



2010 Financial Results Presentation

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Eduard Alekseenko

First Deputy Chief Executive Officer



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Investor Relations Manager

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Section I

Business Review

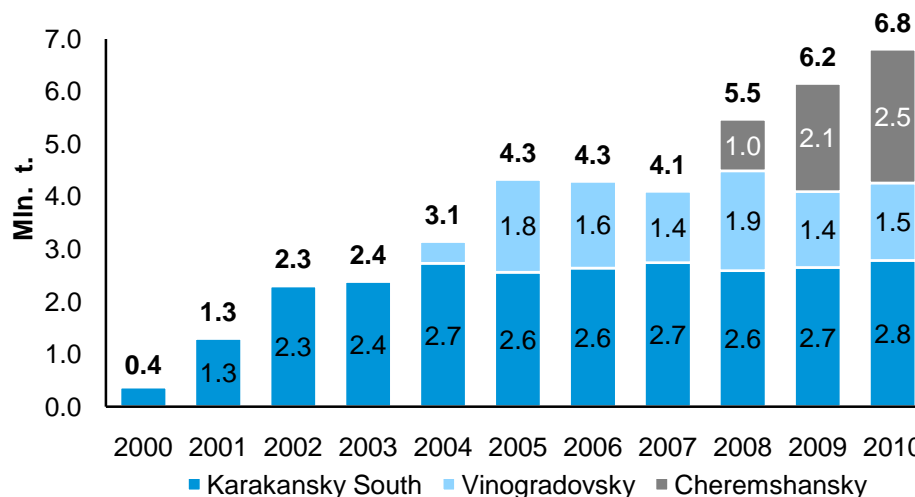
- The Company is one of the fastest-growing thermal coal producers in Russia and a major supplier of coal in Western Siberia.
- In 2010 the Company became 7th largest coal producer in Russia.⁽¹⁾
- Since its establishment in 2000, the Company has launched 3 open-pit mines and developed an extensive production and distribution infrastructure:
 - ▲ 6.80 mln. t. of thermal coal produced in 2010;
 - ▲ 100% high-quality grade “D” thermal coal under Russian classification;
 - ▲ 402 mln. t. of coal resources and 185 mln. t. of proven and probable reserves⁽²⁾;
 - ▲ Structural capacity⁽³⁾ of 11 mln. t.;
 - ▲ Developed railway network and facilities;
 - ▲ Enrichment plant with 2 mln. t. input capacity.
- The Company utilizes a modern and high-performance equipment fleet supporting efficient low-cost production.
- The Company has diversified sales capabilities balanced between domestic (4.8 mln. t. sold in 2010) and export markets (3.7 mln. t.), and supported by one of the largest retail coal distribution networks in Western Siberia.
- The Company employs about 4,000 people.
- The shares of the Company 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 2011

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

(3) - 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

Coal production history



Source: Company

Key operating and financial indicators⁽¹⁾

US\$ mln.	2008	2009	2010
Coal sales (mln.t.)	7.5	7.4	8.5
incl. purchased coal	2.3	1.4	2.2
Revenue	344	336	466
% of growth	128%	-2%	39%
EBITDA ⁽²⁾	87	69	70
% margin	25%	20%	15%
Net Income	44	21	27
% margin	13%	6%	6%

Source: audited IFRS financial statements for 2007-2010 in which all amounts are presented in RUR, Company

(1) - In the table US\$ are converted from RUR using average Central Bank of the Russian Federation exchange rates for each year (2008: 24.86 RUR/US\$; 2009: 31.72 RUR/US\$; 2010: 30.38 RUR/US\$)

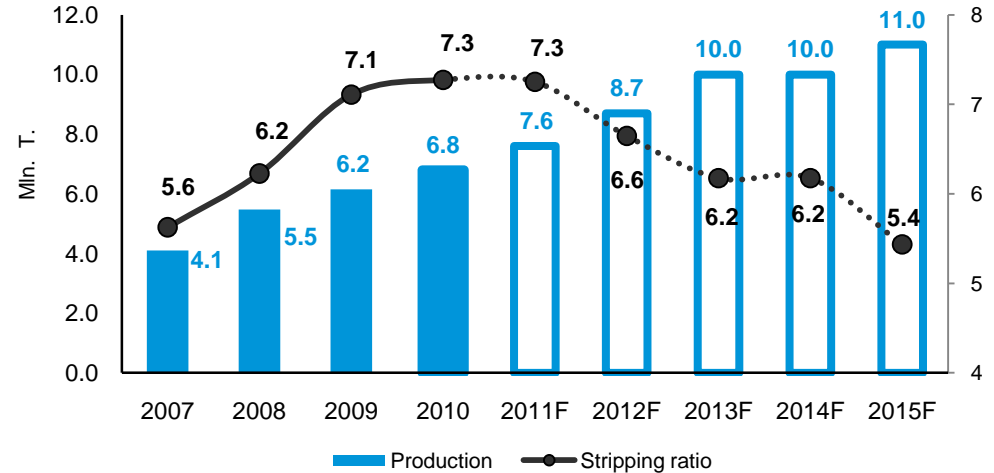
(2) - EBITDA for each period is defined as results from operating activities, adjusted for amortization and depreciation, impairment loss and loss on disposal of property, plant and equipment

II. KTK Production Growth Prospects



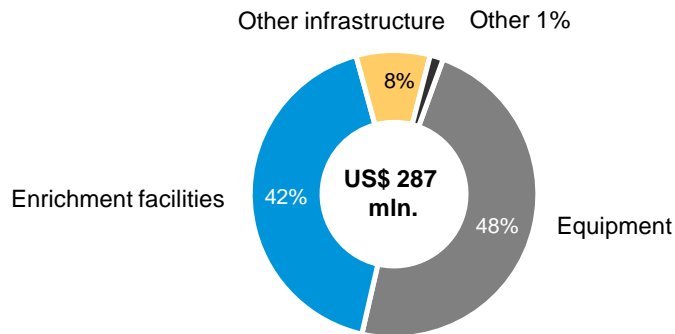
- ▶ The Company has established most of the infrastructure required to sustain production at the level of the structural capacity ⁽¹⁾ of the existing mining facilities – 11 mln. t. per year
 - ▲ Further expansion of the production volume will be based on existing facilities, licenses, and infrastructure and will not require significant capital expenditure, other than into additional mining and transportation equipment
- ▶ In August 2010 the Company has commissioned its 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 10.1 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

Production and stripping ratio forecast



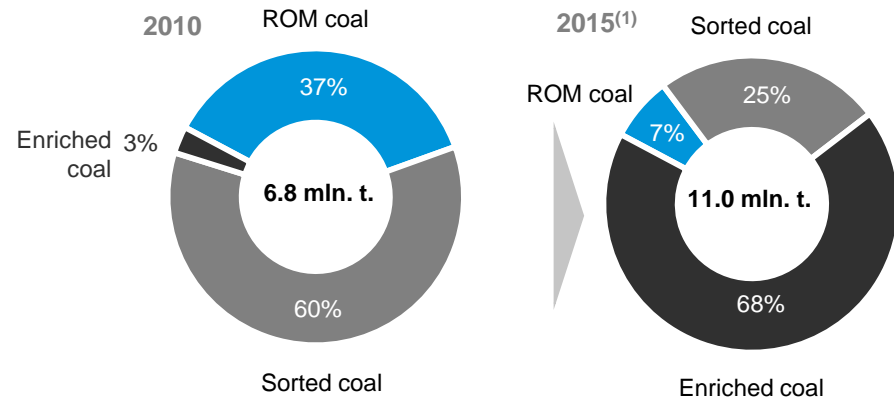
Source: Company

Company's investment program ⁽²⁾, 2010-2015



Source: Company

Targeted production structure change



Source: Company

(1) - subject to the attainment of the structural capacity by 2015 and CAPEX plan

(2) - net of VAT, converted to RUR at 30 RUR/US\$ exchange rate



Section II

Operational Highlights

II. Operational highlights



Continue of QOQ and YOY production growth

- ▶ In Q4 2010 coal production increased by 18% QOQ 2.21 mln. tonnes (Q3 2010: 1.87 mln. tonnes). During 2010 it increased 11% YOY to 6.80 mln. tonnes (2009: 6.15 mln. tonnes).
- ▶ The coal sorting volume in Q4 remained on the level of Q3 2010 -1.16 mln. tonnes. As for total 2010 – the volume increased by 33% YOY to 4.10 mln. tonnes (2009: 3.08 mln. tonnes).

