



# 3M 2013 FINANCIAL RESULTS

Presentation

May 23, 2013

Kemerovo

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Head of Moscow office, IRO



# BUSINESS REVIEW

# KTK AT A GLANCE

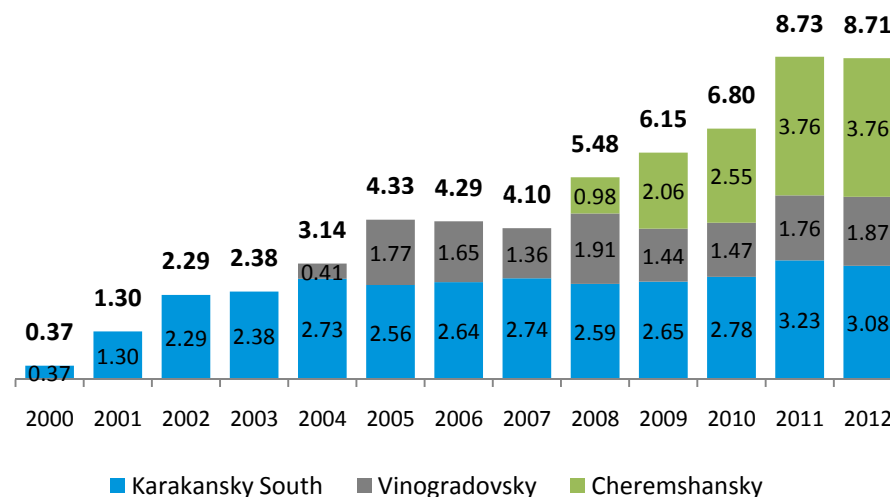


- ▶ One of the fastest-growing thermal coal producers in Russia
- ▶ One of major suppliers of coal in Western Siberia
- ▶ In 2012 the Company became 6<sup>th</sup> largest thermal coal producer in Russia<sup>(1)</sup>
- ▶ Since its establishment in 2000, the Company has launched 3 open-pit mines and developed an extensive production and distribution infrastructure and the fourth one is now under construction:
  - ▲ 8.71 mln. tonnes of thermal coal produced in 2012
  - ▲ 100% high-quality grade "D" thermal coal under Russian classification
  - ▲ Developed railway network and facilities
  - ▲ Two washing plants with 6 mln. tonnes total input capacity

	3 existing open-pit mines	Bryanskiy open-pit mine
Structural capacity	11 mln. tonnes	3-5 mln. tonnes
Reserves	391 mln. tonnes of coal resources and 174 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 in 2012
- ▶ Diversified sales capabilities balanced between domestic market (4.29 mln. tonnes sold in 2012) and export markets (5.91 mln. tonnes sold in 2012)
- ▶ Largest retail coal distribution network in Western Siberia, 70 PoS
- ▶ Employing about 4,000 people
- ▶ KTK shares are quoted on RTS and MICEX (ticker: KBTK)
- ▶ 65.61% of share capital is owned by the management (I. Prokudin – 50,001%, V. Danilov – 15.61%), free-float – 34.39% is distributed between more than 25 investment funds.

Coal production history with open-pit mine breakdown, mln. tonnes



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

	2010	2011	2012
Coal sales, mln. tonnes	8.54	10.66	10.20
incl. purchased coal, mln. tonnes	2.16	2.08	1.70
Revenue, USD mln.	466	814	743
% change	39%	75%	-9%
EBITDA, USD mln.	70	133	112
% margin	15%	16%	15%
Net Income, USD mln.	27	69	58
% margin	6%	9%	8%

Source: audited IFRS FS for 2010-2012 in which all amounts are presented in RUB, Company

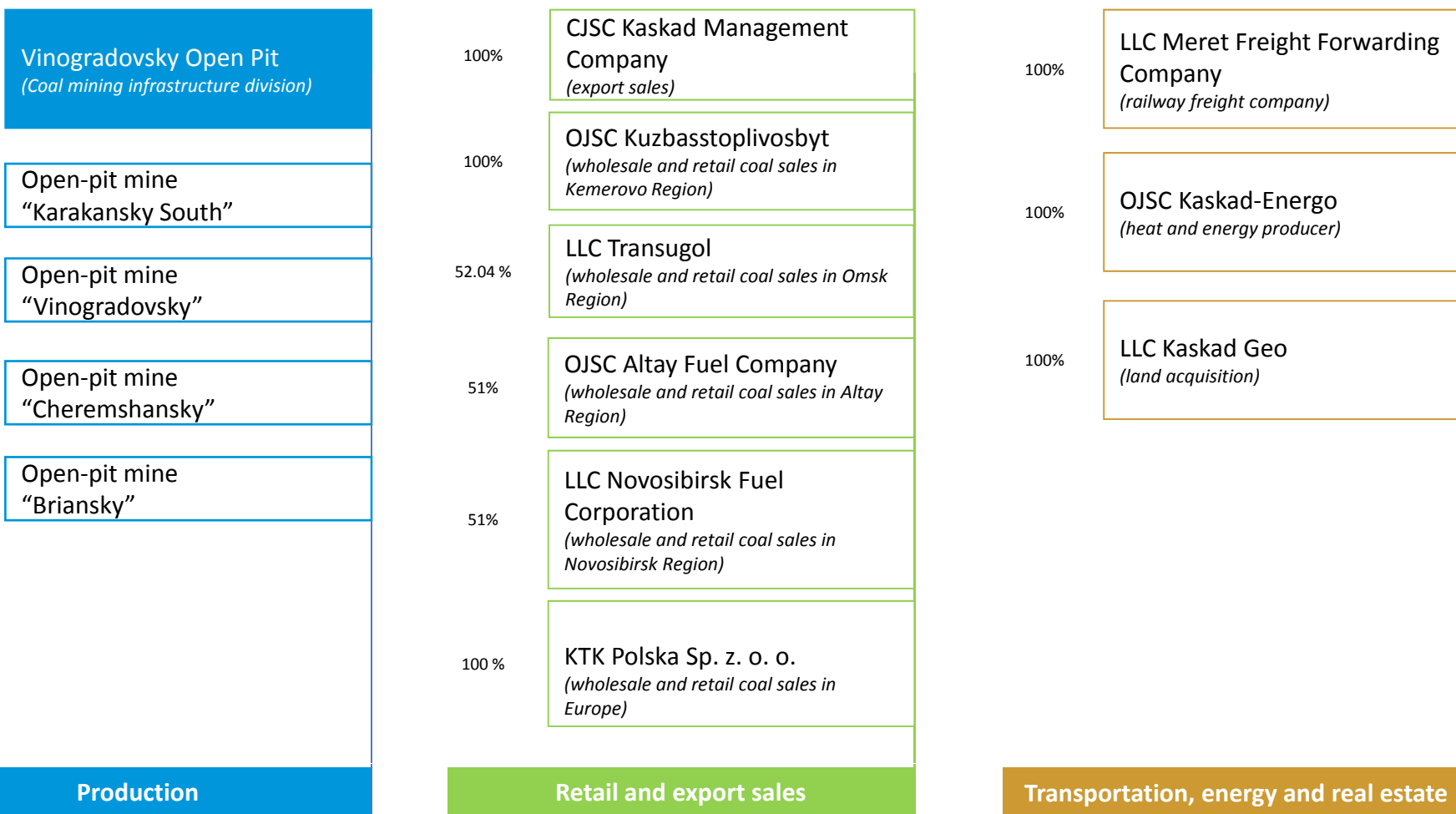
(1) Metal Expert, January 2013

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

(3) In the table USD are converted from RUB using average Central Bank of the Russian Federation exchange rates for each year (2012: 31.08 RUB/USD; 2011: 29.39 RUB/USD; 2010: 30.38 RUB/USD)



