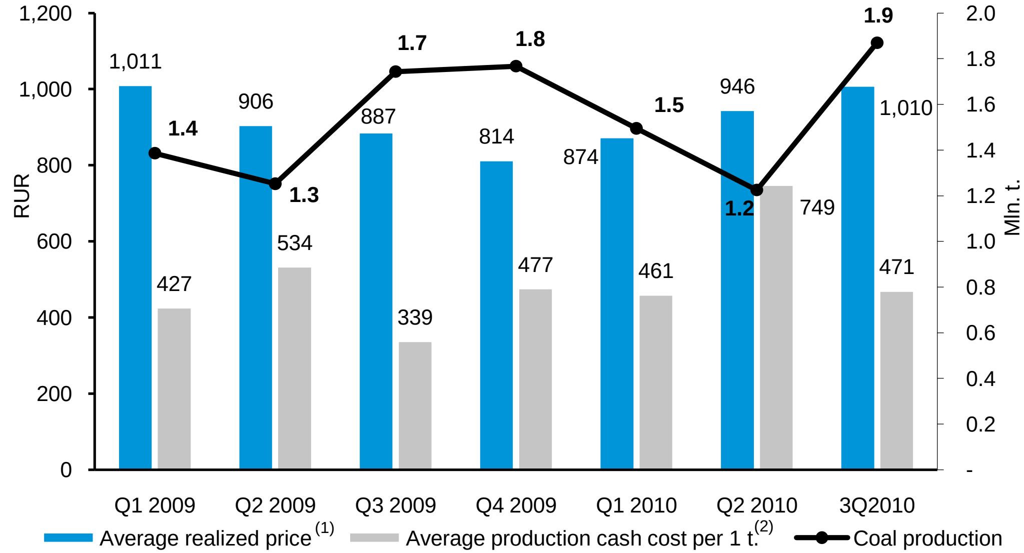
- The total volume of coal production in Q3 2010 composed 1.87 mln. tonnes being 52% higher than Q2 2010 figure. Such strong pick up was driven by the traditional growth of demand for coal among Russian customers before the start of the heating season and partial replacement of purchased coal by KTK own products.

- The average Q3 realised price[(1)] reached RUR 1,010 ($33), which was 7% higher than in Q2 2010. The price build-up was mainly caused by a change in export shipments structure in favor of H1 2010 contracts, signed at higher prices.

- Owing to decrease of stripping ratio and fall of rock explosion costs, the Company's Q3 production cash costs [(2)] per 1 tonne of coal reduced by 37% to RUR 471 comparing to RUR 749 in Q2 2010.

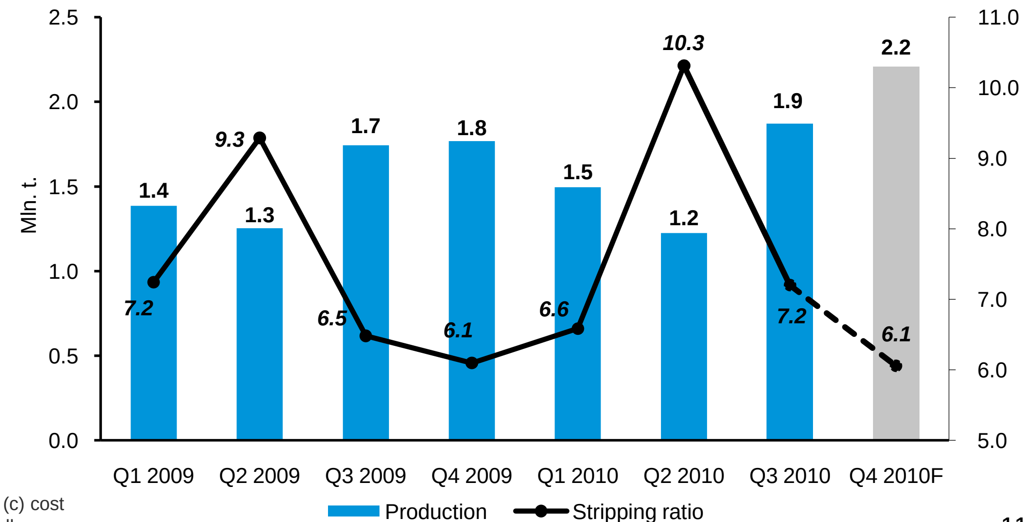
- The Company retains the forecast of further drop of stripping ratio and increase of coal production in Q4 and plans to reach the target annual production volume - 6.8 mln. tonnes.