KNS enrichment plant started to run at full capacity

- ▶ During Q4 the Company's first KNS enrichment plant started to run at full capacity and produced 175 th. tonnes of export quality coal (Q3 2010: 25 th. tonnes). The total volume of enriched coal produced in 2010 composed 200 th. tonnes.

Boost of coal sales volume and increase of average realised price

- ▶ During Q4 2010 the sales volume increased by 21% QOQ to 2.75 mln. tonnes (Q3 2010: 2.27 mln. tonnes). The volume of coal sales in 2010 increased by 15% YOY and reached 8.54 mln. tonnes (2009: 7.41 mln. tonnes).
- ▶ In Q4 the average realized coal price ⁽¹⁾ increased by 3% QOQ to RUR 1,041 per tonne (Q3 2010: RUR 1,010 per tonne). The average price for 2010 increased by 10% YOY to RUR 977 per tonne (2009: RUR 892 per tonne).

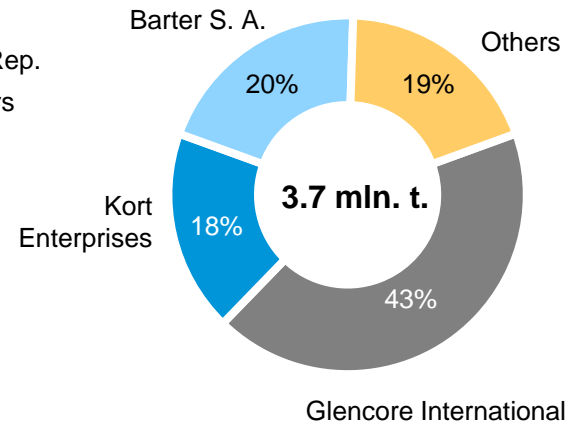
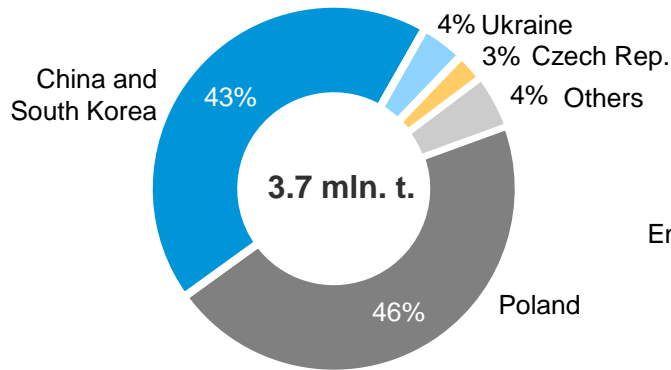
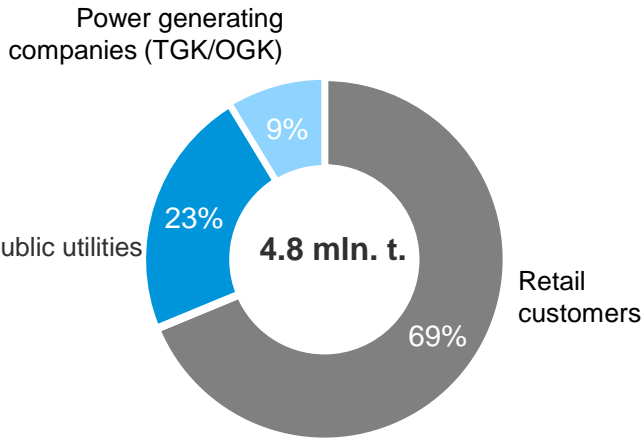
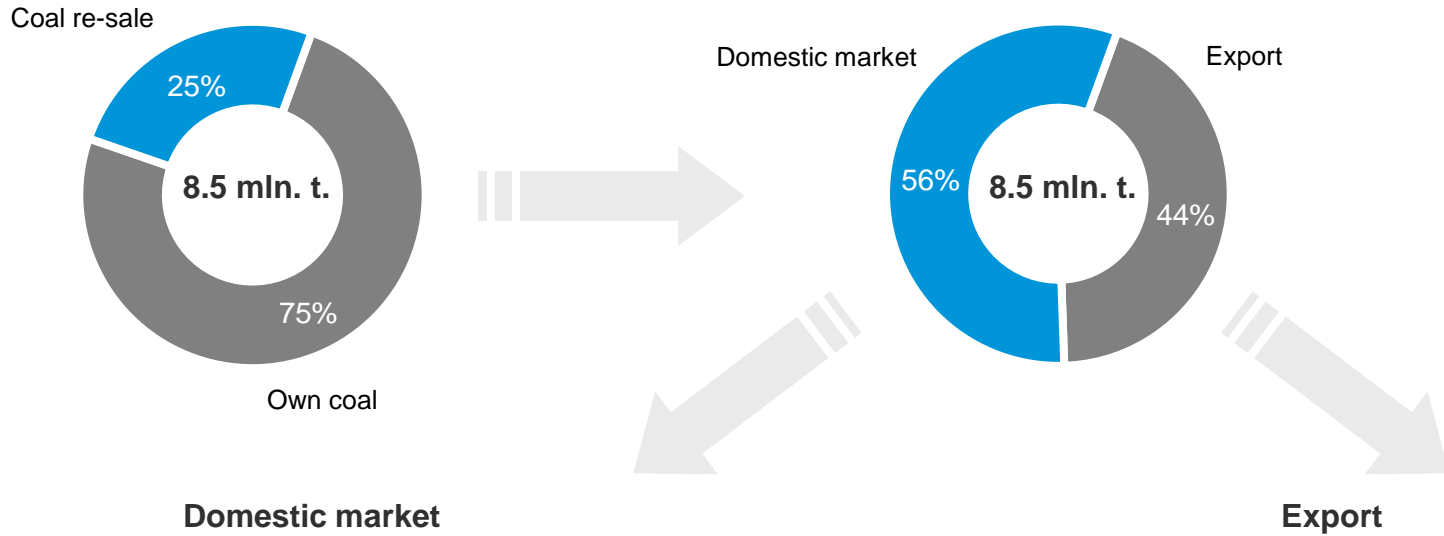
QOQ decrease of stripping ratio in Q4, but full year figure is expectedly higher YOY

- ▶ The stripping ratio in Q4 decreased by 16% QOQ to 6.1x (Q3 2010: 7.2x). The volume of exploded rock volume increased by 40% QOQ to 6.8 mln. cbm. (Q3 2010: 4.8 mln. cbm.). The average stripping transportation distance decreased by 21% QOQ to 2.4 km (Q3 2010: 3 km)
- ▶ During 2010 the stripping ratio raised by 2% YOY to 7.3x (2009: 7.1x). The exploded rock volume grew by 18% to 25.4 mln. cbm. (2009: 21.5 mln. cbm.). The average stripping transportation distance extended by 16% YOY to 2.7 km (2009: 2.3 km).

