



# PRESENTATION FOR INVESTORS

August 2017



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An aerial photograph of a large industrial facility, likely a power plant or refinery, with several large blue and white buildings and tall chimneys. The facility is surrounded by green trees and a clear blue sky. A large white vertical bar and a white dot are positioned to the left of the text.

# BUSINESS OVERVIEW

# THE COMPANY AT A GLANCE

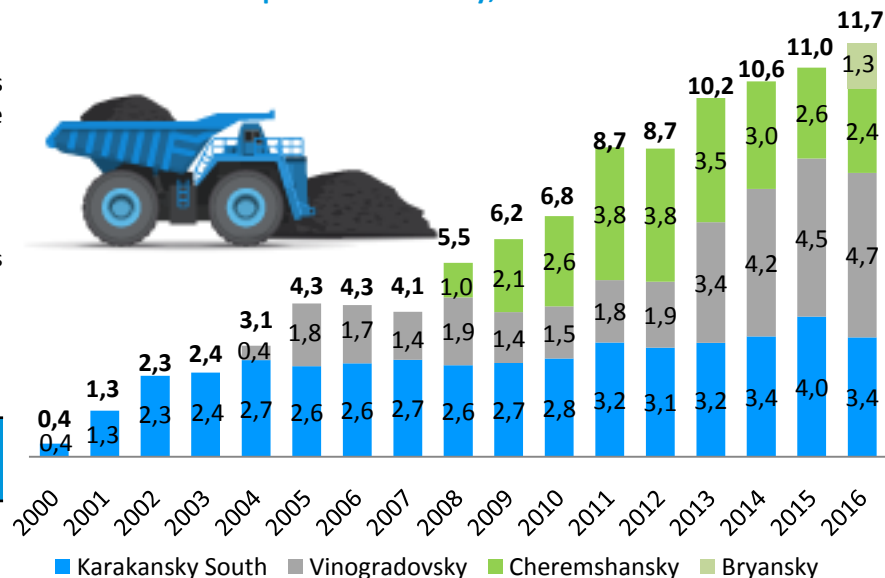


- One of the major coal suppliers in Western Siberia
- Largest retail coal distribution network in Russia: 100 PoS
- Since its establishment in 2000, the Company has launched four open-pit mines and two washing plants. All production assets including developed and extensive infrastructure, are located in the same 10-km-diameter industrial cluster
  - ▲ 100% high-quality thermal coal grade D (under Russian classification)
  - ▲ Over 11 million tonnes of coal produced in 2015
  - ▲ Developed railroad network and facilities: handling capacity – 17 million tonnes per year, 90 km of railroad, six loading and one sorting station.
  - ▲ Structural capacity of two washing plants – 6 million tonnes per year

	5 existing open-pits	1 projected open-pits
Structural capacity	17 million tonnes	1.5-3 million tonnes
Coal reserves, JORC	650 million tonnes	68 million tonnes

- Modern and high-performance equipment fleet usage supporting efficient low-cost production – USD 11 per tonne of coal in 2015
- Diversified sales capabilities balanced between domestic market (2014: 3.12 million tonnes) and export to Eastern Europe and Asia-Pacific region (2014: 7.20 million tonnes)
- Employing over 4,400 people
- KTK shares are quoted on MICEX (ticker: KBTk)
- 66.85% of share capital is owned by the management (Prokudin – 50.07%, Danilov – 16.78%), free float – 33.15% is distributed between more than 15 investment funds.

Coal production history, in millions of tonnes



Key operating and financial performance indicators

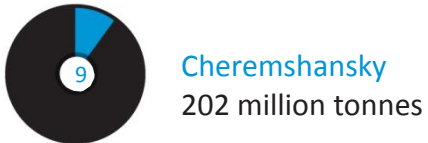
	2013	2014	2015	2016
Coal sales, in millions of tonnes	10.60	10.32	10.69	11.11
<i>including coal resale, in millions of tonnes</i>	1.78	0.98	1.20	0.98
Revenue, in millions of USD	715	576	410	401
<i>% change</i>	(4%)	(19%)	(29%)	(1,7%)
EBITDA, in millions of USD	77	65	44	41
<i>% margin</i>	10.8	11.3	10.8	10.1
Net income, in millions of USD	20	<1	<1	9.67
<i>% margin</i>	2.8	-	-	2.4

# BUSINESS MODEL



## Mining (open-pits)

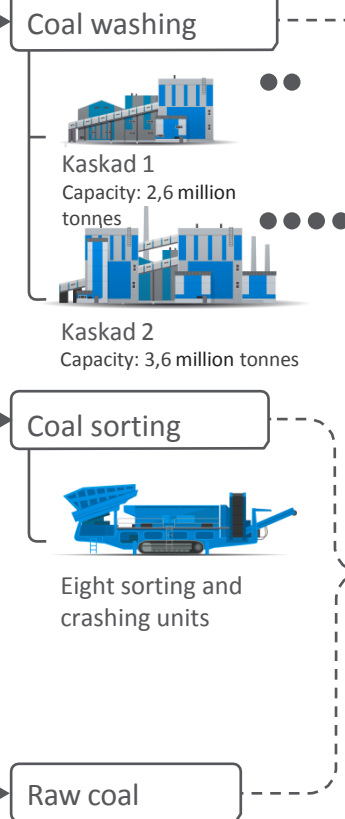
● Proven and estimated resources    ● Extracted resources, %