Average realized price and production cash cost per 1 t. of coal



Source: Company

KTK coal production and stripping ratio



Source: Company

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

(2) – cash cost of production is calculated as cost of sales, net of (a) costs of retail distribution, (b) depreciation, (c) cost of coal for resale, (d) change in inventories, (e) railway tariff and transportation services, (f) expenses restated/roll-forwarded, plus distribution costs at the our mining facilities divided by production volume for the year

Section III

Financial Performance

III. Financial Highlights

Revenue **Q3 - RUR 3,925 mln.** **9M - RUR 9,576 mln.**	• The Revenue for Q3 2010 increased by 44% to RUR 3,925 mln. QOQ (Q2 2010: RUR 2,733 mln.) primarily due to the growth of sales volume and average realized price by 43% and 7%, respectively. • Revenue for 9M 2010 increased by 29% YOY up to 9,576 mln. (9M 2009: RUR 7,450 mln.).
EBITDA **Q3 - RUR 683 mln.** **9M - RUR 1,224 mln.**	• EBITDA(1) for Q3 2010 increased significantly to RUR 683 mln. (Q2 2010: RUR 12 mln.) owing to a revenue growth and a reduction of production cash costs(2) per tonne of coal. EBITDA margin(3) accounted for 29%. • During 9M 2010 EBITDA reduced by 21% YOY to RUR 1,224 mln. (9M 2009: RUR 1,543 mln.). Its decrease was in accordance with management expectations and related to a YOY decline of average realized export price and a growth of production costs through the period. EBITDA margin composed 21%.
Net Income **Q3 - RUR 349 mln.** **9M - RUR 353 mln.**	• In Q3 2010 the Company earned RUR 349 mln. of net profit as against a Q2 2010 net loss of RUR 275 mln. Net profit margin reached 15%. • Net profit for 9M 2010 declined by 28% to RUR 353 mln. (9M 2009: RUR 490 mln.) Net profit margin accounted for 6%.
Net Debt **RUR 2,311 mln.**	• At the reporting date Net Debt amounted to RUR 2,311 mln. It reduced by 12% QOQ (Q2 2010: RUR 2,613 mln.) and by 41% YOY (9M 2009: RUR 3,886 mln.). • Net Debt to EBITDA ratio (4) was 1.2.

Source: Unaudited IFRS financial statements for Q3 and 9M 2010

(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

(2) - cash cost of production is calculated as cost of sales, net of (a) costs of retail distribution, (b) depreciation, (c) cost of coal for resale, (d) change in inventories, (e) railway tariff and transportation services, (f) expenses restated/roll-forwarded, plus distribution costs at the our mining facilities divided by production volume for the year

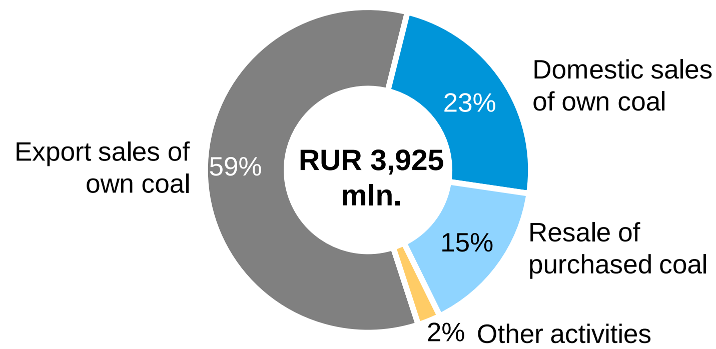
(3) - Here and further through the presentation for the purpose of EBITDA margin and net profit margin calculation revenue net of transportation costs was used

