KTK

H1 2010 Financial Results Presentation

August 26 2010

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Presenters

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Chief Executive Officer

Eduard Alekseenko

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Investor Relations Manager

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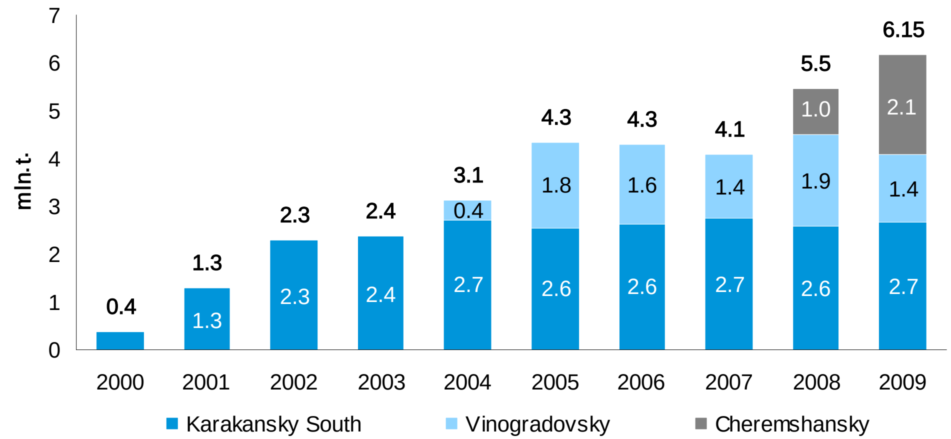
Section I

Business Review

I.KTK at a Glance

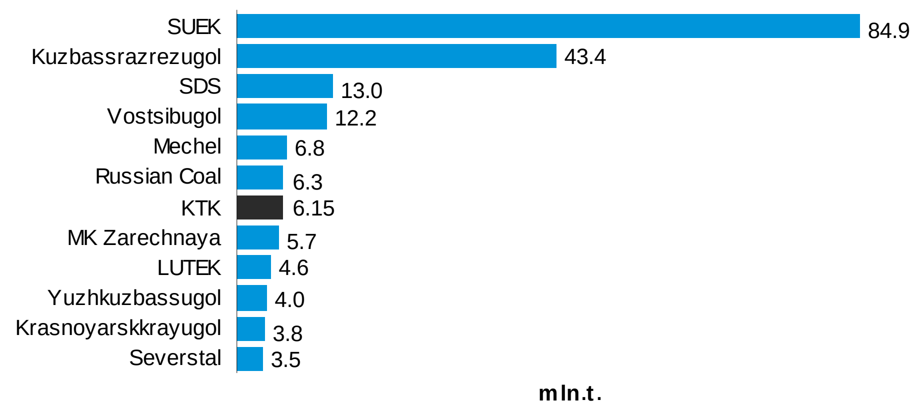
- The Company is one of the fastest-growing thermal coal producers in Russia and a major supplier of coal in Western Siberia
- Since its establishment in 2000, the Company has launched 3 open-pit mines and developed an extensive production and distribution infrastructure
  - ▲ 6.15 mln. t. of thermal 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
- In Q2 2010 company made an IPO on RTS and MICEX and attracted RUR 2.83 bln. net of IPO costs

Coal production history



Source: Company

Russia's largest thermal coal producers, 2009



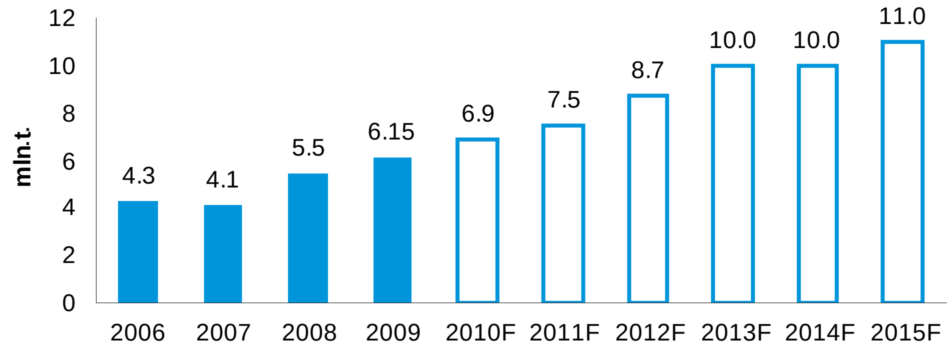
(1) here and further through the presentation structural capacity means the maximum production capacity that the Company believes could be achieved (taking into account projected stoppages for planned repair and maintenance) in an annual period if the Company were able to process all the coal that could 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

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 2011-2012, 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

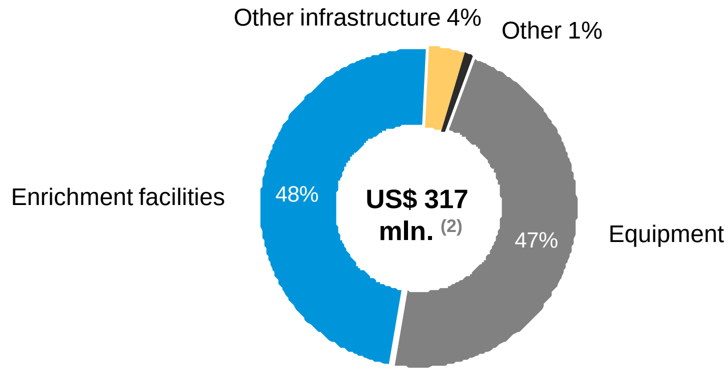
Historical production volume and attainment of structural capacity (1)