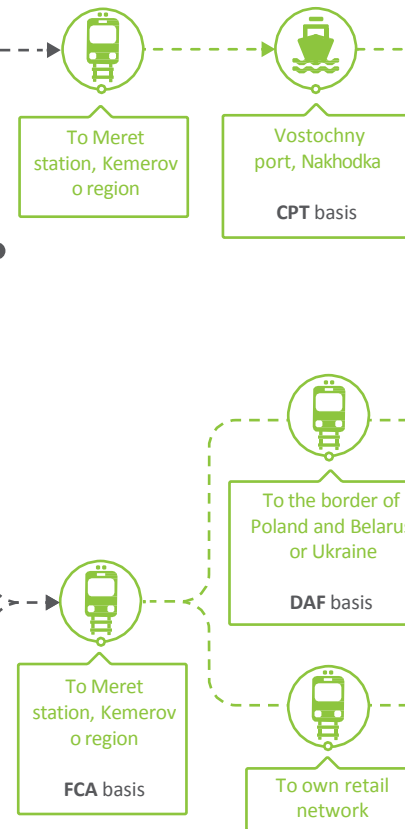
2018 r.



## Processing



## Logistics



## Markets



**650** million tonnes  
proven and estimated resources

**6,2** million tonnes  
incoming capacity of washing plants per 1 year

**65%** share of export sales

# CHANGES SINCE IPO



Changes in business	2009	2016	Change
▶ Coal production	6.15 million tonnes	11.7 million tonnes	90%
▶ Production capacity	11 million tonnes	17 million tonnes	55%
▶ Washing capacity	-	6.2 million tonnes	-
▶ Resources	402 million tonnes	650 million tonnes	62%
▶ Coal sales	7.41 million tonnes	11.2 million tonnes	51%
▶ Retail network	61 PoS	100 PoS	64%
▶ EBITDA	USD 69 million	USD 41 million	(40%)
▶ Market capitalization	USD 640 million	USD 138 million	(78%)

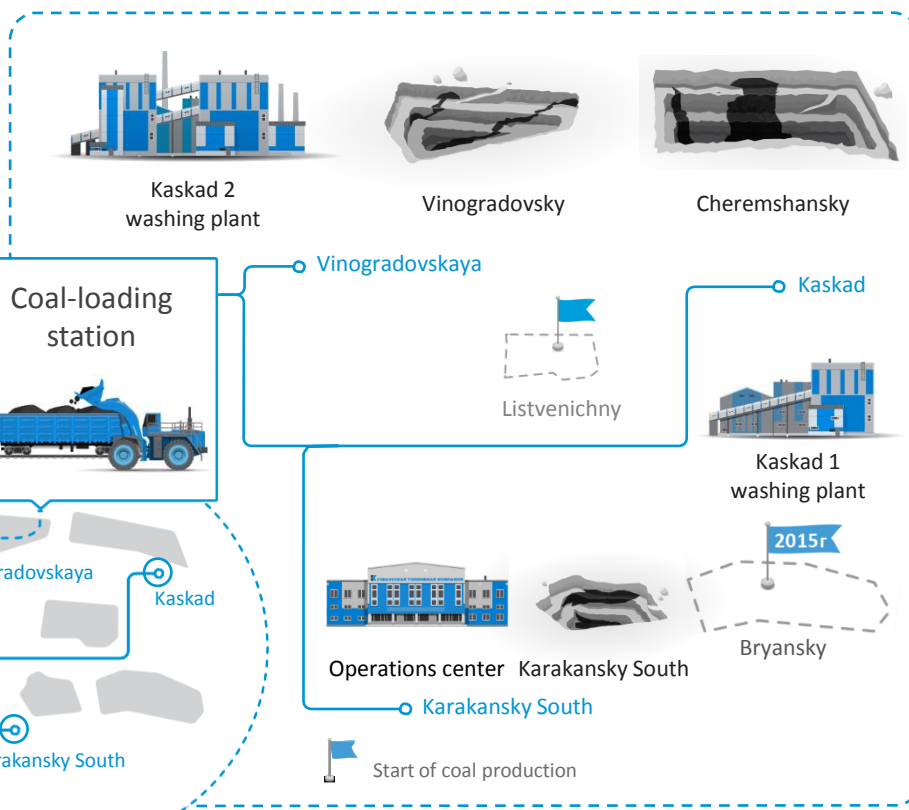
# INDUSTRIAL CLUSTER



## Rail scheme

- Coal-loading stations
- Transit stations
- Coal-collecting station
- Russian Railroads' rail
- KTK's rail
- KRU's rail