## OJSC Kuzbasskaya Toplivnaya Company



# MINING ASSETS



Layout of open-pit mines and washing plants

1  
Vinogradovsky open-pit mine



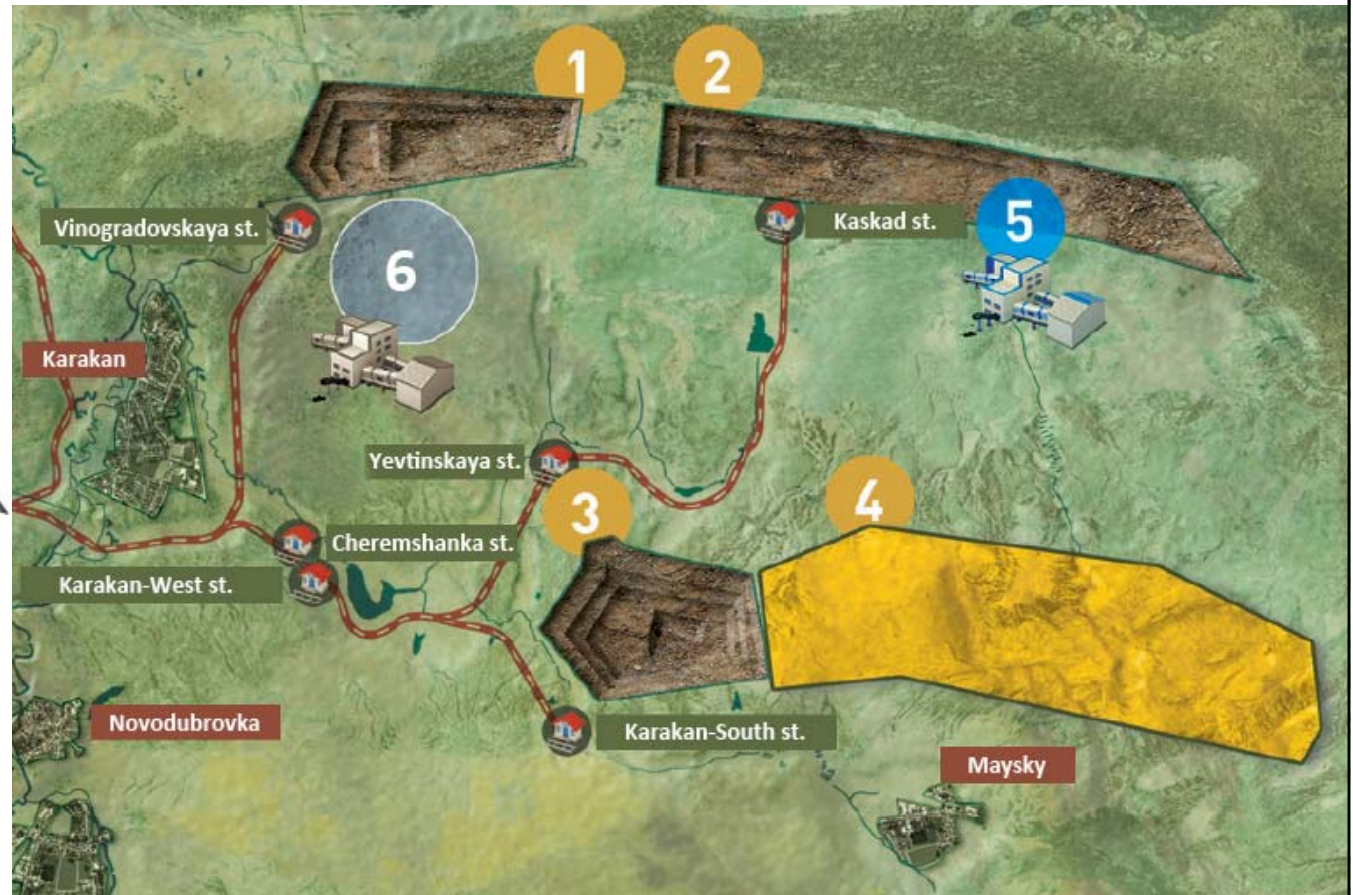
2  
Cheremshansky open-pit mine



3  
Karakansky South open-pit mine



4  
Bryanskiy open-pit mine  
**+250.2**  
mln. tonnes



Villages



Railroad stations



Kaskad-1 washing plant



Kaskad-2 washing plant



# III. OPERATIONAL HIGHLIGHTS



# OPERATIONAL HIGHLIGHTS Q1 2013



## Coal production growth Y-o-Y

- ▶ In the Q1 2013, the Company produced 2.39 mln. tonnes of coal, which is in line with Q4 2012. Compared with Q1 2012, quarterly production increased by 10%.

## 74% of coal produced is sorted or washed to get added value

- ▶ The volume of coal sorting increased by 2% compared to Q4 2012 and amounted 1.41 mln. tonnes.
- ▶ Coal washing at the "Kaskad" washing plant increased by 80% compared to Q4 2012 and Q1 2012, amounted 0.36 mln. tonnes.

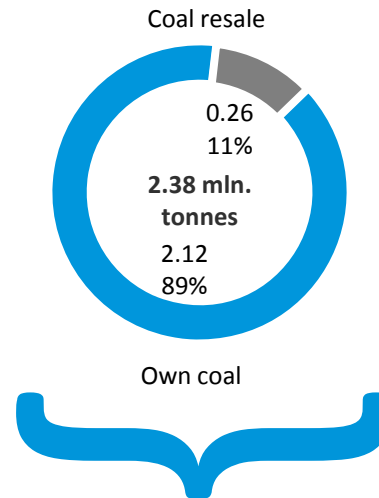
## Seasonal Q-o-Q decrease in coal sales volume

- ▶ Coal sales in Q1 2013 decreased by 19% to 2.38 mln. tonnes.
- ▶ Export sales decreased by 6% to 1.40 mln. tonnes because of decrease of shipments to Eastern Europe.
- ▶ Coal sales in the domestic market decreased by 32% at the seasonal decline in demand and amounted 0.98 mln. tonnes.
- ▶ The volume of coal re-sale fell by 48% to 0.26 mln. tonnes.