Source: Company

(1) structural capacity is shown in terms of ROM coal output volumes

Company's investment program, 2010-2015



Source: Company

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

(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

Section II

Operational Highlights

II.H1 2010 Operational highlights

Moderate growth of coal extraction, but strong increase of high-margin sorted coal production

- Coal production volume increased by 3% to 2.72 mln. t.(H1 2009: 2.64 mln. tonnes). The moderate growth has been anticipated by the Management and related to technological schedules of the Company's open-pit mines development
- The volume of sorted coal increased by 48% to 1.78 mln. t. (H1 2009: 1.20 mln. t.) in line with the Company's high-marginal product strategy

Increase of total coal sales and strong growth of export, but decline of average realised price

- H1 2010 coal sales volume increased by 15% to 3.52 mln. t. (H1 2009: 3.06 mln. t.)
- Export volumes increased by 38% to 1.64 mln. t. (H1 2009: 1.18 mln. t.)
- Average realised coal price (1) declined by 6% to RUB 907 per t. (H1 2009: 966 mln. t.), because of 2008 peak price export contracts shipments in H1 2009 and Q4 2009 low priced contracts shipments in H1 2010.

Strong increase of technological costs due to starting 2 new mining blocks

- Because of starting 2 new mining blocks at "Cheremshanskiy" and "Vinogradovskiy" open-pit mines the volume of blasted rock mass increased by 51% to 13.8 mln. cbm. (H1 2009: 9.1 mln. cbm.).
- The average transportation distance of rock mass increased by 20% to 2.7 km (H1 2009: 2.2 km)

Large-scale investments in production equipment and enrichment plant

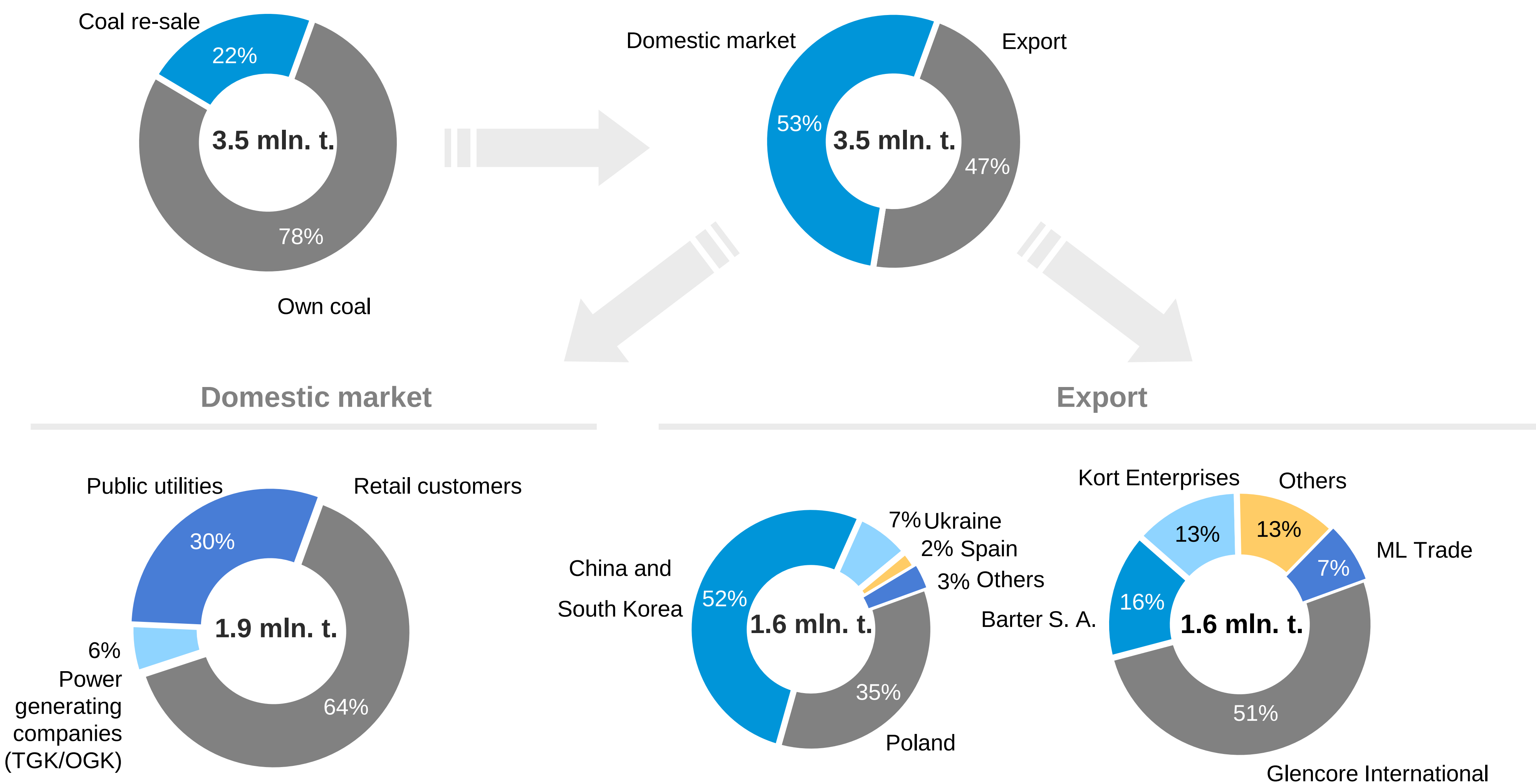
- During 6 moths of 2010 the total volume of CAPEX reached RUR 1.35 bln., which is 2.6 times more than in H1 2009 (RUR 0.5 bln.). Investments included purchase of mining equipment and construction of the 1st enrichment plant of the Company