(4) - For the purpose of Q3 2010 Net Debt/EBITDA ratio calculation a aggregate of EBITDA for 9M 2010 and Q4 2009 was used

III. Revenue by Operational Segments

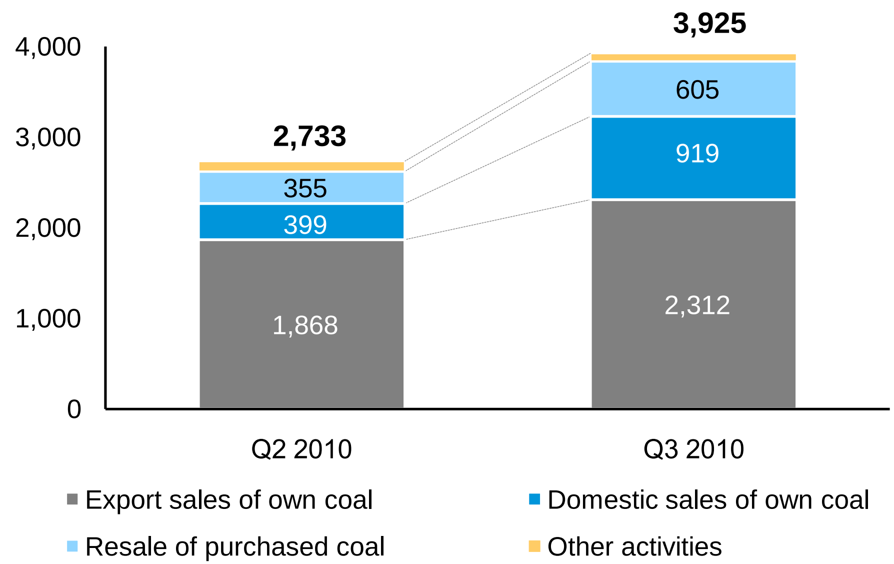
- Export revenue in Q3 increased by 24% QOQ to RUR 2,312 mln. (Q2 2010: RUR 1,868 mln.) as a result of 12% export shipment volumes growth and 13% increase of average realized export price[(1)]. The price build-up was caused by a change in export shipments structure in favor of H1 2010 contracts, signed at higher prices.
- The Q3 revenue from the own coal sales in Russia accounted for RUR 919 mln., being 2.3 times higher than Q2 2010 revenue (RUR 399 mln.) Such strong pick up was driven by the traditional growth of demand for coal among Russian customers before the start of the heating season and partial replacement of purchased coal by KTK own products.
- The Company continued to build-up the sales of coal purchased from the third parties. As a result of sales volumes growth and seasonal internal price growth, Q3 2010 revenue in coal resale segment increased by 70% QOQ and amounted to RUR 605 mln. (Q2 2010: RUR 355 mln.).
- During Q3 2010 the revenue from other activities reduced by 21% to RUR 89 mln. QOQ. The decline was mainly caused by the seasonal fall in sales of electric and heating power produced by Anzhero-Sudzhensk power plant, owned by KTK.