Source: Company

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

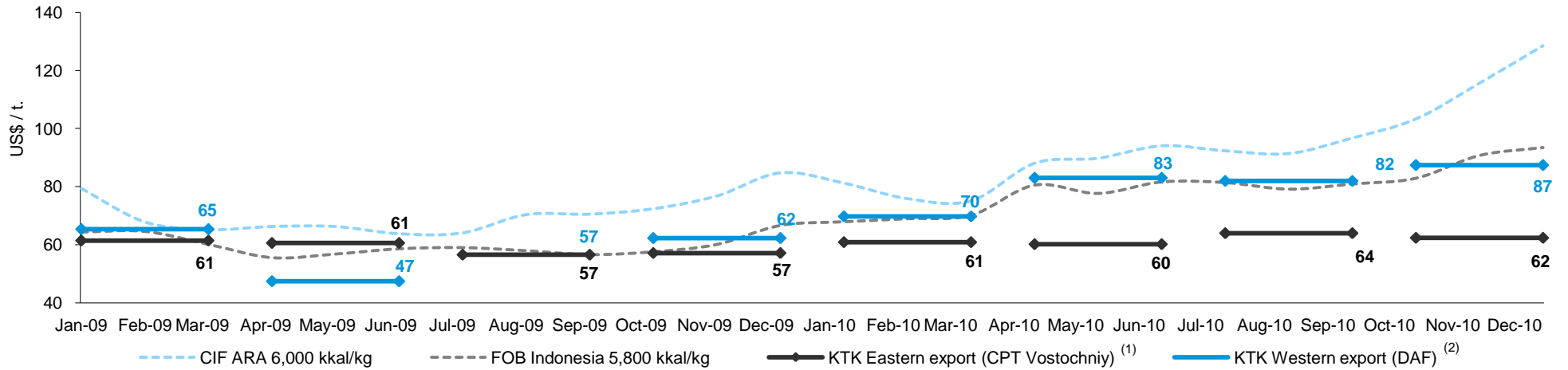
II. 2010 Coal sales breakdown



II. Average realised prices VS benchmarks

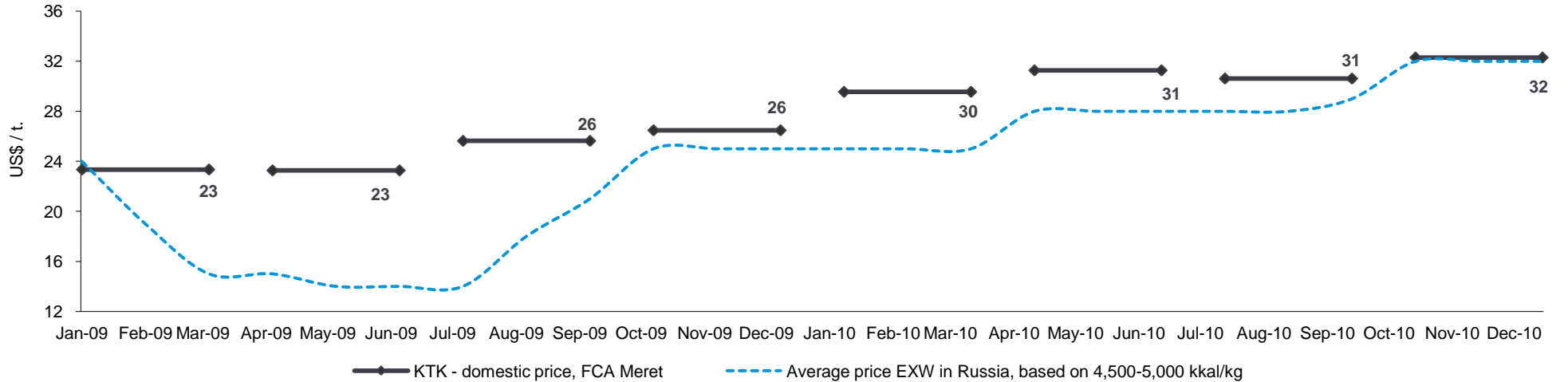


KTK realized export prices vs. international FOB and CIF benchmarks, \$/t



Source: Company, Argus for FOB Indonesia and CIF ARA

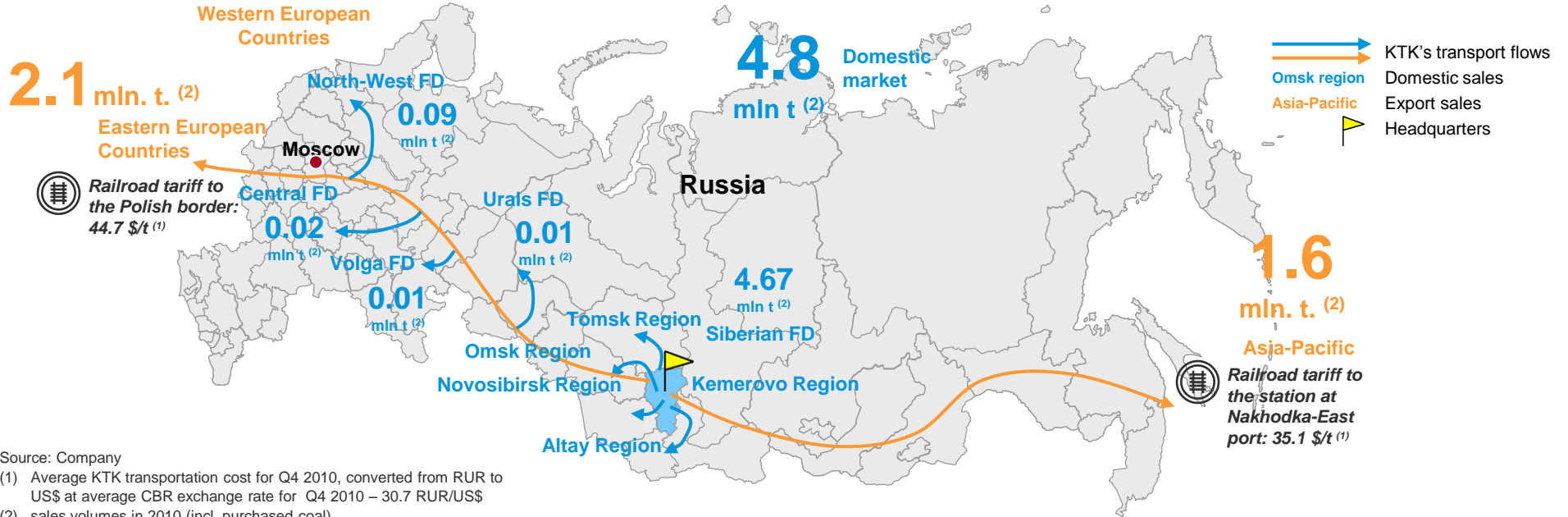
KTK FCA prices vs. Russian EXW benchmark, \$/t



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. Distribution Map

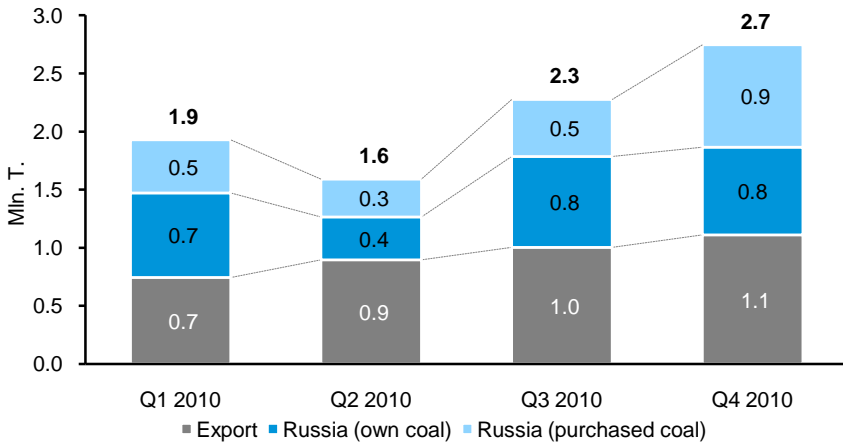


Source: Company

(1) Average KTK transportation cost for Q4 2010, converted from RUR to US\$ at average CBR exchange rate for Q4 2010 – 30.7 RUR/US\$

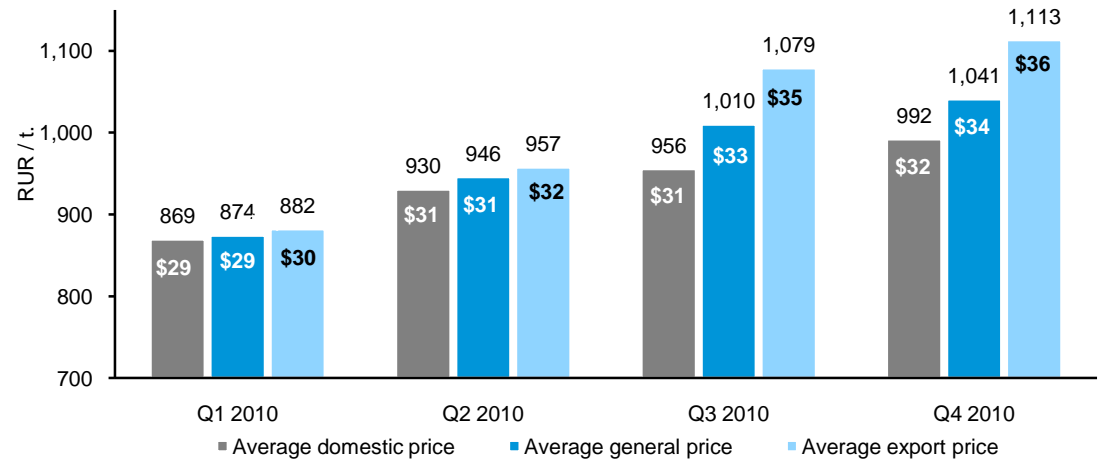
(2) sales volumes in 2010 (incl. purchased coal)

Coal sales breakdown by market



Source: Company

Average domestic and export prices (1)