Implementing of transportation cost hedging policy

- The Company created JV company "Kuzbasskaya Transportnaya Company" in partnership with one of Russian railroad transport operators and plans to rent railroad-cars purchased by "KTC" for a 10-year fixed price

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

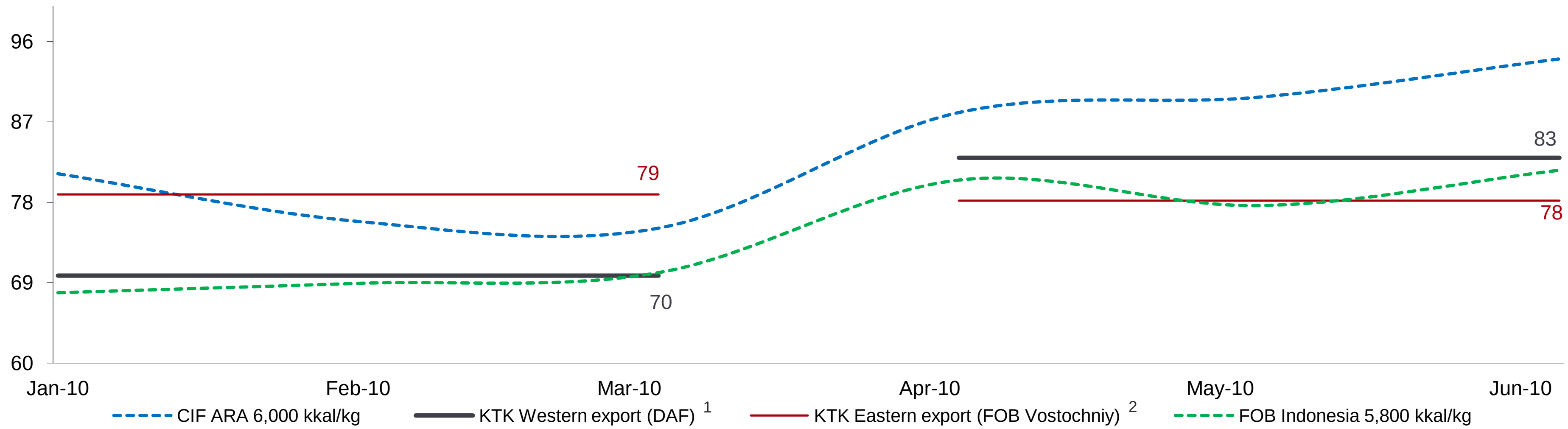
Coal sales breakdown in H1 2010



Source: Company

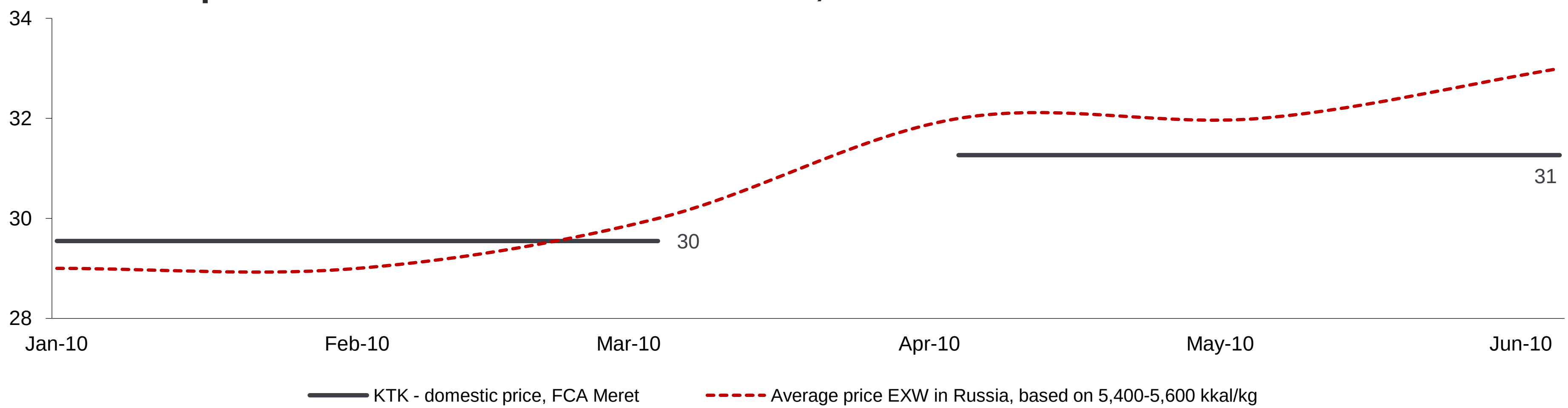
II. H1 2010 average realised prices VS benchmarks

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

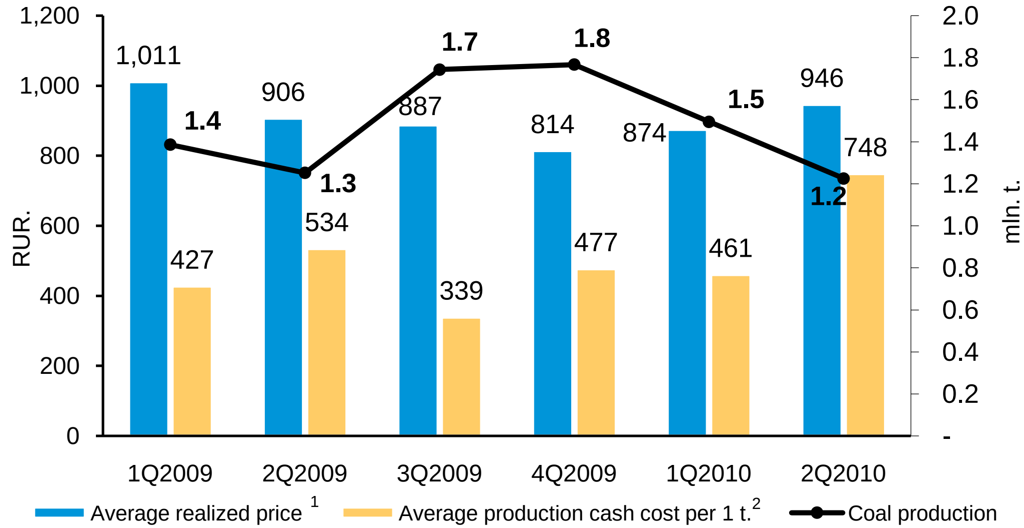
(1) - Average KTK quarterly Western shipments price DAF, excluding shipments to Ukraine