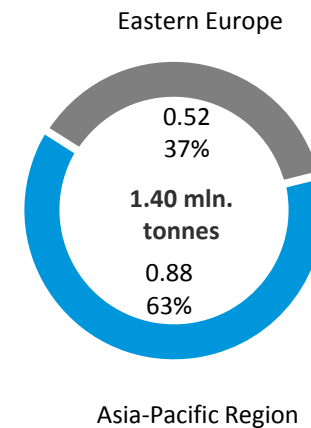
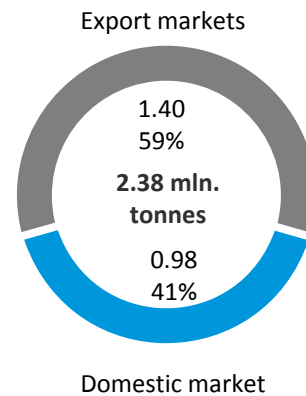
## Key production cost drivers

- ▶ Stripping volume increased by 7% to 14.70 mln. cbm.
- ▶ The share of low-cost non-transportation stripping increased from 6% in the Q1 2012 to 9% in Q1 2013.
- ▶ Average stripping transportation distance during the last quarter decreased by 7% to 2.60 km.
- ▶ The volume of blasted rock mass amounted 6.37 mln. cbm. which is 9% higher than in the Q4 2012.
- ▶ Average stripping ratio increased by 5% Q-o-Q to 6.10 but decreased by 31% Y-o-Y. Stripping ratio will continue to decrease, according to the production plan.

# COAL SALES BREAKDOWN FOR Q1 2013



▶ In Q1 2013 due to increased competition in supplying power generating companies, 100% (0.98 mln. tonnes) of coal in the domestic market were sold to public utilities and households



# AVERAGE REALISED PRICES VS BENCHMARKS

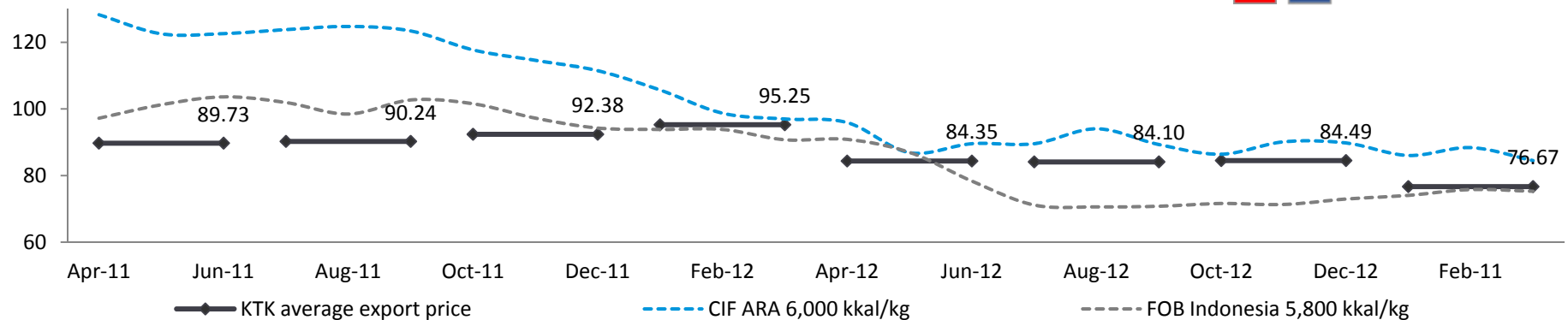


KTK realized export prices<sup>(1)</sup> vs. international FOB and CIF benchmarks, USD/tonne

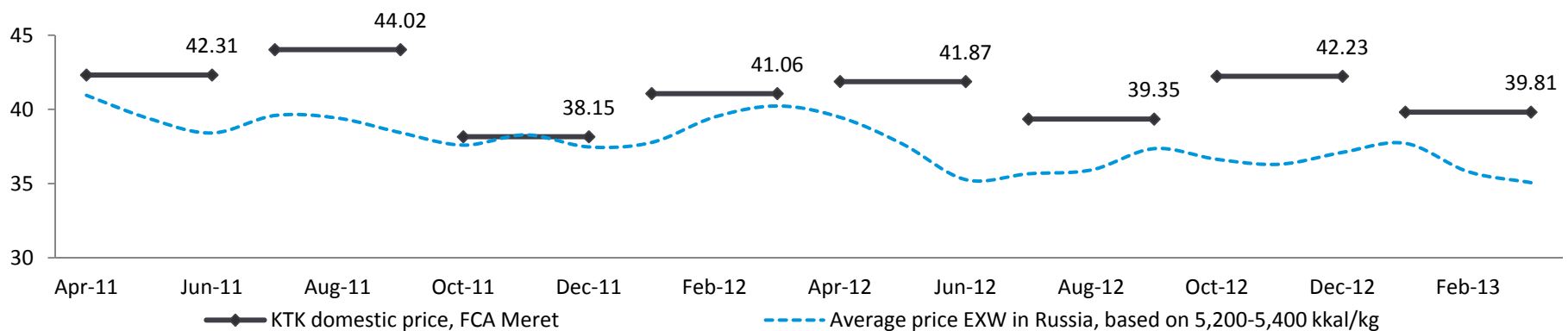
Asian export markets



European export markets



KTK FCA prices vs. Russian EXW benchmark, USD/tonne



Source: Company, Metal Expert for average EXW prices in Russia, Argus for FOB Indonesia and CIF ARA  
 (1) Net of VAT, average KTK export realized price incl. railway tariffs