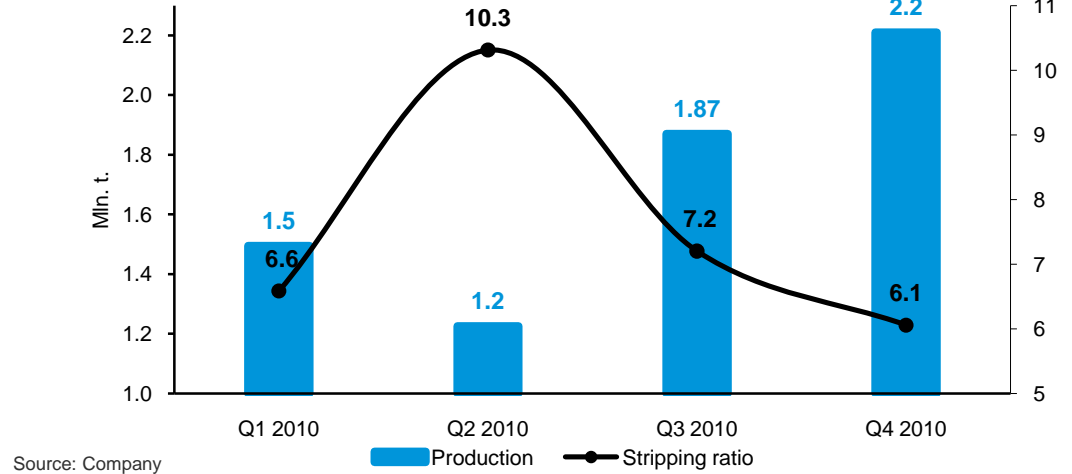
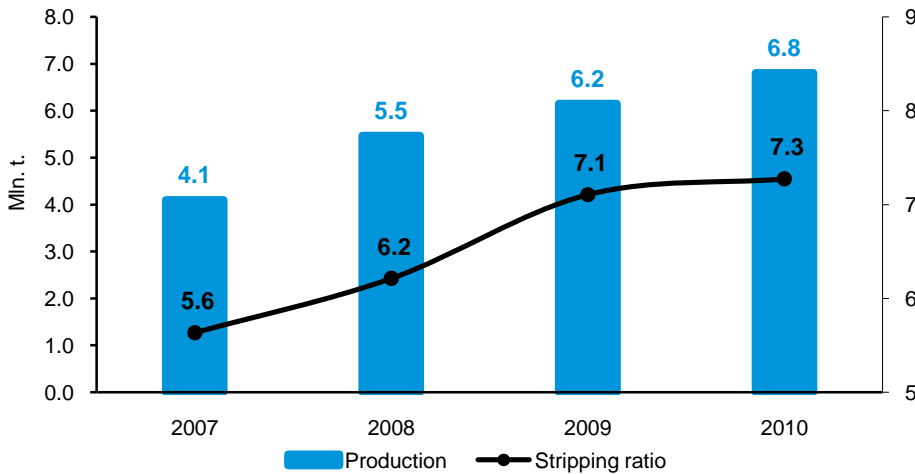
Source: Company

(1) - prices are net of VAT and railroad tariffs; domestic prices include costs associated with retail distribution network; prices are converted to US\$ using average Central Bank of the Russian Federation exchange rates for each quarter (Q1 2010: 29.85 RUR/US\$; Q2 2010: 30.24 RUR/US\$; Q3 2010: 30.62 RUR/US\$; Q4 2010: 30.72 RUR/US\$)

II. Stripping ratio and cash costs dynamics

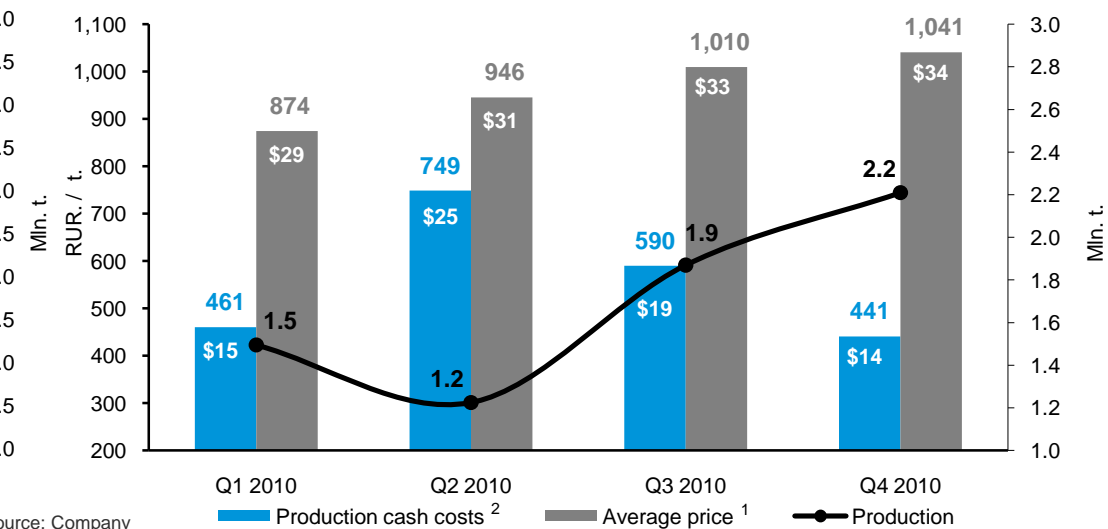
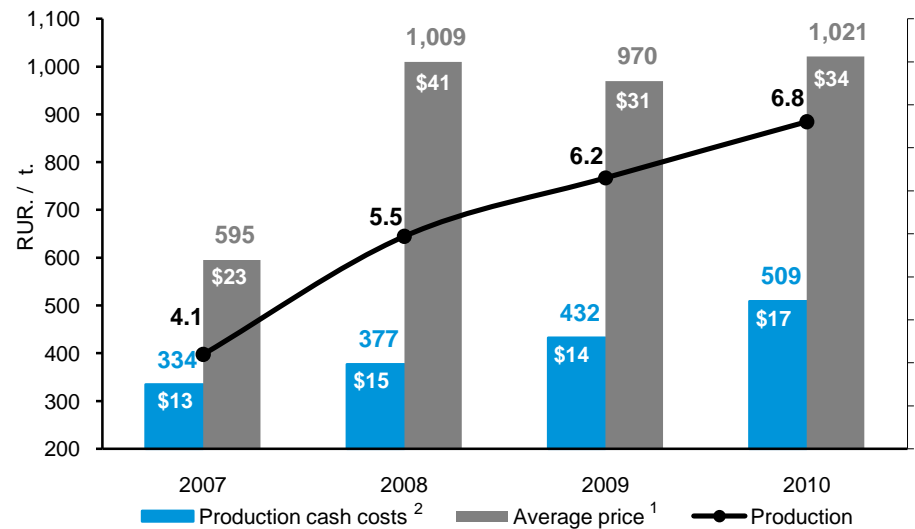


KTK coal production and stripping ratio



Source: Company

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



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
Q4 - RUR 4,584 mln.
12M - RUR 14,160 mln.

- ▶ Revenue for Q4 2010 increased by 17% to RUR 4,584 mln. QoQ (Q3 2010: RUR 3,925 mln.).
- ▶ Revenue for 12M 2010 gained 33% YoY up to 14,160 mln. (2009: RUR 10,658 mln.).

EBITDA
Q4 - RUR 909 mln.
12M - RUR 2,134 mln.

- ▶ Growth of production volumes and a decrease in production cash costs per tonne of coal resulted in a QoQ increase of Q4 2010 EBITDA to RUR 909 mln. (Q3 2010: RUR 683 mln.).
- ▶ 12M 2010 EBITDA decreased by 2% year-on-year to RUR 2,134 mln. (2009: RUR 2,178 mln.). However, USD equivalent of 2010 EBITDA has been 2% higher than in 2009 and reached USD 70 mln. ⁽¹⁾, achieving managements target.

Net Income
Q4 - RUR 470 mln.
12M - RUR 823 mln.

- ▶ In Q4 2010 net profit increased by 35% to RUR 470 mln. (Q3 2010: RUR 349 mln.).
- ▶ 12M 2010 net profit amounted to RUR 823 mln., 24% higher than the result of 2009 (RUR 663 mln.). A positive effect on net profit has been the significant reduction of loan portfolio that resulted in a reduction in interest payments by 2.5 times.

Net Debt
RUR 1,754 mln.
or 0.8 of 12M EBITDA

- ▶ As at 31 December 2010 Net Debt amounted to RUR 1,754 mln. It has decreased by 24% quarter-on-quarter (Q3 2010: RUR 2,311 mln.), and by 2.2 times year-on-year (2009: RUR 3,773 mln.).
- ▶ At the reporting date the Net Debt to EBITDA ratio was 0.8.