Q3 2010 Revenue breakdown by segments



Source: Unaudited IFRS financial statements for Q3 and 9M 2010

Segment revenue dynamics



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

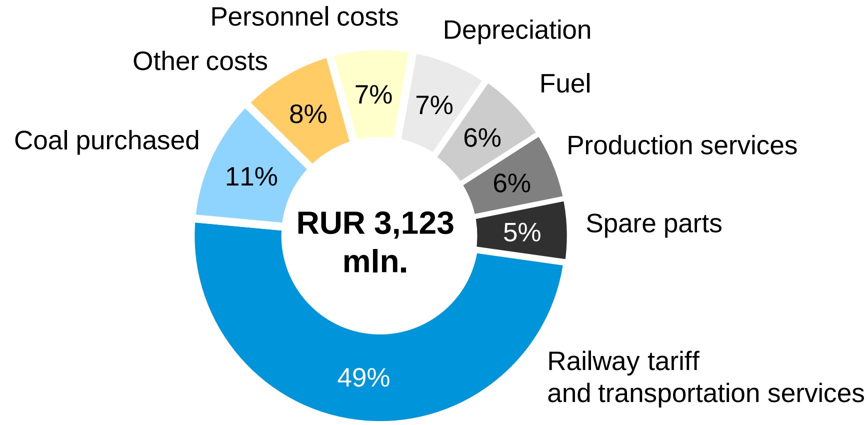
Source: Unaudited IFRS financial statements for Q3 and 9M 2010

III. Cost of Sales

The increasing of production and sales volumes in Q3 2010 resulted in 22% growth of cost of sales to RUR 3,123 mln.

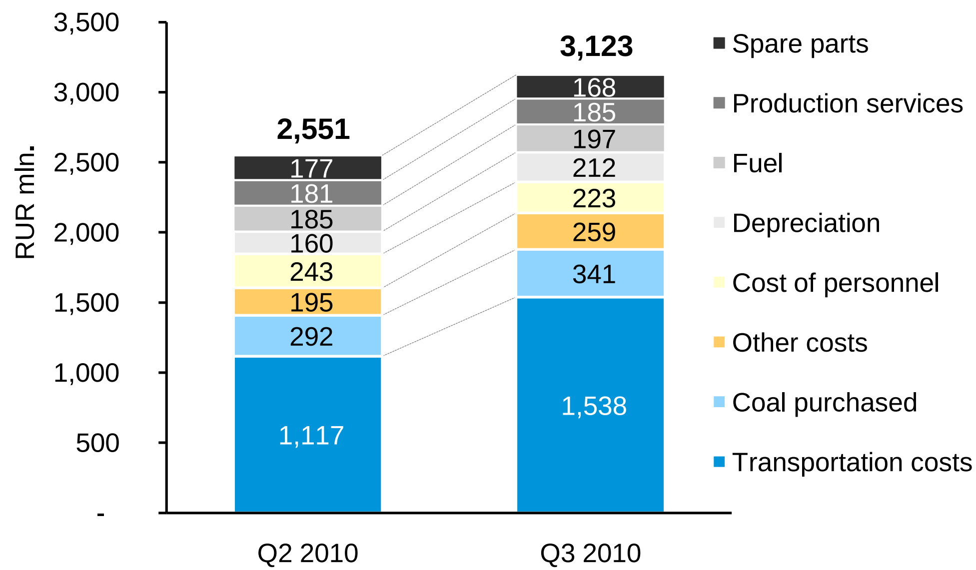
- Given the 43% growth of sales volume in Q3, transportation expenses increased by 38% QOQ to RUR 1,538 mln. (Q2 2010: RUR 1,117 mln.).
- The sales volumes increase also led to 14% QOQ growth in expenses for purchased coal - from RUR 292 mln. in Q2 to RUR 341 mln. in Q3 2010.
- Personnel costs decreased by 8% QOQ to RUR 223 mln. (Q2 2010: RUR 243 mln.) owing to cutting down of unused holidays reserve and increased Q2 staff costs related to bonuses for IPO and 10th anniversary of the Company.
- The capital expenditure on the equipment fleet in Q3 led to higher depreciation costs (RUR 212 mln.) resulting their 33% increase QOQ (Q2 2010: RUR 160 mln.).
- Fuel costs rose by 6% QOQ to RUR 197 mln. (Q2 2010: RUR 185 mln.) as a result of freight turnover and stripping transportation distance growth.
- Production services costs, including extraction, processing and sorting of coal, mainly remained unchanged QOQ at RUR 185 mln. (Q2 2010: RUR 181 mln.). The stripping volume remained stable on the level of Q2, but exploded rock volume in it reduced by 34% compensating the increased extraction and sorting volumes costs.
- In Q3 the sum of other costs, including repair and maintenance, mining tax, operating lease and other, increased by 33% QOQ to RUR 259 mln. (Q2 2010: RUR 195 mln.) mainly because of a mining tax and operating leases volumes growth.