(2) - Average KTK quarterly Eastern shipments price CPT + estimated Vostochiy port shipment costs ($18)

II. Production volumes and cash costs analysis

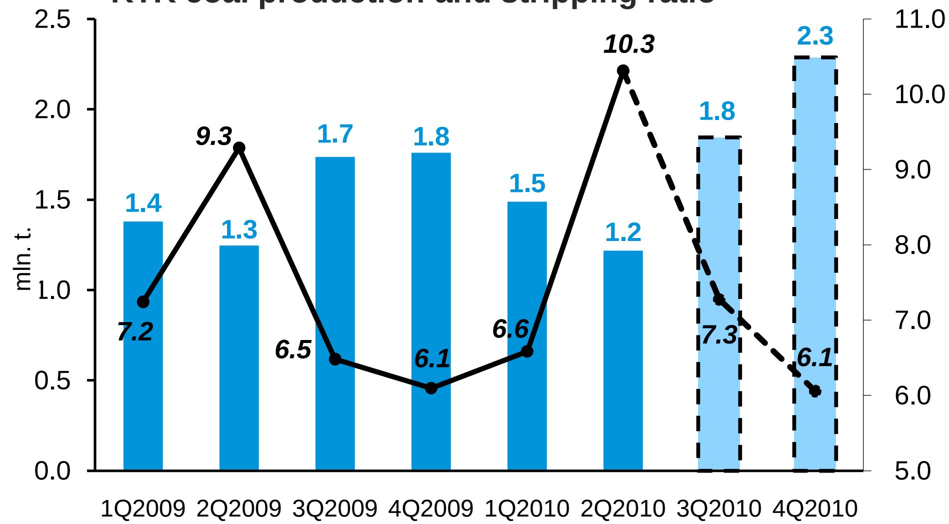
- The total volume of coal production in Q1 and Q2 2010 composed 2.72 mln. t. being 3% higher than H1 2009 figure. The moderate production in H1 2010 compared to annual volume is traditional for the Company, because of seasonality of thermal coal demand.
- After the end of reporting period the Company surged monthly coal extraction and sorting volumes in order to produce 1.8 and 2.3 mln. t. in Q3 and Q4 2010 and fulfil the annual production plan – 6.85 mln. t.
- The average realised price (1) in H1 2010 was 6% lower than in H1 2009 because some part of Q4 2009 low-priced export contracts has been shipped in this period. The Company estimates a growth of average export price (1) in H2 2010 by 10-15% affected by increasing of 2010 contracts shipments in total export structure
- In Q1 2010 and Q2 2010 the Company's production cash costs (2) per 1 t of produced coal amounted to RUR 461 and RUR 749, having increased by 8% and 40% to Q1 2009 and Q2 2009 levels, accordingly. This led to a 24% increase of H1 2010 production cash costs (RUR 590) compared to H2 2009. Considerable cost growth in Q2 2010 reflected the start of 2 new mining sectors, characterized by increase of stripping ratio, as well as blasted rock volume and transportation distance to waste bank.
- The Company estimates a significant drop of stripping ratio in Q3 and Q4 of 2010 because of strong production growth in these quarters, which should have positive effect on the production margin.

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



Source: Company

KTK coal production and stripping ratio



Source: Company Production Stripping ratio

(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. H1 2010 Financial Highlights

Revenue
RUR 5,651 mln.

- Revenue increased by 23% to RUR 5,651 mln. compared to RUR 4,596 mln. in H1 2009.
- The total revenue increased owing to 40% growth in “Export sales of own-produced coal” segment and 48% gain in “Sale of purchased coal” segment.

EBITDA
RUR 540 mln.

- EBITDA (1) fell by 44% to RUR 540 mln. compared to RUR 961 mln. in H1 2009.
- EBITDA margin (2) decreased to 15% from 30% in H1 2009.
- Main drivers of EBITDA decrease:

1. Average realized price fell by 6% y-o-y because of 2009 export contracts shipments in Q1 2010.
2. Production costs (3) raised by 28% by y-o-y mainly because of starting 2 new mining blocks.

Net Income
RUR 4 mln.

- Net profit reduced by 98% to RUR 4 mln. (H1 2009: RUR 266 mln.)
- In the H1 2010 the Company has produced and sold only 40% of planned annual volume of its coal owing to seasonality of its sales. At the same time, it processed 45% of panned annual stripping volume, which, together with temporary change of stripping structure and increase of rock mass transportation distance, led to weaker net income.

Net Debt
2,613 mln.