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

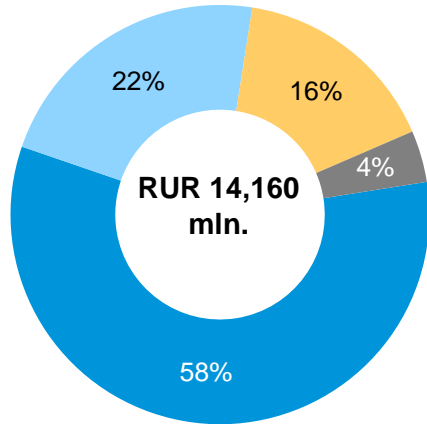
(1) - Figures were converted to USD using average Central Bank of the Russian Federation exchange rates for each year (2009: 31.72 RUR/US\$; 2010: 30.38 RUR/US\$)

III. Revenue by Operational Segments



Revenue breakdown by segments

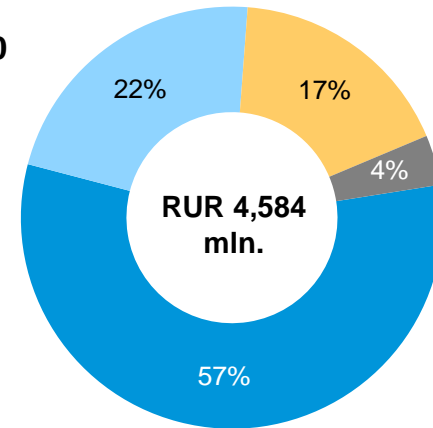
12M 2010



- Own coal, export
- Own coal, Russia
- Coal resale, Russia
- Other revenue

Source: audited 2009, 2010 IFRS FS

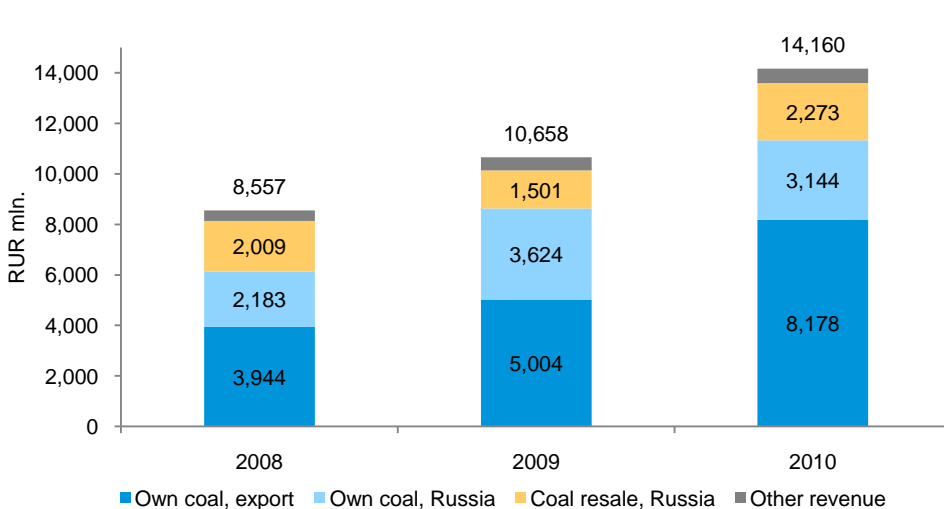
Q4 2010



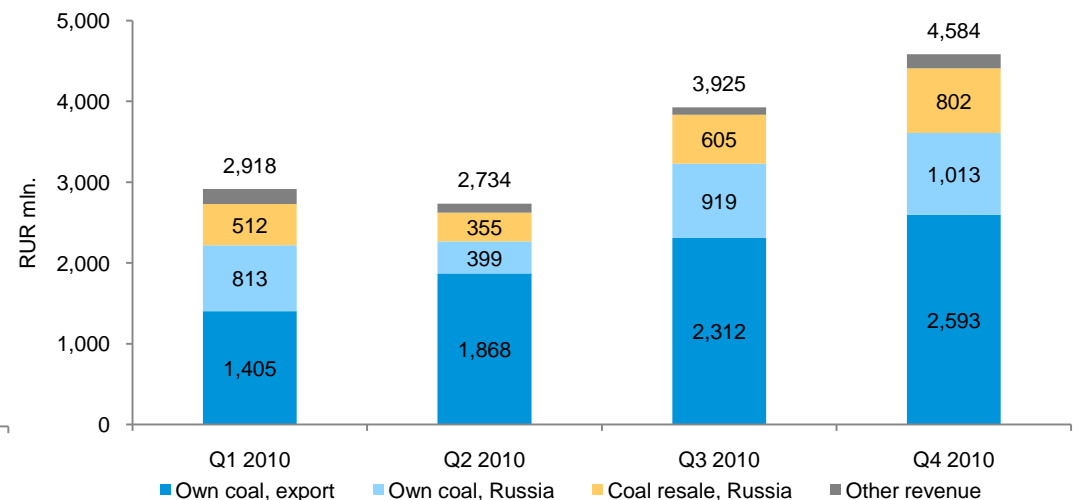
- Own coal, export
- Own coal, Russia
- Coal resale, Russia
- Other revenue

Source: Unaudited figures for Q4 2010 extracted from 2010 IFRS FS

Segment revenue dynamics



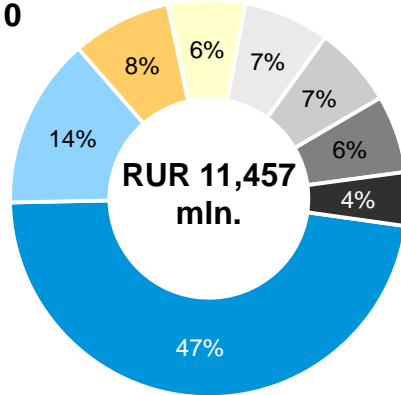
Source: audited 2009, 2010 IFRS FS



Source: Unaudited figures for Q1-Q4 2010 extracted from Q1 2010, 6M 2010, 9M 2010, 2010 IFRS FS

Cost of sales breakdown

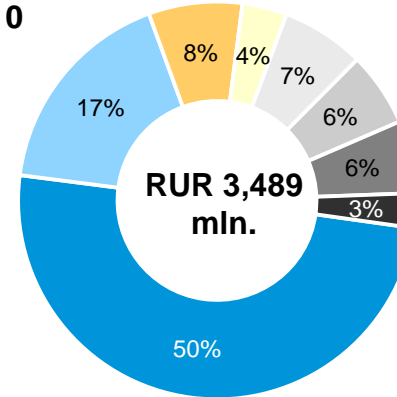
12M 2010



- Transportation costs
- Coal purchased
- Cost of personnel
- Other costs
- Fuel
- Depreciation
- Production services
- Spare parts

Source: audited 2009, 2010 IFRS FS

Q4 2010

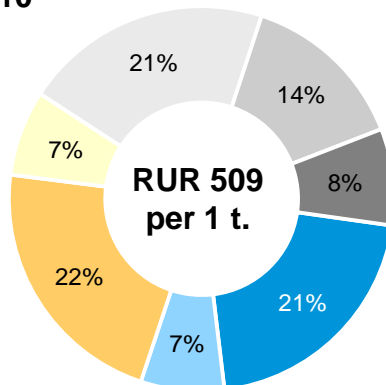


- Transportation costs
- Coal purchased
- Cost of personnel
- Other costs
- Fuel
- Depreciation
- Production services
- Spare parts

Source: Unaudited figures for Q4 2010 extracted from 2010 IFRS FS

Production cash costs breakdown

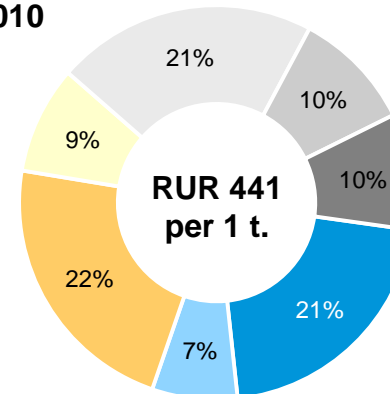
12M 2010



- Production services
- Repair and maintenance
- Salary and UST
- Mining and environment taxes
- Fuel
- Spare parts