Q3 2010 Cost of sales breakdown



Source: Unaudited IFRS financial statements for Q3 and 9M 2010

Cost of sales dynamics

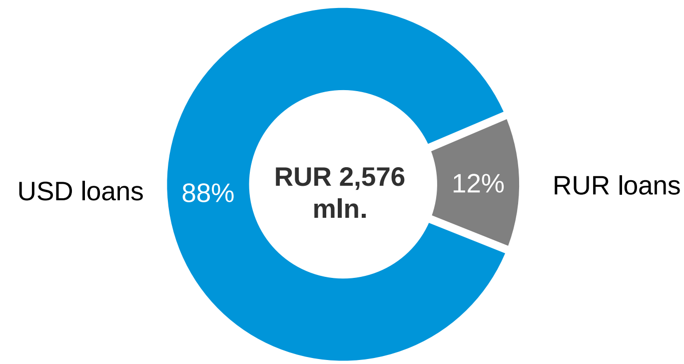


Source: Unaudited IFRS financial statements for Q3 and 9M 2010

III. Financial Leverage

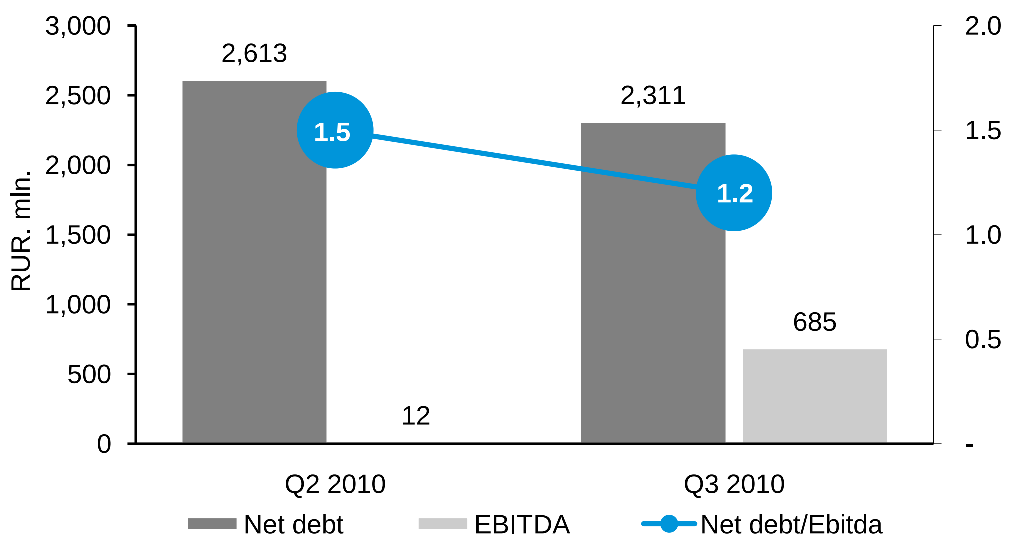
- In Q3 2010 the Company continued to maintain a relatively low leverage. Owing to the strong EBITDA growth, Net Debt/EBITDA ratio reduced to 1.2x.
- The Company continued to decrease the indebtedness. The net debt fell by 12% QOQ to RUR 2,311 mln. (Q2 2010: RUR 2,613 mln.)
- As of 30 September 2010, average interest rate of the Company's indebtedness has been 7.4%
- The Company does not envisage significant increase in borrowings in till the end of 2010.