- Net debt reduced by 35% and amounted RUR 2,613 mln. (H1 2009: RUR 4,042 mln.)
- Net debt/EBITDA ratio composed 2.4 (H1 2009: 2.1)

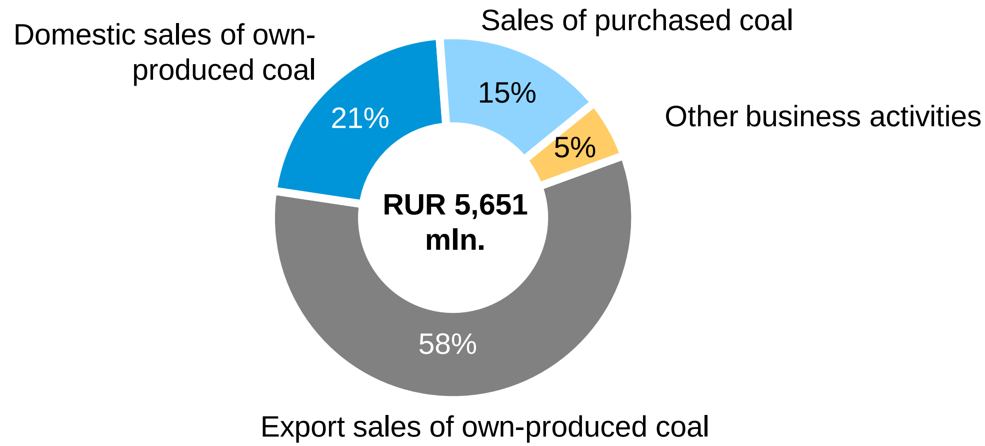
Source: Unaudited IFRS financial statements for H1 2009-2010

(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) - EBITDA margin was adjusted on railroad tariffs and transportation services
(3) - Production costs include wages of production personnel, cost of fuel, extraction, processing and sorting of coal, spare parts, repair and maintenance costs

III. Revenue by Operational Segments

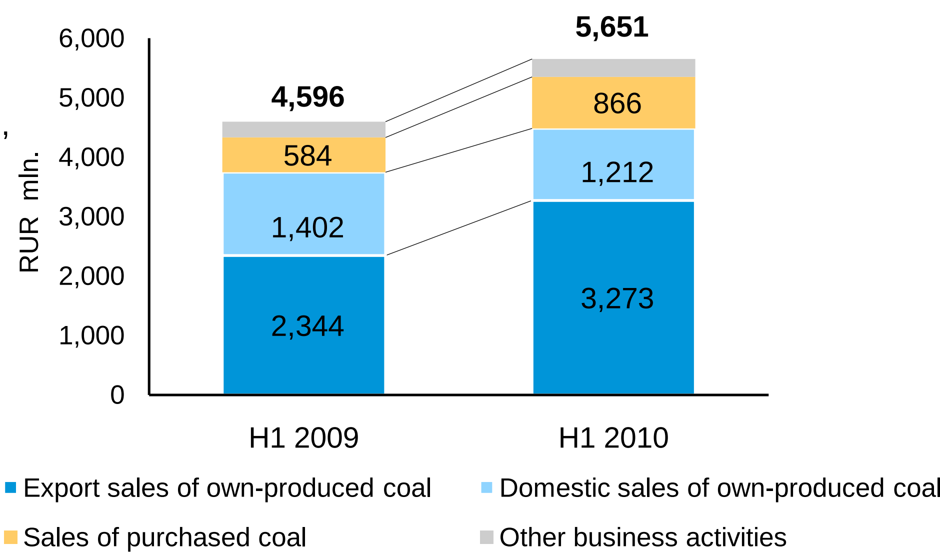
- The revenue of “Export sales of own-produced coal” segment in H1 2010 increased by 40% y-o-y to RUR 3,273 mln. The growth caused by 38% y-o-y increase of export volumes of coal and changing of some contracts terms from FCA to DAF/CPT base. The revenue was negatively affected by the 18% decline y-o-y of average realized export coal price [(1)].
- The revenue of “Domestic sales of own-produced coal” segment declined by 14% y-o-y to RUR 1,212 mln. The decrease was caused by relative reduction of transport costs included in retail coal price because of Kemerovo region part growth in total domestic sales structure for H1 2010. The revenue was positively affected by 3% growth y-o-y of average realized domestic coal price [(1)] .
- The revenue of “Sales of purchased coal” segment increased by 48% y-o-y to RUR 866 mln., mainly affected by 42% growth of volumes of purchased coal sold.
- The revenue of “Other business activities” segment, including electricity generating, railroad transport and warehouse services, increased by 13% y-o-y to RUR 300 mln.

H1 2010 Revenue breakdown by segments



Source: Unaudited IFRS financial statements for H1 2009-2010

Segment revenue dynamics



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

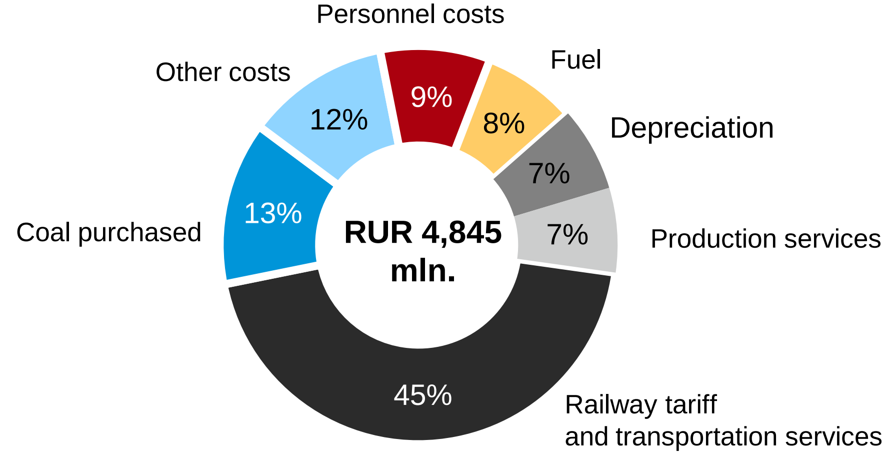
Source: Unaudited IFRS financial statements for H1 2009-2010