Source: audited 2009, 2010 IFRS FS

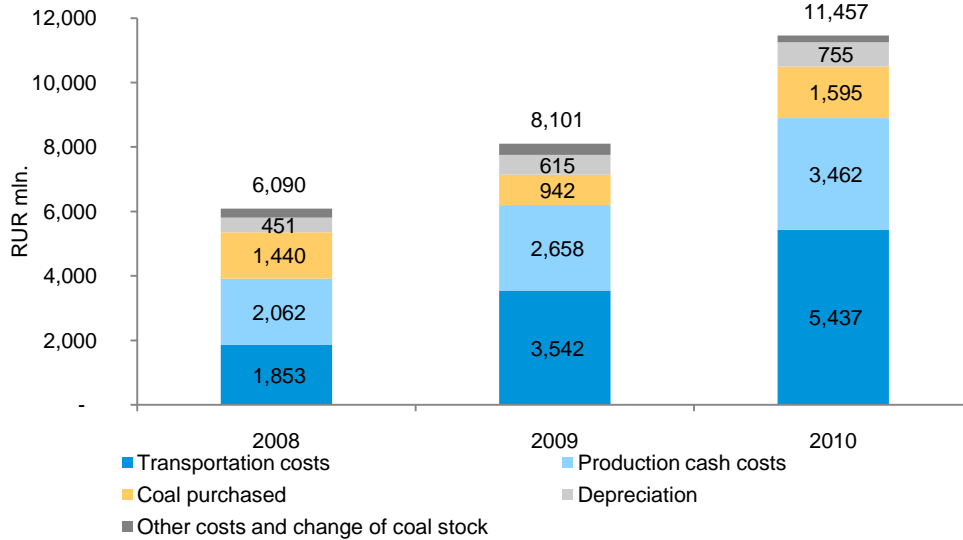
Q4 2010



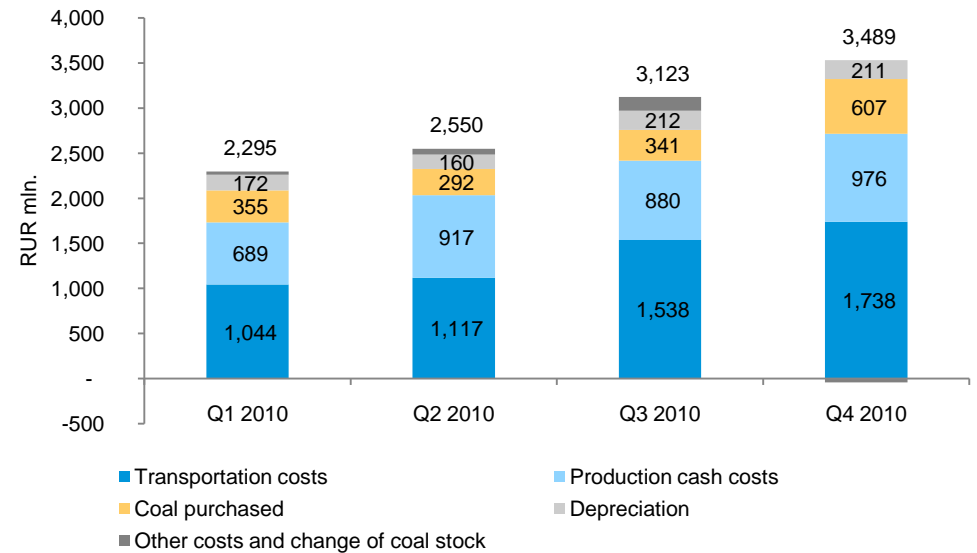
- Production services
- Repair and maintenance
- Salary and UST
- Mining and environment taxes
- Fuel
- Spare parts
- Other expenses

Source: Unaudited figures for Q4 2010 extracted from 2010 IFRS FS

Cost of sales dynamics

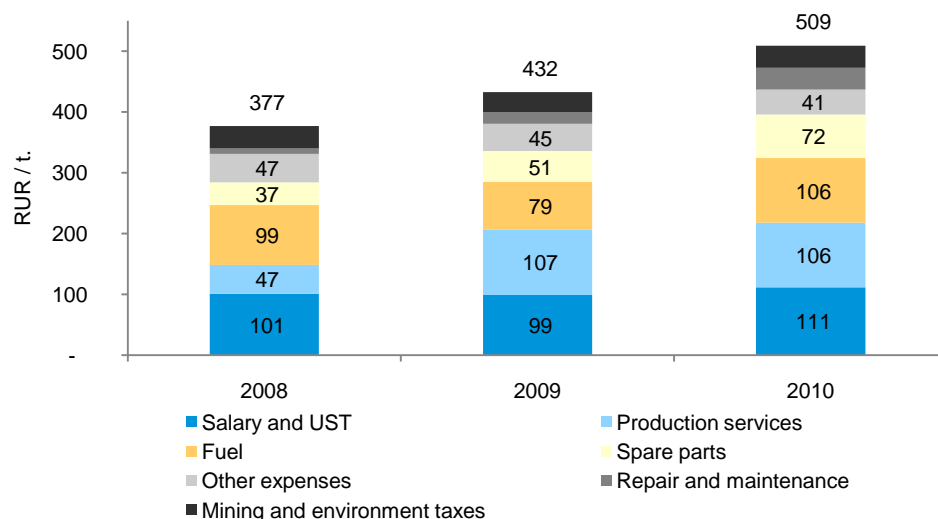


Source: audited 2009, 2010 IFRS FS

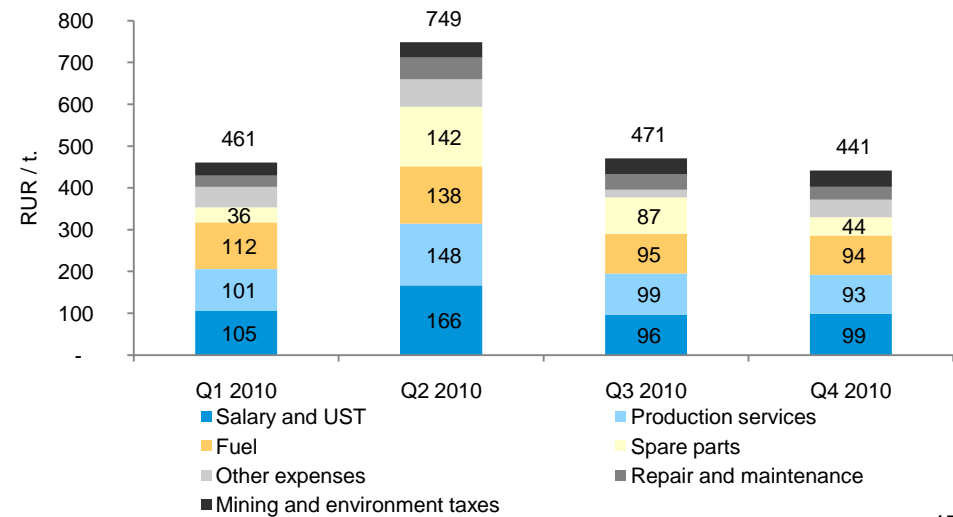


Source: Unaudited figures for Q1-Q4 2010 extracted from Q1 2010, 6M 2010, 9M 2010, 2010 IFRS FS

Production cash costs per 1 t. dynamics



Source: audited 2009, 2010 IFRS FS

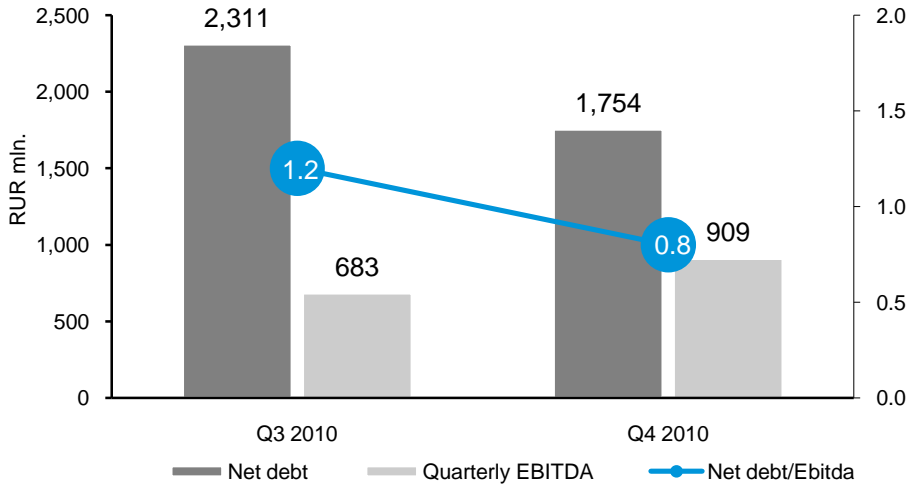


Source: Unaudited figures for Q1-Q4 2010 extracted from Q1 2010, 6M 2010, 9M 2010, 2010 IFRS FS