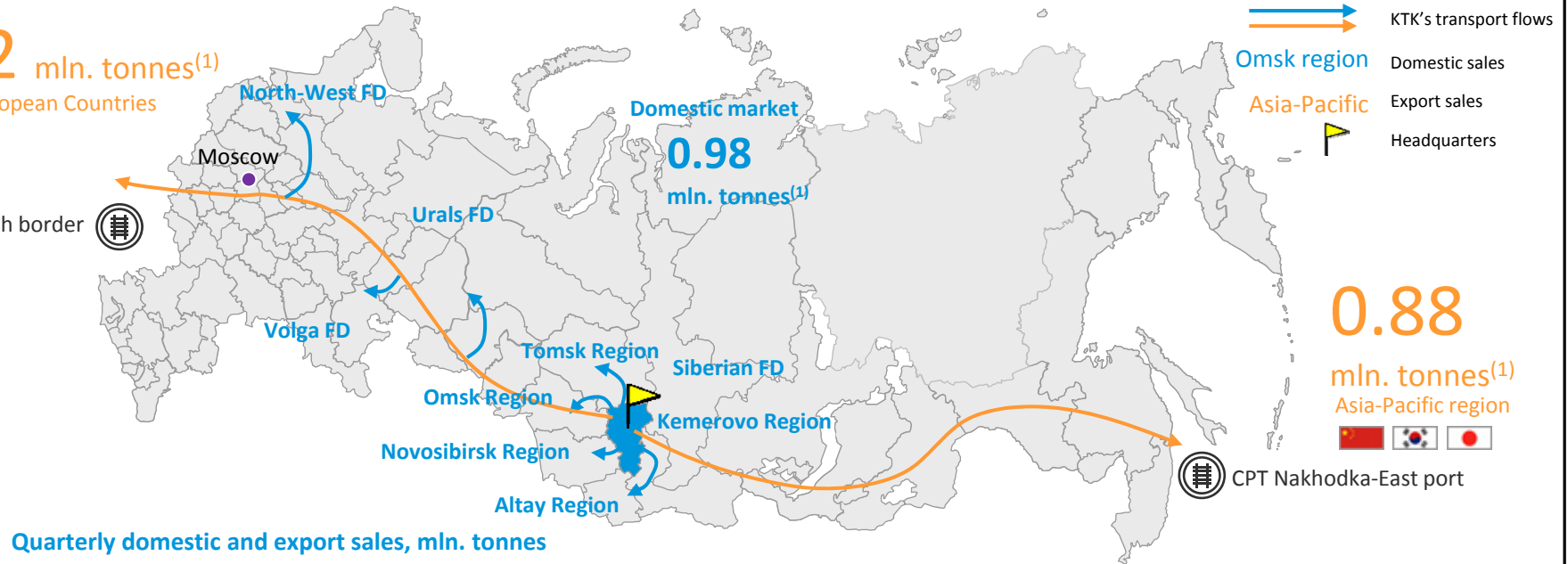
# AVERAGE REALISED PRICES AND MARKETS



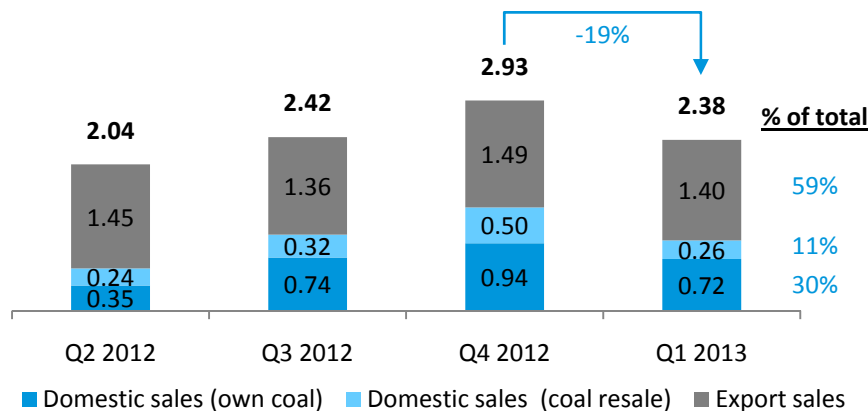
**0.52 mln. tonnes<sup>(1)</sup>**  
Eastern European Countries



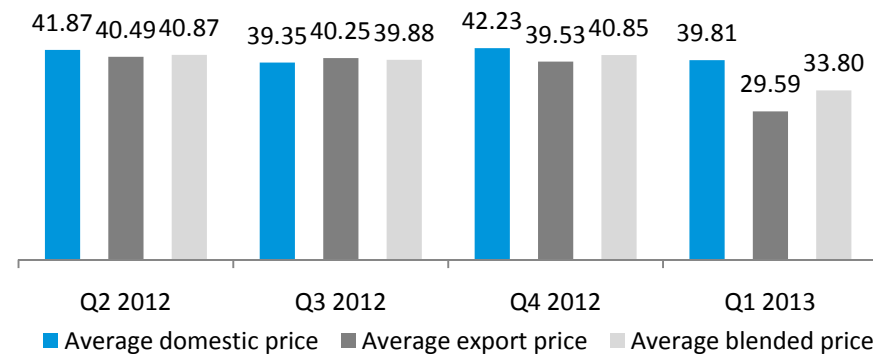
DAF Polish border



Quarterly domestic and export sales, mln. tonnes



Average quarterly domestic and export prices comparison <sup>(2)</sup>



Source: Company

(1) Sales volumes for Q1 2013

(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 quarter (Q4 2012: 31.08 RUB/USD; Q3 2012: 32.00; Q2 2012: 31.10 RUB/USD; Q1 2012: 30.03 RUB/USD)

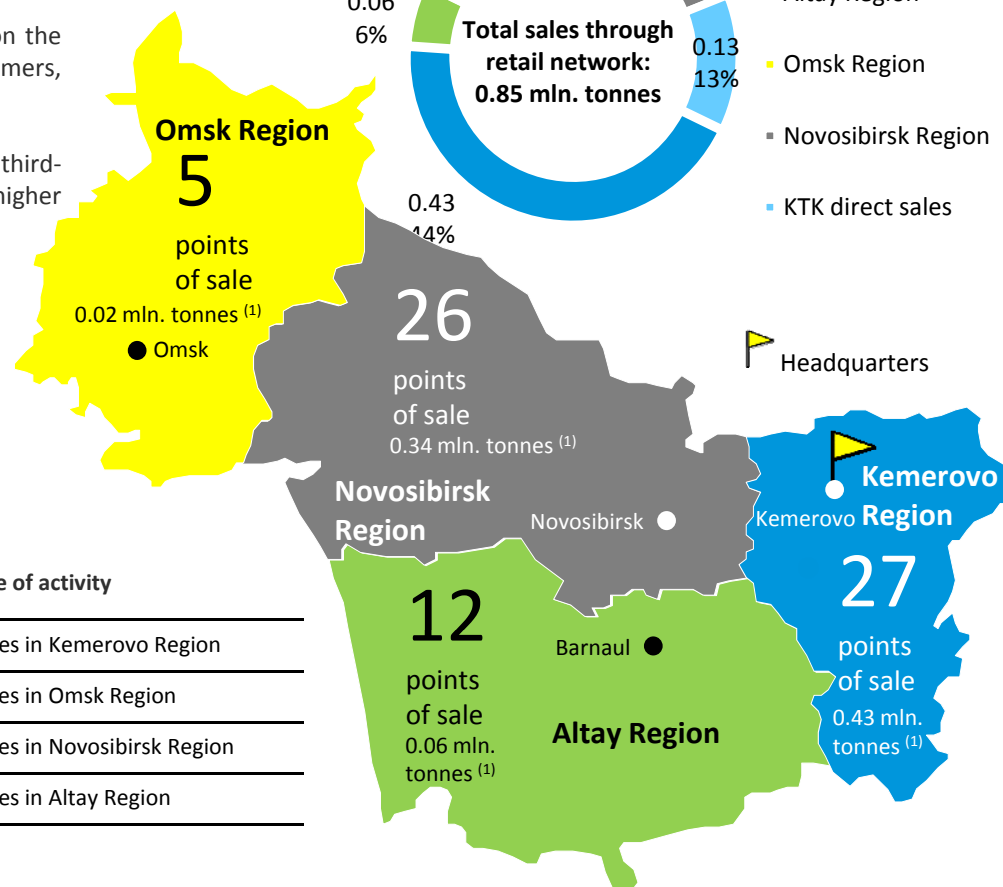
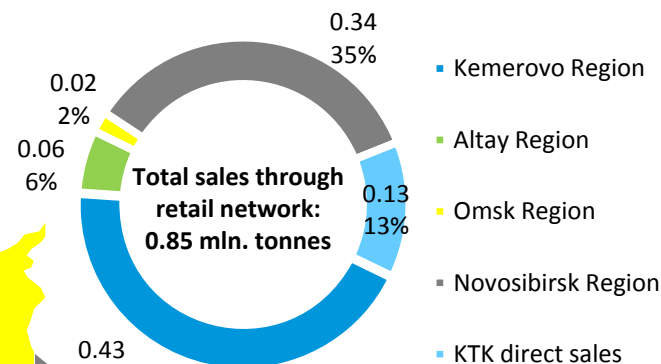
# RETAIL NETWORK IN WESTERN SIBERIA