Debt structure by currency as of 30 September 2010



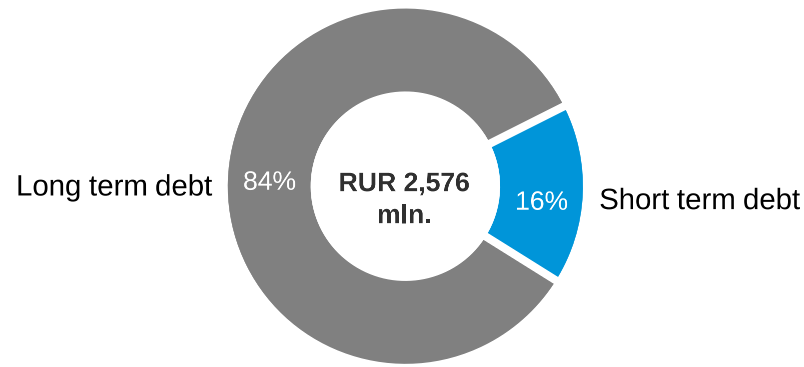
Source: Unaudited IFRS financial statements for Q3 and 9M 2010

Net Debt to EBITDA[1]



Source: Unaudited IFRS financial statements for Q3 and 9M 2010

Debt maturity structure as of 30 September 2010



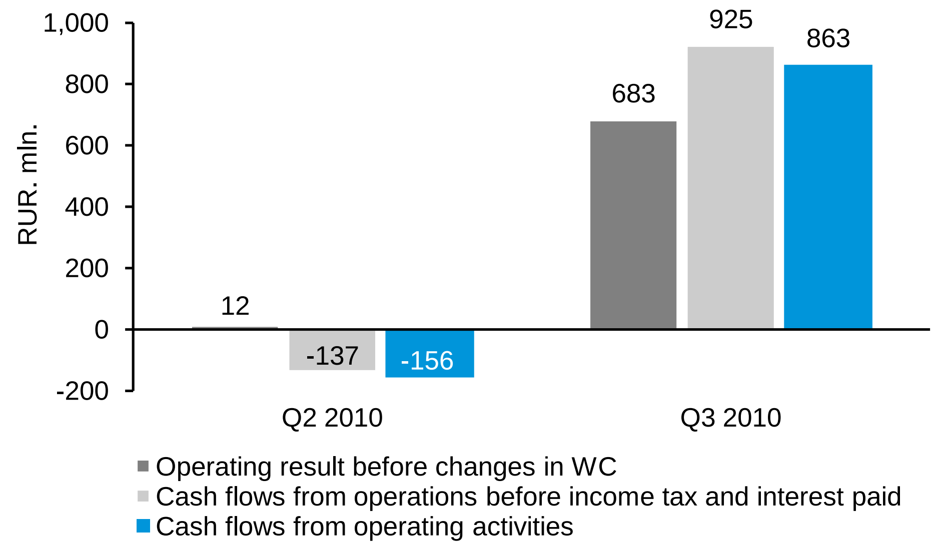
Source: Unaudited IFRS financial statements for Q3 and 9M 2010

(1) - for the purpose of Q3 2010 Net Debt/EBITDA ratio calculation a aggregate of EBITDA for 9M 2010 and Q4 2009 was used. For Q2 2010 ratio calculation a sum of EBITDA for H1 2010 and H2 2009 was used.