III. Financial Leverage

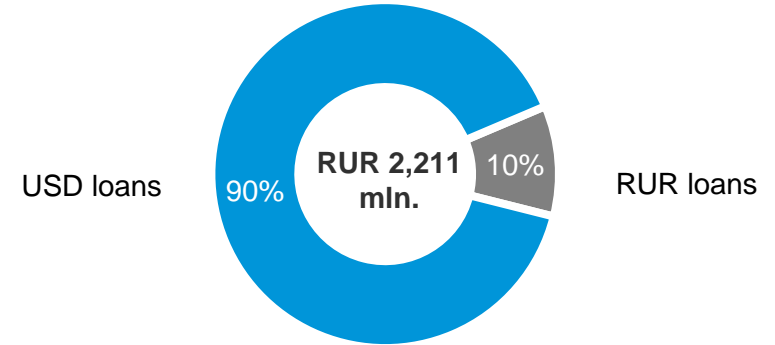


Net Debt to EBITDA QoQ (1)



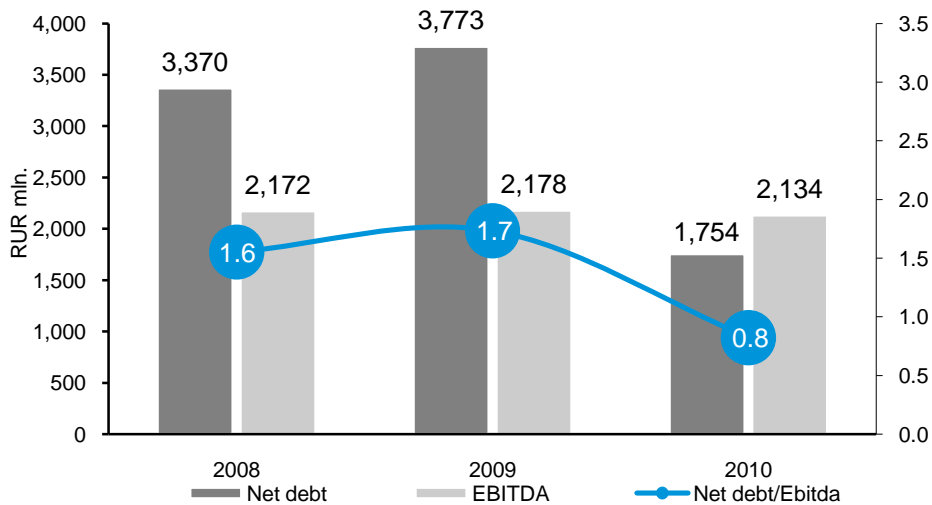
Source: Unaudited figures for Q3-Q4 2010 extracted from 6M 2010, 9M 2010, 2010 IFRS FS

Debt structure by currency as of 31 Dec 2010



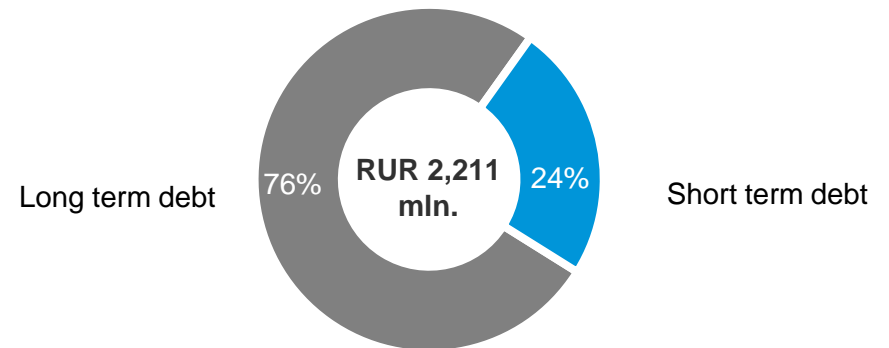
Source: audited 2010 IFRS FS

Net Debt to EBITDA YoY



Source: audited 2009, 2010 IFRS FS

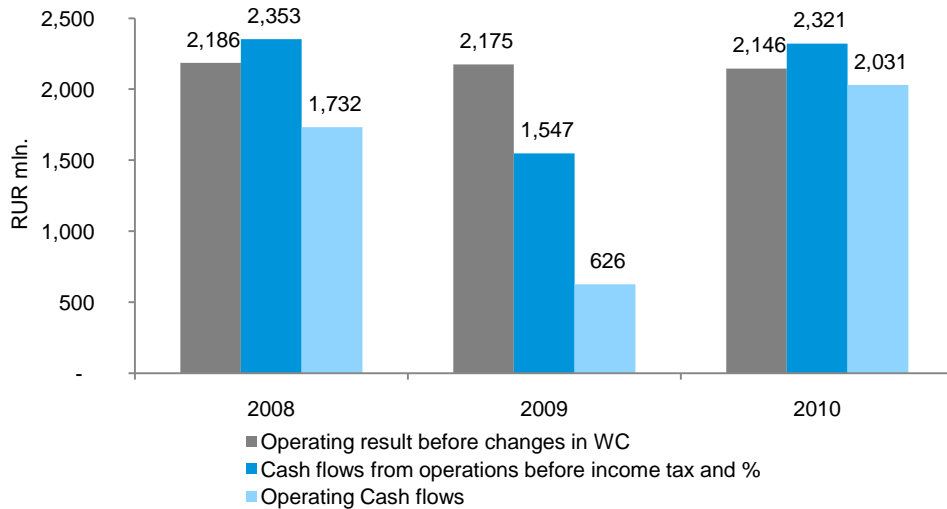
Debt maturity structure as of 31 Dec 2010