▶ Since its establishment, the Company has been continuously expanding and building its retail sale and storage network:

- ▲ Own 70 points of sale as of 31.03.2013;
- ▲ 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.
- ▲ Client base: over 400,000 individuals, over 1,000 corporates

Q1 2013 retail sales breakdown <sup>(1)</sup>, mln. tonnes



Retail Subsidiary	Company's ownership	Type of activity
OJSC "Kuzbasstoplyvosbit"	100%	Wholesale & retail sales in Kemerovo Region
LLC "TransUgol"	51%	Wholesale & retail sales in Omsk Region
LLC "Novosibirsk TK"	51%	Wholesale & retail sales in Novosibirsk Region
OJSC "Altay TK"	51%	Wholesale & retail sales in Altay Region

Source: Company

(1) Sales for the Q1 2013, including coal resale



# III. FINANCIAL PERFORMANCE

# COST CUTTING IN Q1 2013



- ▶ Starting from 2H 2012 the Company has been working in the face of declining prices for thermal coal in the domestic and export markets. Management continues to implement a cost cutting program, and reviewing contracts with suppliers for all types of input resources and services. These measures will enable the Company to maintain a stable position in the market and get the maximum economic benefit from possible price increases for high-quality thermal coal in the medium term.

Cost of sales and production cash costs decrease Y-o-Y

- ▶ Cost of sales decreased by 20% Y-o-Y to USD 141 mln.
- ▶ Production cash costs dropped 27% Y-o-Y to USD 40 mln.

Lower distribution and administrative expenses

- ▶ Distribution, administrative and other costs decreased by 7% Y-o-Y to USD 14 mln.

Stripping ratio increased Q-o-Q, but will continue to decrease in Q2-Q4 2013

- ▶ Average stripping ratio increased by 5% Q-o-Q to 6.10 but decreased by 31% Y-o-Y.
- ▶ Stripping ratio peak was in Q2 2012, and according to the production plan annual stripping ratio will continue to decrease for the next 5 years.

LLC "Kuzbass Transport Company" is sold to cut rent costs of rail cars fleet by 50%

- ▶ The price of rail car fleet rent will decrease by 50% starting from April 2013
- ▶ Coal transportation tariff will be flat Y-o-Y, despite 7% growth of infrastructural tariff in January 2013

# COAL TRANSPORTATION COSTS



- In February 2013, the Company withdrew from the associate members of LLC "Kuzbass Transport Company" ("KTrK") and signed a long term service contract for the transportation of coal for 2013-2018 with the new owner of the rail car fleet LLC "ZapSib-Transservice".
- The contract guarantees the supplier a minimum of 5,000 rail car dispatches per month, which amounts to 65% of the Company's shipment volumes. Cost of services will be based on the average market prices.



49.98%

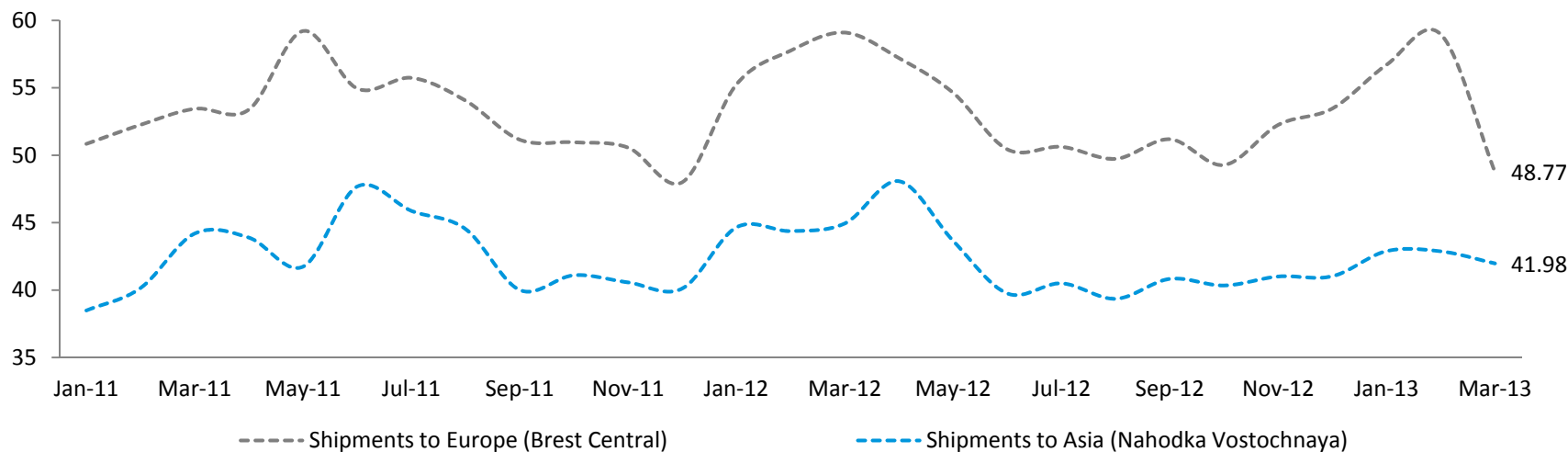
50.02%

Non-cash transaction  
3,128 rail cars  
Total debt: over USD 225 mln.  
Supplier contract: 65% of shipments until 2018