III. Cash Flow and CAPEX

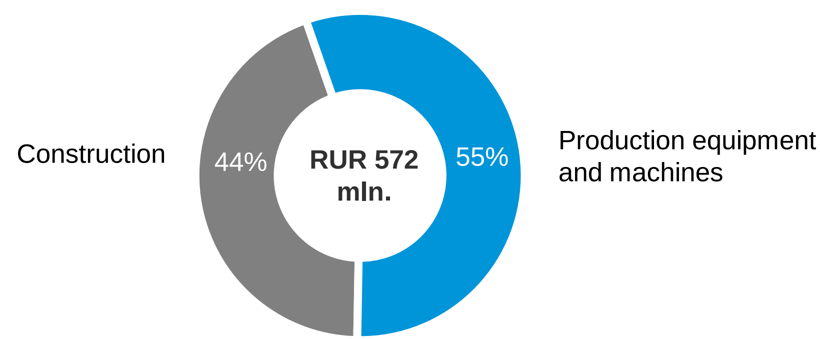
- During Q3 2010 the Company received RUR 925 mln. of positive operating cash flow before tax and interest, comparing to RUR 137 mln. of cash outflow in Q2, mainly due to reduction of production cash costs per 1 tonne of coal, as well average price(1) growth.
- Net operating cash flow for Q3 reached RUR 863 mln., while Q2 2010 cash outflow has accounted for RUR 156 mln.
- During Q3 2010 the total volume of CAPEX composed RUR 572 mln., being 15% lower than in Q2 2010 (RUR 671 bln.) Investments included purchase of mining equipment and construction of the 1st enrichment plant of the Company
- The 1st enrichment plant of the Company with design capacity of 2 mln. t. p.a. has been commissioned in August. The plant is based on steeply inclined separator technology (KNS) and designed to enrich diluted raw material and high ash ROM coal to high-quality coal concentrate.

Operational Cash Flow Dynamics



Source: Unaudited IFRS financial statements for Q3 and 9M 2010

Q3 2010 CAPEX breakdown



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

Source: Unaudited IFRS financial statements for Q3 and 9M 2010

III. Q4 2010 Outlook

Production growth	After the end of reporting period the Company continued to increase its monthly coal production volumes. According to the management's expectations, Q4 production volume is likely to exceed the volume of Q3 2010 by more than 15%. The Company plans to fulfill 6.8 mln. tonnes production plan for 2010, including about 0.2 mln. tonnes of enriched coal.
Average realized prices rise	The management believes that growth of average realized prices[1] will continue in Q4. The Company plans to finish all of its shipments under 2009 and H1 2010 export contracts and start to deliver coal by the contracts signed in November at the beginning of the next year.
EBITDA increase	Based on predicted dynamics in coal sales price growth on domestic and export markets, and as a result of planned growth of production and decline of stripping ratio, the management expects that EBITDA for Q4 and 2010 will increase both QOQ and YOY.
Continue of large-scale investment program	The Company expects to continue of large-scale investment program in Q4 2010, and plans that total 2010 CAPEX will reach US$ 60mln[1]. Till the end of the year the Company plans to continue purchasing of production equipment and machinery and finish construction of heated repair bay for trucks.

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

Appendix

IFRS Financial Statements for Q3 and 9M 2010

Appendix. Income Statement for Q3 and 9M 2010

RUR mln.	Q3 2010	Q2 2010	9M 2010	9M 2009
Revenue	**3,925**	**2,733**	**9,576**	**7,450**
Cost of sales	-3,123	-2,550	-7,968	-5,564
Gross profit	**802**	**183**	**1,608**	**1,886**
Gross margin(1)	*34%*	*11%*	*27%*	*37%*
Distribution expenses	-157	-102	-378	-262
Administrative expenses	-186	-241	-599	-581
Other operating income and expenses, net	12	-23	47	-7
Results from operating activities	**471**	**-183**	**678**	**1,036**
Operating margin(1)	*20%*	*-11%*	*12%*	*21%*
Finance income	5	-54	11	102
Finance costs	-38	-99	-244	-483
Profit / (loss) before income tax	**438**	**-336**	**445**	**655**
Income tax expense	-89	61	-92	-165
Profit / (loss) for the period	**349**	**(275)**	**353**	**490**
Net margin(1)	*15%*	*-17%*	*6%*	*10%*
EBITDA(2)	**683**	**12**	**1,224**	**1,543**
EBITDA margin(1)	*29%*	*1%*	*21%*	*31%*

Source: Unaudited IFRS financial statements for 9M 2009-2010

(1) - For the purpose of Gross, Operating, EBITDA and net margin calculation revenue net of transportation costs was used