III. Cost of Sales

In H1 2010 Cost of sales increased by 39% to RUR 4,845 mln. compared to RUR 3,485 mln. in H1 2009

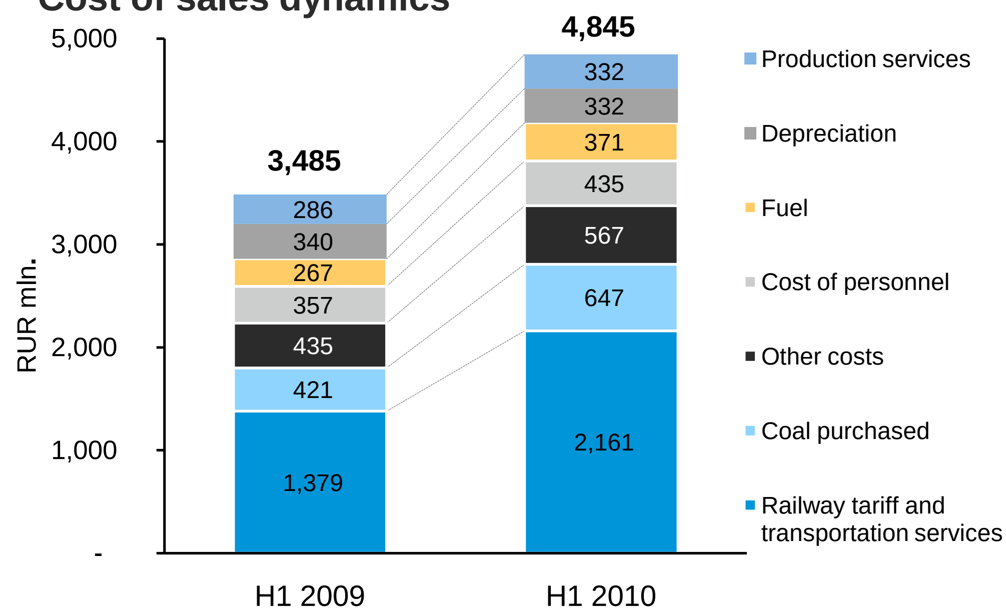
- Transport costs raised by 57% y-o-y to RUR 2,161 mln. mainly because of changing of some contracts terms from FCA to DAF/CPT base and increasing of export coal volumes by 0,5 mln. t.
- Personnel costs increased by 22% y-o-y to RUR 2,161 mln. owing to 10% indexation of salary and increase of cargo turn-over.
- Fuel costs gained 39% y-o-y and composed RUR 371 mln. because of transported volumes growth, increasing of transportation distance to waste bank and raising of diesel fuel prices by 17% y-o-y.
- Total of Spare parts costs an Repair costs increased by 40% y-o-y to RUR 328 mln. because of large scale annual and thorough machinery repairs being scheduled on H1 2010.
- Cost of extraction, processing and sorting of coal came up to RUR 332 mln., having increased by 16% y-o-y because of 51% y-o-y growth of blasted rock volume and 48% y-o-y growth of coal sorting volumes. The reason for such strong growth was starting of 2 new mine sectors at Cheremshanskiy and Vinogradovskiy open-pit mines.

H1 2010 Cost of sales breakdown



Source: Unaudited IFRS financial statements for H1 2009-2010

Cost of sales dynamics

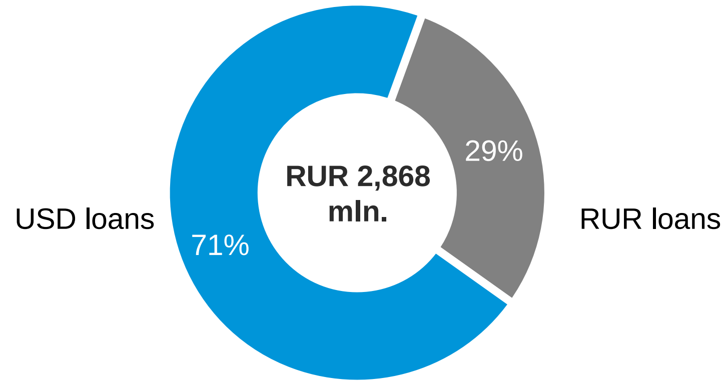


Source: Unaudited IFRS financial statements for H1 2009-2010

III. Financial Leverage

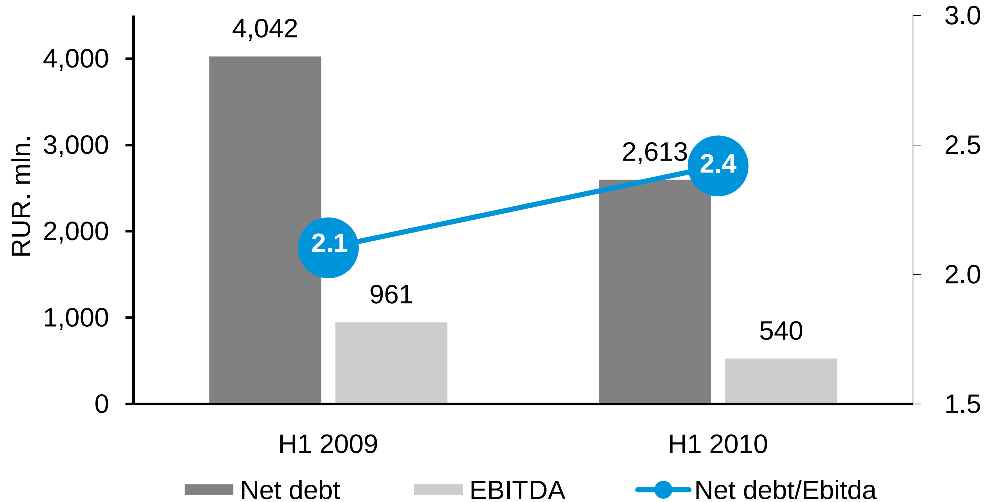
- In H1 2010 the Company retained a relatively low leverage, with Net Debt/EBITDA'H1 2010 of 2.4x
- After IPO a part of proceeds has been spent on premature repayment of the most expensive part of the Company's indebtedness. As a result the net debt decreased by 35% y-o-y to RUR 2,613 mln.
- As of 30 June 2010, average interest rate of the Company's indebtedness has been 8.2%
- The Company does not envisage significant increase in borrowings in the future and intends to maintain its debt at the level of 2009