100%



Coal transportation tariff, USD per tonne





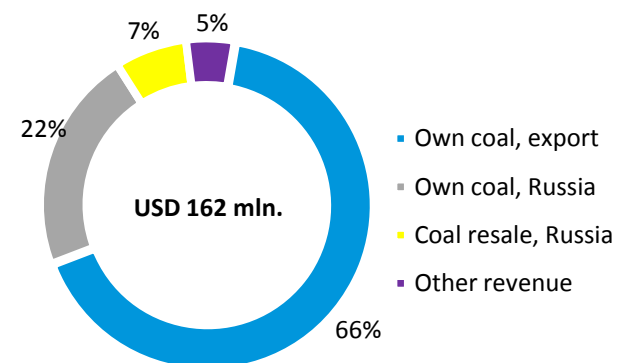
# KEY FINANCIALS AND REVENUE



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

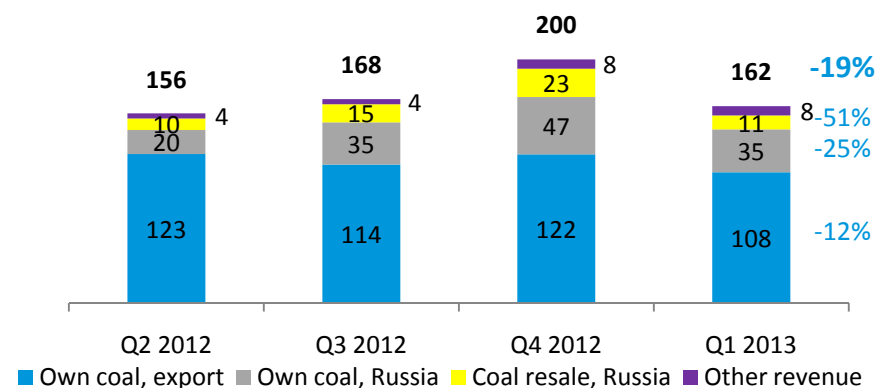
USD mln.	Q1 2013	Q4 2012	Q1 2012
<b>Revenue</b>	<b>162</b>	<b>200</b>	<b>222</b>
Cost of sales	(141)	(156)	(178)
Gross profit	21	45	43
<i>Gross profit margin</i>	<i>19.5%</i>	<i>22.3%</i>	<i>13.2%</i>
SG&A and other expenses	(14)	(16)	(15)
<b>EBITDA<sup>(2)</sup></b>	<b>17</b>	<b>39</b>	<b>37</b>
<i>EBITDA margin</i>	<i>10.3%</i>	<i>19.2%</i>	<i>16.8%</i>
<i>EBITDA per tonne, USD</i>	<i>7</i>	<i>16</i>	<i>17</i>
Operating profit (EBIT)	8	28	28
<i>Operating margin</i>	<i>4.7%</i>	<i>14.1%</i>	<i>12.7%</i>
<b>Net income</b>	<b>3</b>	<b>22</b>	<b>30</b>
<i>Net income margin</i>	<i>1.7%</i>	<i>11.2%</i>	<i>13.5%</i>
Gross debt <sup>3</sup>	263	232	179
<b>Net debt<sup>3</sup></b>	<b>203</b>	<b>154</b>	<b>114</b>

## Q1 2013 revenue by segments<sup>(1)</sup>



## Segment revenue dynamics<sup>(1)</sup>, USD mln.

**Q-o-Q**



(1) Figures were converted to USD using the average exchange rates of the Central Bank of the Russian Federation for each period (Q1 2013: 30.42 RUB/USD; Q4 2012: 31.07 RUB/USD; Q3 2012: 32.00 RUB/USD; Q2 2012: 31.10 RUB/USD; Q1 2012: 30.03)

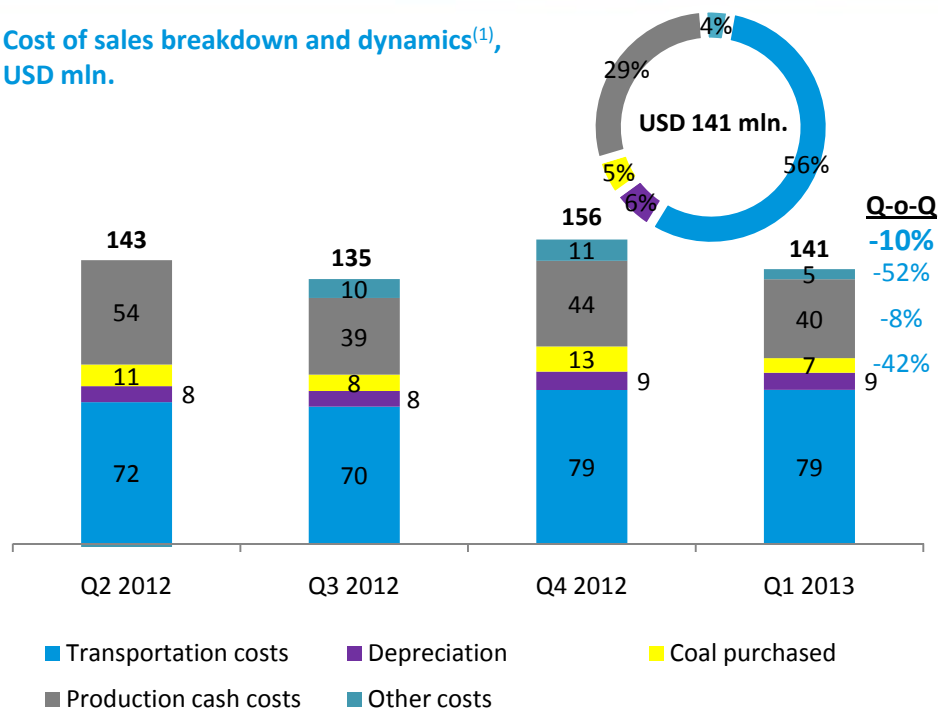
(2) EBITDA for each period is defined as results from operating activities, adjusted for amortization and depreciation, impairment loss and loss on disposal of property, plant and equipment

(3) Figures were converted to USD using the exchange rates of the Central Bank of the Russian Federation for the end of each period (31.03.13: 31.08 RUB/USD; 31.12.12: 30.37 RUB/USD; 31.03.12: 29.33 RUB/USD)

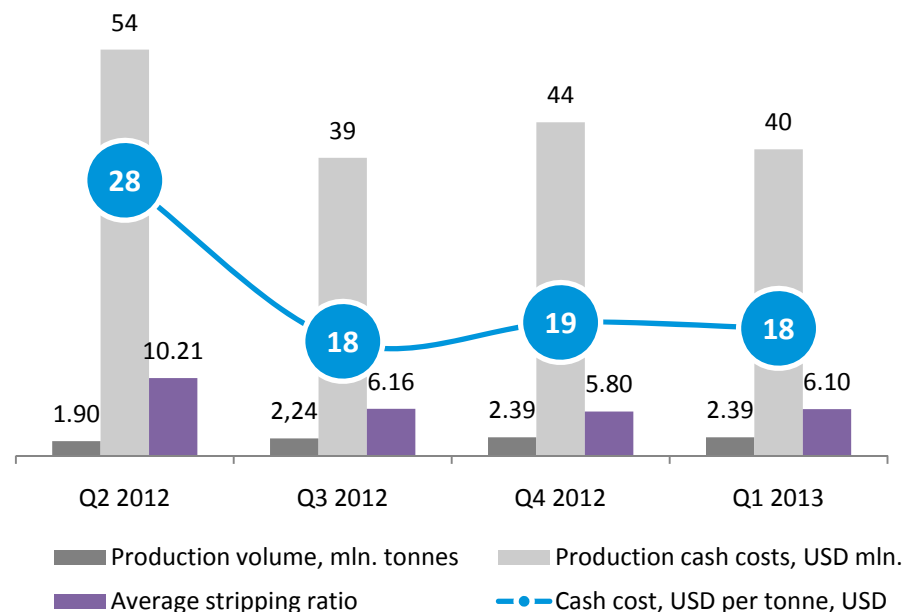
# COST OF SALES



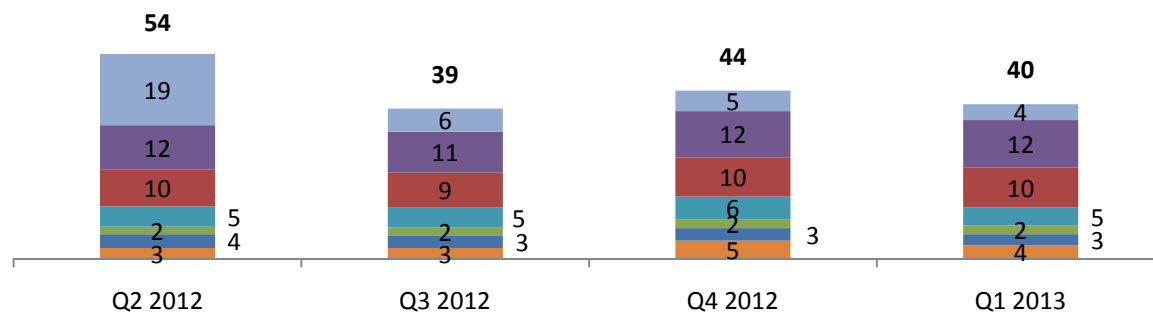
Cost of sales breakdown and dynamics<sup>(1)</sup>, USD mln.