(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

Appendix. Balance Sheet for 30 Sept 2010

RUR mln.	30-Sep-10	31-Dec-09
ASSETS		
Non-current assets		
Property, plant and equipment	8,504	7,333
Goodwill	14	14
Investments in equity accounted investees	3	3
Other investments	32	67
Long-term receivables	7	7
Deferred tax assets	15	6
Total non-current assets	**8,575**	**7,430**
Current assets		
Inventories	447	405
Other investments	32	7
Income tax receivable	33	30
Trade and other receivables	1,278	1,227
Prepayments and deferred expenses	395	230
Cash and cash equivalents	265	86
Total current assets	**2,450**	**1,985**
Total assets	**11,025**	**9,415**

RUR mln.	30-Sep-10	31-Dec-09
EQUITY AND LIABILITIES		
Equity		
Share capital	20	17
Retained earnings	3,517	3,409
Additional paid-in capital	2,829	-
Total equity attributable to equity holders of the Company	**6,366**	**3,426**
Minority interest	7	41
Total equity	**6,373**	**3,467**
Non-current liabilities		
Loans and borrowings	2,156	2,204
Net assets attributable to minority participants in LLC subsidiaries	68	66
Provisions	252	237
Deferred tax liabilities	389	362
Total non-current liabilities	**2,865**	**2,869**
Current liabilities		
Bank overdrafts	-	-
Loans and borrowings	420	1,655
Trade and other payables	1,363	1,414
Provisions	-	-
Income tax payable	4	10
Total current liabilities	**1,787**	**3,079**
Total liabilities	**4,652**	**5,948**
Total equity and liabilities	**11,025**	**9,415**

Source: Unaudited IFRS financial statements for 9M 2009-2010

Appendix. Cash Flow Statement for Q3 and 9M 2010

RUR mln.	Q3 2010	Q2 2010	9M 2010	9M 2009
OPERATING ACTIVITIES				
Profit / (loss) for the period	349	(275)	353	490
Adjustments for:				
Depreciation and amortisation	225	179	593	500
(Gain)/loss on disposal of property, plant and equipment	(12)	16	(47)	7
Net finance expense	33	153	233	381
Income tax expense	89	(61)	92	165
Operating result before changes in working capital and provisions	**683**	**13**	**1,224**	**1,543**
Change in inventories	74	(30)	(42)	111
Change in trade and other receivables	(86)	358	(40)	(75)
Change in prepayments for current assets	178	(377)	(165)	39
Change in trade and other payables	76	(101)	82	(627)
Cash flows from operations before income tax and interest paid	**925**	**(137)**	**1,059**	**991**
Income taxes and penalties paid	(12)	(28)	(51)	(220)
Interest paid	(50)	9	(142)	(477)
Cash flows from operating activities	**863**	**(156)**	**866**	**294**

RUR mln.	Q3 2010	Q2 2010	9M 2010	9M 2009
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	4	(4)	7	7
Loans issued	(21)	(69)	(100)	(143)
Proceeds from loans issued including interest received	19	91	111	133
Acquisition of property, plant and equipment	(572)	(671)	(1,919)	(821)
Acquisition of subsidiaries, net of cash acquired	-	-	-	-
Acquisition of minority interests	(18)	(2)	(25)	(3)
Cash flows used in investing activities	**(588)**	**(655)**	**(1,926)**	**(827)**
FINANCING ACTIVITIES				
Proceeds from borrowings	673	1,146	4,763	4,745
Repayment of borrowings	(915)	(2,681)	(6,070)	(4,384)
Proceeds from cash issue, net of issue costs	(23)	2,822	2,799	-
Dividends paid	-	(253)	(253)	-
Cash flows from financing activities	**(265)**	**1,034**	**1,239**	**361**
Net (decrease) / increase in cash and cash equivalents	**10**	**223**	**179**	**(172)**

Source: Unaudited IFRS financial statements for 9M 2009-2010