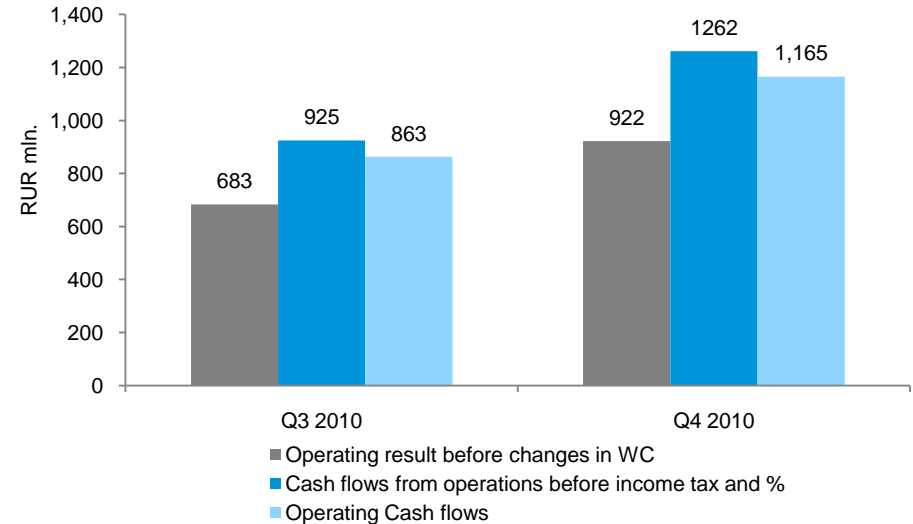
Source: audited 2010 IFRS FS

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

Operational Cash Flow Dynamics

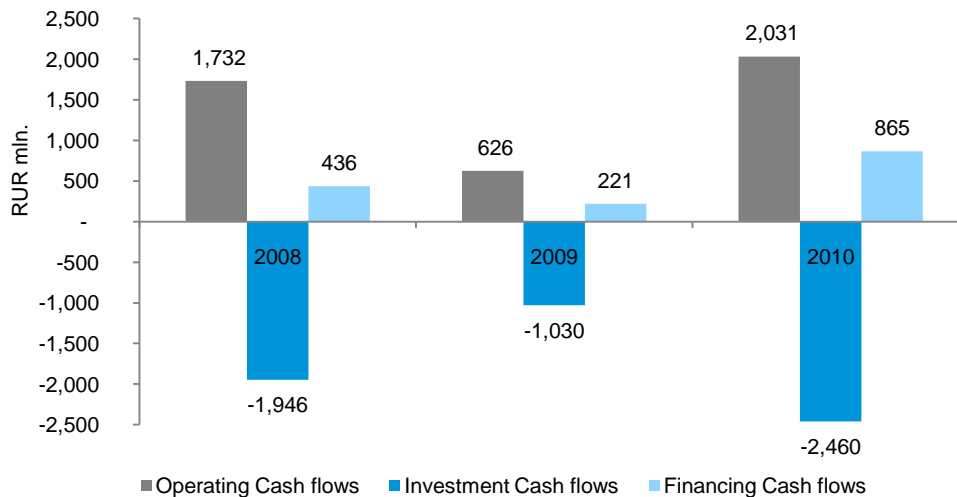


Source: audited 2009, 2010 IFRS FS

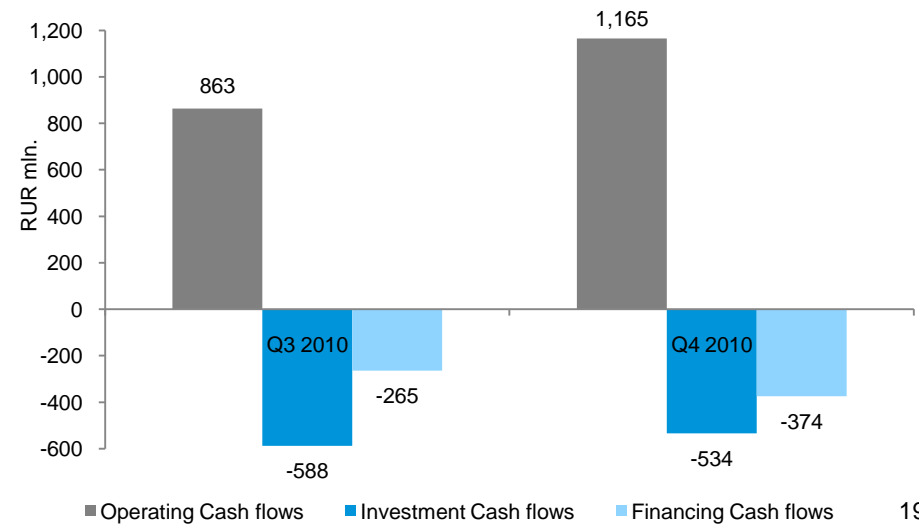


Source: Unaudited figures for Q3-Q4 2010 extracted from 6M 2010, 9M 2010, 2010 IFRS FS

Operational, Investment, Financial Cash Flow Dynamics



Source: audited 2009, 2010 IFRS FS



Source: Unaudited figures for Q3-Q4 2010 extracted from 6M 2010, 9M 2010, 2010 IFRS FS



Delayed Q4 2010 export volumes sold in Q1 2011

- ▶ In Q1 the Company sold 300 th. tonnes under export contracts, which was not shipped during Q4 2010 due to the non-delivery of railroad cars for loading. These volumes will contribute to Q1 financial results

Production seasonal fall QoQ, but increase YoY

- ▶ In Q1 2011 the Company plans to decrease production volumes by 15-20% quarter-on-quarter due to seasonal factors, however they will be still 20-25% higher compared to the level of Q1 2010.

Cash costs per 1 t. seasonal rise

- ▶ The reduction of production will lead to an increase of stripping ratio by 20-25% which can negatively impact production cash costs per 1 tonne of coal.

Average realized prices rise

- ▶ Management expects a growth in average realised coal prices⁽³⁾ due to the commencement of coal delivery under new export contracts, concluded at the end of 2010 and in Q1 2011. However, a rise of transport costs in Q1 2010 can negatively affect the growth of average realised coal prices.

Continue of large-scale investment program

- ▶ During Q1 the Company will continue to purchase rock transportation machinery, will work to increase capacity of its railroad station “Uba” and start preparation work for the construction of the new enrichment plant on the “Vinogradovsky” open pit mine. The management decided to increase its design capacity from 2 mln. tonnes to 3.6 mln. tonnes per year



Appendix

IFRS Financial Statements for 2008-2010

Appendix. Income Statement 2008-2010



RUR mln.	2008	2009	2010
Revenue	8,557	10,658	14,160
Cost of sales	(6,090)	(8,101)	(11,457)
Gross profit	2,467	2,557	2,703
<i>Gross profit margin</i>	29%	24%	19%
Distribution expenses	(242)	(363)	(540)
Administrative expenses	(565)	(706)	(849)
Other income and expenses, net	(22)	(19)	39
Operating profit	1,638	1,469	1,353
<i>Operating profit margin</i>	19%	14%	10%
Finance income	66	65	99
Finance costs	(402)	(656)	(385)
Income of associates			5
Profit / (loss) before income tax	1,303	878	1,072
Income tax expense	(200)	(215)	(249)
Profit / (loss) for the year	1,103	663	823
<i>Profit / (loss) for the year margin</i>	13%	6%	6%
EBITDA ⁽¹⁾	2,172	2,178	2,134
<i>EBITDA margin</i>	25%	20%	15%

Source: audited 2009, 2010 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

Appendix. Balance Sheet 2008-2010



RUR mln.	2008	2009	2010
ASSETS			
Non-current assets			
Property, plant and equipment	6,772	7,333	8,804
Goodwill and intangible assets	15	14	14
Investments in equity accounted investees	3	3	8
Other investments	-	67	6
Long-term receivables	2	7	1
Deferred tax assets	72	6	19
Total non-current assets	6,864	7,430	8,852
Current assets			
Inventories	512	405	759
Other investments	71	7	39
Income tax receivable	17	30	6
Trade and other receivables	1,074	1,227	1,086
Prepayments and deferred expenses	203	230	440
Cash and cash equivalents	315	86	457
Total current assets	2,192	1,985	2,787
TOTAL ASSETS	9,056	9,415	11,639

RUR mln.	2008	2009	2010
EQUITY AND LIABILITIES			
Equity			
Share capital	17	17	20
Retained earnings	2,767	3,409	3,975
Additional paid-in capital	-	-	2,829
Total attributable to equity holders of the company	2,784	3,426	6,824
Minority interest	34	41	11
Total equity	2,818	3,467	6,835
Non-current liabilities			
Loans and borrowings	2,453	2,204	1,676
Net assets attributable to minority participants in LLC entities	50	66	68
Provisions	217	237	265
Retirement benefit liability	-	-	15
Deferred tax liabilities	364	362	448
Total non-current liabilities	3,084	2,869	2,472
Current liabilities			
Bank overdraft	60	-	-
Loans and borrowings	1,172	1,655	535
Trade and other payables	1,788	1,414	1,767
Retirement benefit liability	-	-	4
Provisions	7	-	-
Income tax payable	127	10	26
Total current liabilities	3,154	3,079	2,332
Total liabilities	6,238	5,948	4,804
TOTAL EQUITY AND LIABILITIES	9,056	9,415	11,639

Appendix. Cash Flow Statement 2008-2010



RUR mln.	2008	2009	2010
OPERATING ACTIVITIES			
Profit / (loss) for the period	1,103	663	823
<i>Adjustments for:</i>			
Depreciation and amortisation	512	688	820
Change in provision for site restoration	13	(1)	3
Change in retirement benefit liability	-	-	10
Impairment loss	17	15	7
Loss / (gain) on disposal or write-off of property, plant and equipment	5	4	(46)
Income of associates	-	-	(5)
Net finance expense	336	591	286
Income tax expense	200	215	249
Operating result before change in working capital	2,186	2,175	2,147
Change in inventories	(265)	107	(354)
Change in trade and other receivables	(387)	(126)	126
Change in prepayments for current assets	(146)	(27)	(215)
Change in trade and other payables	966	(582)	617
Cash flow from operations before income tax and interest	2,353	1,547	2,321
Income taxes and penalties paid	(208)	(281)	(101)
Interest paid	(413)	(640)	(189)
Cash flows from operating activities	1,732	626	2,031

RUR mln.	2008	2009	2010
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	22	42	21
Loans issued	(199)	(217)	(87)
Proceeds from loans previously issued incl. interest received	352	233	130
Acquisition of property, plant and equipment	(2,007)	(1,084)	(2,499)
Acquisition of subsidiaries, net of cash acquired	(111)	-	-
Acquisition of equity accounted investees	(3)	-	-
Acquisition of minority interests	-	(4)	(25)
Cash flow used in investing activities	(1,946)	(1,030)	(2,460)
FINANCING ACTIVITIES			
Proceeds from borrowings	8,010	7,119	5,273
Repayment of borrowings	(7,494)	(6,904)	(6,960)
Proceeds from share issue, net of issue costs	-	-	2,805
Contribution from minority participants	-	6	-
Dividends paid	(80)	-	(253)
Cash flow from financing activities	436	221	865
Net increase / (decrease) in cash and cash equivalents	222	(183)	436