Production cash costs dynamics<sup>(1)</sup>



Production cash costs breakdown<sup>(1)</sup>, mln. USD



% of total Production cash costs in Q1 2012

- 10% Extraction, processing and sorting of coal
- 31% Fuel
- 26% Cost of personnel
- 12% Spare parts
- 6% Mining and environment taxes
- 7% Repair and maintenance
- 9% Other costs

Source: unaudited 3M 2013 IFRS FS, audited 2012 IFRS FS; unaudited 9M 2012, 6M 2012, 3M 2012 IFRS FS in which all amounts are presented in RUB

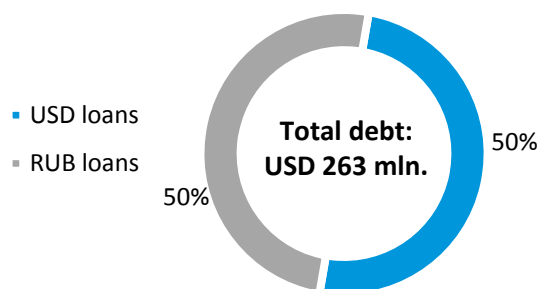
(1) Figures were converted to USD using the average exchange rates of the Central Bank of the Russian Federation for each period (Q1 2013: 30.42 RUB/USD; Q4 2012: 31.07 RUB/USD; Q3 2012: 32.00 RUB/USD; Q2 2012: 31.10 RUB/USD).

# INDEBTEDNESS

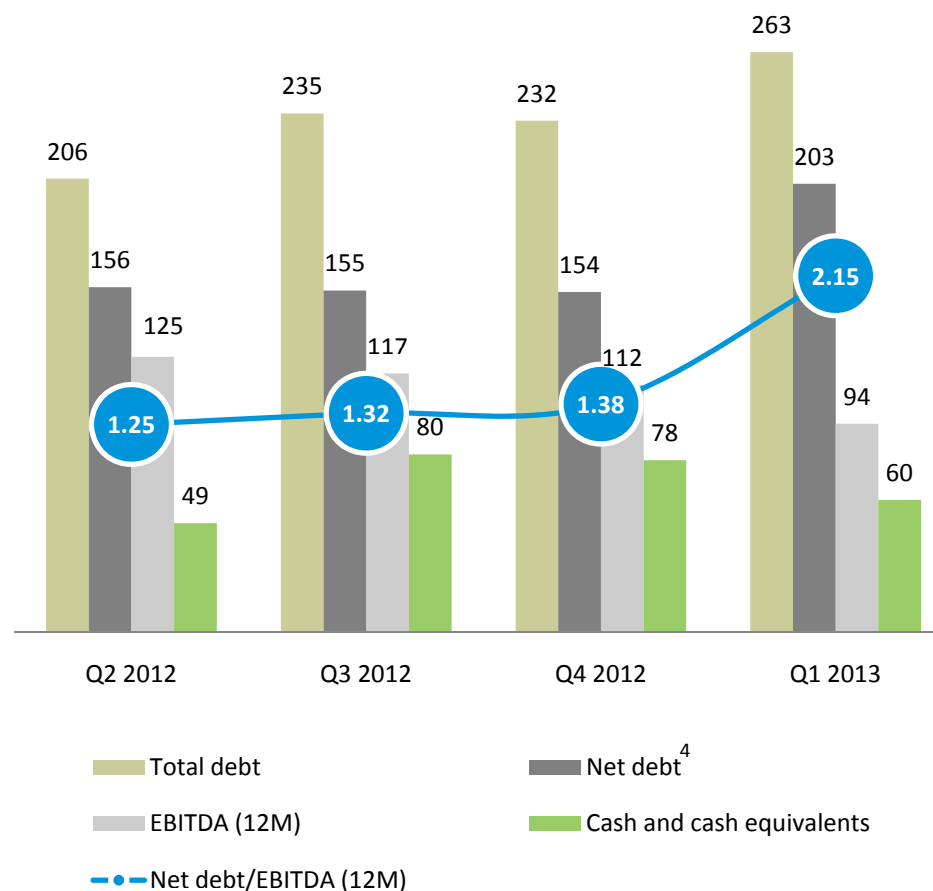


- ▶ During Q1 2012 the net debt increased by 32% to USD 203 mln.
- ▶ Net Debt to EBITDA ratio increased by 56% from 1.38 to 2.15<sup>2</sup>. The main reason for the growth was financing the acquisition of rail car fleet from LLC "Kuzbass Transport Company", with the aim of further resale. In May 2013 deal to sell rail cars to LLC "ZapSib-Transservice" was closed, and raised funds were returned to banks.
- ▶ Average interest on borrowings denominated in rubles was 8.53%<sup>3</sup>, and for loans denominated in U.S. dollars — 4.80%.

## Debt structure<sup>(1)</sup> by currency as of 31.03.13



## Net Debt to EBITDA<sup>(1)</sup>, USD mln.



Source: unaudited 3M 2013 IFRS FS; audited 2012 IFRS FS, unaudited 6M, 9M 2012 IFRS FS in which all amounts are presented in RUB

(1) Annualized EBITDA is calculated in USD after rounding

(2) Net debt/EBITDA is calculated in USD. Ratio as of 31.03.13 in RUB is 2.20

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

(4) Figures were converted to USD using exchange rates of the Central Bank of the Russian Federation for each date (31.03.13: 31.08 RUB/USD; 31.12.12: 30.37 RUB/USD; 30.09.12: 30.92 RUB/USD; 30.06.12: 32.82 RUB/USD).