Debt structure by currency as of 30 June 2010



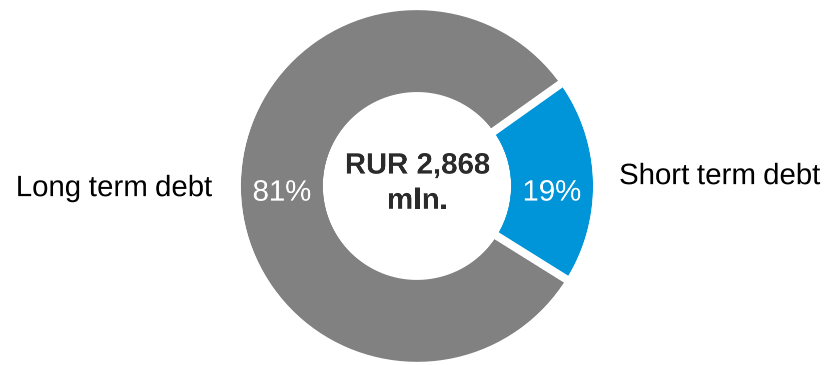
Source: Unaudited IFRS financial statements for H1 2009-2010

Net Debt to EBITDA (1)



Source: Unaudited IFRS financial statements for H1 2009-2010

Debt maturity structure as of 30 June 2010



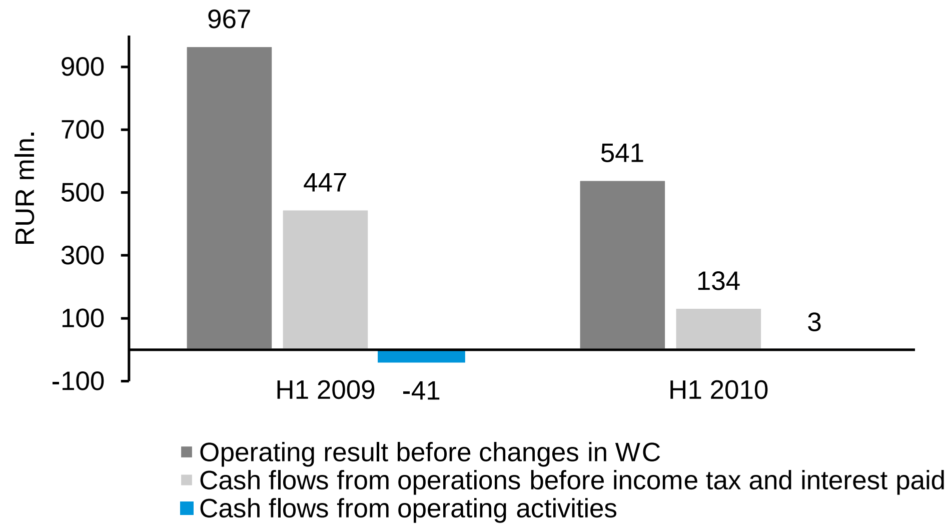
Source: Unaudited IFRS financial statements for H1 2009-2010

(1) - for the purpose of Net Debt/EBITDA ratio calculation EBITDA for H1 2010 was multiplied by 2 to receive annual figure

III. Cash Flow and CAPEX

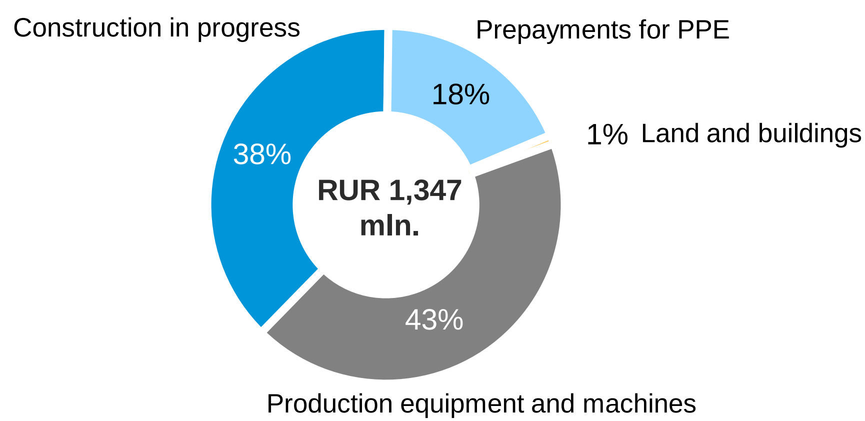
- In H1 2010 Cash flow from operations before income tax and interest paid decreased by 70% y-o-y to RUR 134 mln. Nevertheless, because of reduction of interest expenses it has been sufficient to repay interest and taxes.
- The company received positive cash flow from operations which composed RUR 3 mln. compared to RUR 41 mln. of operating cash outflow in H1 2009
- During 6 moths of 2010 the total volume of CAPEX composed RUR 1,347 mln., being 2.6 times higher than in H1 2009 (RUR 0.5 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 after the Reporting date, 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 H1 2010-2009

H1 2010 CAPEX breakdown



Source: Unaudited IFRS financial statements for H1 2009-2010

III. 2H2010 Outlook

Strong production growth

- After the Reporting date the Company has significantly increased coal production and sorting volumes and plans to raise H2 2010 production by 50% compared to H1 2010 result
- The Company reiterates 6.85 mln. t. production plan for 2010, including about 0.3 mln. t. of enriched coal

Export and domestic average realized prices growth

- In H2 2010 the average realized domestic price of the Company can raise by 5-8% to H1 2010 due to the beginning of heating season in Russia and growth of sorted coal sales
- Based on current volumes contracted for 2010, the Company estimates a growth of average export price by 10-15% to H1 2010

EBITDA growth

- On the assumption of H2 2010 production growth to 4,1 mln. t., the stripping ratio should go down to 6.5-7, reducing cash costs of production 1 t. of coal.
- According to the Company's estimations, production cash cost reduction together with raising of average realized prices should positively affect EBITDA, which can outperform the result of H2 2009

Continue of large-scale investment program

- The Company expects to continue of large-scale investment program in H2 2010, and plans to spend about RUR 650 mln. on purchasing of production equipment and machinery, construction of heated repair bay for trucks and 2^{nd} enrichment plant

Section IV

Appendix

Income Statement for H1 2009-2010

RUR mln.	H1 2010	H1 2009
Revenue	5,651	4,596
Cost of sales	(4,845)	(3,485)
Gross profit	806	1,111
Gross margin	*14%*	*24%*
Distribution expenses	(221)	(193)
Administrative expenses	(413)	(326)
Other operating income and expenses, net	35	(5)
Results from operating activities	207	587
Operating margin	*4%*	*13%*
Finance income	6	79
Finance costs	(206)	(322)
Profit / (loss) before income tax	7	344
Income tax expense	(3)	(78)
Profit / (loss) for the period	4	266
Net margin	*0%*	*6%*
EBITDA[(1)]	540	961
EBITDA margin[(2)]	*15%*	*30%*

Source: Unaudited IFRS financial statements for H1 2009-2010

(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) - EBITDA margin was adjusted on railroad tariffs and transportation services

Balance Sheet for H1 2009-2010

RUR mln.	30-Jun-10	31-Dec-09
ASSETS		
Non-current assets		
Property, plant and equipment	8,083	7,333
Goodwill	14	14
Investments in equity accounted investees	3	3
Other investments	37	67
Long-term receivables	7	7
Deferred tax assets	17	6
Total non-current assets	**8,161**	**7,430**
Current assets		
Inventories	521	405
Other investments	28	7
Income tax receivable	36	30
Trade and other receivables	1,152	1,227
Prepayments and deferred expenses	573	230
Cash and cash equivalents	255	86
Total current assets	**2,565**	**1,985**
Total assets	**10,726**	**9,415**

RUR mln.	30-Jun-10	31-Dec-09
EQUITY AND LIABILITIES		
Equity		
Share capital	20	17
Retained earnings	3,189	3,409
Additional paid-in capital	2,830	-
Total equity attributable to equity holders of the Company	**6,039**	**3,426**
Minority interest	21	41
Total equity	**6,060**	**3,467**
Non-current liabilities		
Loans and borrowings	2,331	2,204
Net assets attributable to minority participants in LLC subsidiaries	51	66
Provisions	247	237
Deferred tax liabilities	319	362
Total non-current liabilities	**2,948**	**2,869**
Current liabilities		
Bank overdrafts	-	-
Loans and borrowings	537	1,655
Trade and other payables	1,179	1,414
Provisions	-	-
Income tax payable	2	10
Total current liabilities	**1,718**	**3,079**
Total liabilities	**4,666**	**5,948**
Total equity and liabilities	**10,726**	**9,415**

Source: Unaudited IFRS financial statements for H1 2009-2010

Cash Flow Statement for H1 2009-2010

RUR mln.	H1 2010	H1 2009
OPERATING ACTIVITIES		
Profit / (loss) for the period	4	266
Adjustments for:		
Depreciation and amortisation	368	369
Change in provision for site restoration	-	
Impairment loss	-	
(Gain)/loss on disposal of property, plant and equipment	(34)	11
Net finance expense	200	243
Income tax expense	3	78
Operating result before changes in working capital and provisions	**541**	**967**
Change in inventories	(116)	85
Change in trade and other receivables	46	(90)
Change in prepayments for current assets	(343)	68
Change in trade and other payables	6	(583)
Cash flows from operations before income tax and interest paid	**134**	**447**
Income taxes and penalties paid	(39)	(196)
Interest paid	(92)	(292)
Cash flows from operating activities	**3**	**(41)**

RUR mln.	H1 2010	H1 2009
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	3	-
Loans issued	(79)	(115)
Proceeds from loans issued including interest received	92	32
Acquisition of property, plant and equipment	(1,347)	(522)
Acquisition of subsidiaries, net of cash acquired	-	-
Acquisition of minority interests	(7)	(3)
Cash flows used in investing activities	**(1,338)**	**(608)**
FINANCING ACTIVITIES		
Proceeds from borrowings	4,090	3,112
Repayment of borrowings	(5,155)	(2,635)
Proceeds from cash issue, net of issue costs	2,822	-
Dividends paid	(253)	-
Cash flows from financing activities	**1,504**	**477**
Net (decrease) / increase in cash and cash equivalents	**169**	**(172)**

Source: Unaudited IFRS financial statements for H1 2009-2010