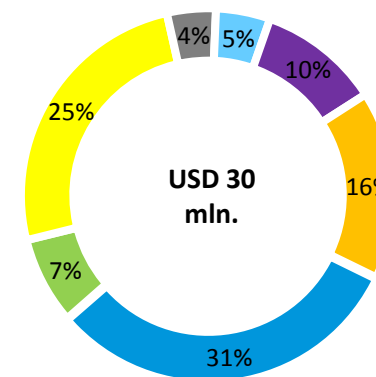
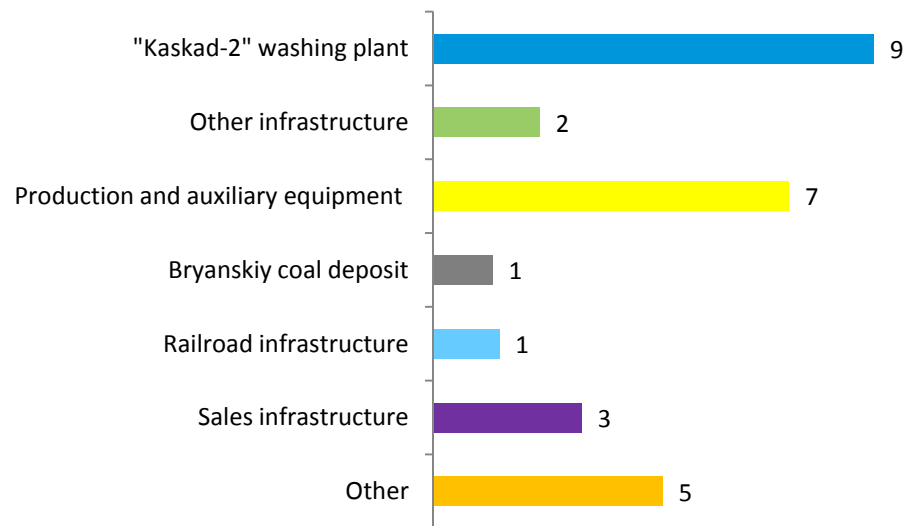
# CAPEX 2013



- ▶ Due to changing conditions in the international coal markets, management decided to adjust the KTK's investment program for 2013 without giving up the key strategic priorities including the construction of a third washing plant "Vinogradovsky", development of open-pit "Bryansky", which will be the fourth mining asset of KTK.
- ▶ In Q1 2013 the Company did not make new investments, all the funds will be invested in Q2-Q4, 2013.
- ▶ Total investment program for 2013 amounts to USD 30 mln.<sup>1</sup> There will be 6 major investment categories:
  - ▲ Financing the work at "Kaskad-2" washing plant
  - ▲ Purchasing of production and auxiliary equipment including P&H excavator and 6 BelAZ mining trucks
  - ▲ Continue exploration and design works on the open-pit "Bryansky"
  - ▲ Developing of the retail network and distribution infrastructure, which will allow the expansion of the retail network in the Altai Region.
  - ▲ Construction of industrial infrastructure, including the construction of a complex for the production of crushed stone, which upon commencement will significantly reduce the cost of tires for production equipment.
  - ▲ Other investments: the expansion of the area of one of the existing open-pits and acquisition of a prospective mining licence, located in close proximity to existing assets of KTK

This investment program demonstrates the key elements of investments and may change insignificantly during the year.

CAPEX breakdown<sup>(1)</sup>, USD mln.



(1) – Net of VAT, USD figures were converted from RUB using 32.00 RUB/USD exchange rate

# CONTACTS



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# APPENDIX

# INCOME STATEMENT Q1 2013



USD <sup>1</sup> mln.	Q1 2013	Q1 2012
Revenue	161	222
Cost of sales	(141)	(178)
Gross profit	21	43
Distribution expenses	(5)	(6)
Administrative expenses	(9)	(9)
Operating profit	8	28
Finance income	2	12
Finance costs	(5)	(3)
Profit / (loss) before income tax	4	38
Income tax expense	(1)	(8)
Profit / (loss) for the period	3	30
<i>Profit / (loss) for the period margin</i>	<i>1.7%</i>	<i>13.5%</i>
EBITDA <sup>2</sup>	17	37
<i>EBITDA margin</i>	<i>10.3%</i>	<i>16.8%</i>

Source: unaudited Q1 2013 IFRS FS; unaudited Q1 2012 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 (Q1 2013: 30.42 RUB/USD; Q1 2012: 30.03 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

# BALANCE SHEET AS AT MARCH 31, 2013



USD <sup>1</sup> mln.	31.03.13	31.12.12
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	427	436
Goodwill and intangible assets	1	1
Investments in equity accounted investees	0	0
Deferred tax assets	2	1
<b>Total non-current assets</b>	<b>441</b>	<b>449</b>
<b>Current assets</b>		
Inventories	40	39
Other investments	0	0
Trade and other receivables	113	63
Prepayments and deferred expenses	21	27
Cash and cash equivalents	60	78
<b>Total current assets</b>	<b>235</b>	<b>207</b>
<b>TOTAL ASSETS</b>	<b>676</b>	<b>657</b>

USD <sup>1</sup> mln.	31.03.13	31.12.12
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1	1
Retained earnings	222	225
Additional paid-in capital	91	93
<b>Total attributable to equity holders of the company</b>	<b>314</b>	<b>319</b>
<b>Total equity</b>	<b>314</b>	<b>319</b>
<b>Non-current liabilities</b>		
Loans and borrowings	110	117
Deferred income	7	7
Net assets attributable to minority participants in LLC entities	4	4
Provisions	11	11
Retirement benefit liability	2	2
Deferred tax liabilities	16	16
<b>Total non-current liabilities</b>	<b>150</b>	<b>157</b>
<b>Current liabilities</b>		
Loans and borrowings	153	115
Trade and other payables	58	63
<b>Total current liabilities</b>	<b>212</b>	<b>181</b>
<b>Total liabilities</b>	<b>362</b>	<b>338</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>676</b>	<b>657</b>

Source: unaudited 3M 2013 IFRS FS; audited 2012 in which all amounts are presented in RUB

(1) Figures were converted to USD using exchange rates of the Central Bank of the Russian Federation for each date (31.03.13: 31.08 RUB/USD; 31.12.12: 30.37 RUB/USD).



# CASH FLOW STATEMENT Q1 2013



USD <sup>1</sup> mln.	Q1 2013	Q1 2012
<b>OPERATING ACTIVITIES</b>		
Profit / (loss) for the period	3	30
<i>Adjustments for:</i>		
Depreciation and amortization	10	9
Net finance income/(loss)	3	(9)
Income tax expense	1	8
<b>Operating result before change in working capital</b>	<b>17</b>	<b>37</b>
Change in inventories	(2)	(5)
Change in trade and other receivables	(53)	(29)
Change in prepayments for current assets	5	15
Change in trade and other payables	(6)	(11)
<b>Cash flow from operations before income tax and interest</b>	<b>(38)</b>	<b>8</b>
Income taxes and penalties paid	(4)	(8)
Interest paid	(4)	(2)
<b>Cash flows from operating activities</b>	<b>(45)</b>	<b>(1)</b>

USD <sup>1</sup> mln.	Q1 2013	Q1 2012
<b>INVESTING ACTIVITIES</b>		
Loans issued and term deposits	0	(11)
Acquisition of property, plant and equipment	(7)	(33)
<b>Cash flow used in investing activities</b>	<b>(6)</b>	<b>(44)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	62	119
Repayment of borrowings	(28)	(84)
<b>Cash flow from financing activities</b>	<b>34</b>	<b>35</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(17)</b>	<b>(10)</b>

Source: unaudited 3M 2013 and unaudited 3M 2012 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 (Q1 2013: 30.42 RUB/USD; Q1 2012: 30.03 RUB/USD).