## Industrial cluster



Diameter of industrial cluster: 10 km



**16.7** Existing capacity of railroad infrastructure  
**million tonnes**

11,3 million tonnes transported in 2015

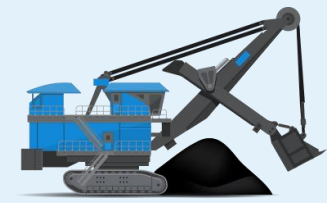
**USD 150 million**

Cost to launch an open-pit mine with a capacity of 3-5 million tonnes per year from the greenfield stage

**USD 60-100 million**

Cost to launch an open-pit mine with a capacity of 3-5 million tonnes per year with existing infrastructure

**USD 20 million**



Investment into mining equipment per each 1 million tonnes of coal production capacity

# II. OPERATIONAL HIGHLIGHTS

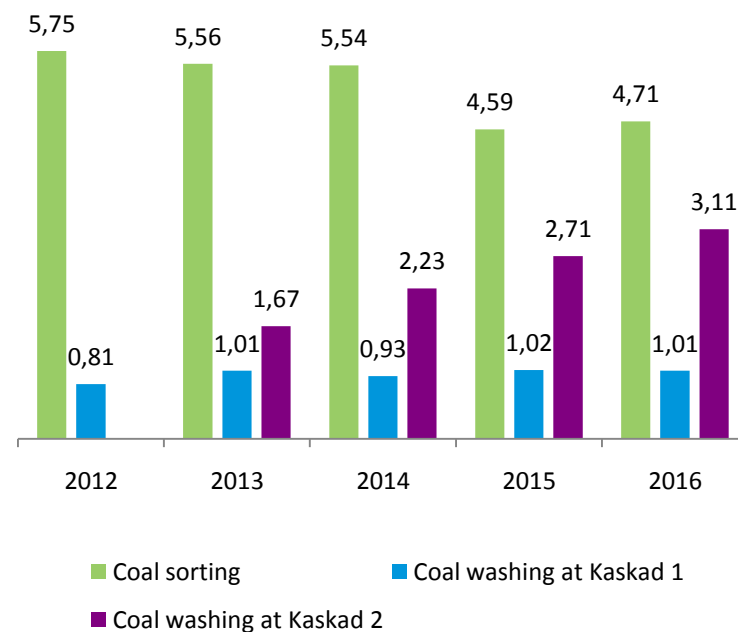
# KEY OPERATIONAL HIGHLIGHTS



## Operational results for 2016

▶ Coal production	11.68 million tonnes	6% Y-o-Y
▶ Coal processing	8.83	6% Y-o-Y
▶ Volume of blasted rock mass	33.56 million cbm	-5% Y-o-Y
▶ Sales	11.11 million tonnes	4% Y-o-Y
▶ Export sales	7.47 million tonnes	8% Y-o-Y
▶ Domestic sales	3.63 million tonnes	-4 % Y-o-Y
▶ Average sales price	USD 21.8 per 1 tonne	-3% Y-o-Y

## Coal processing, in millions of tonnes

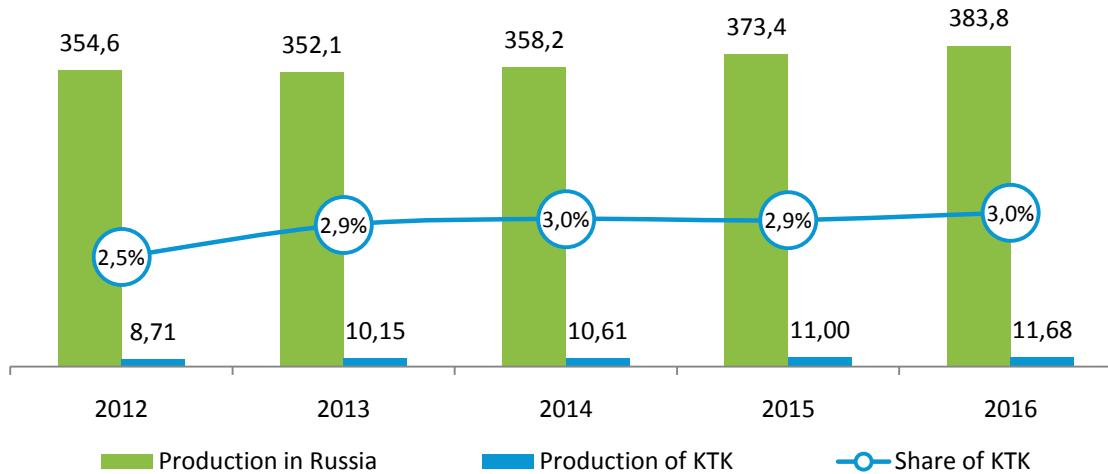




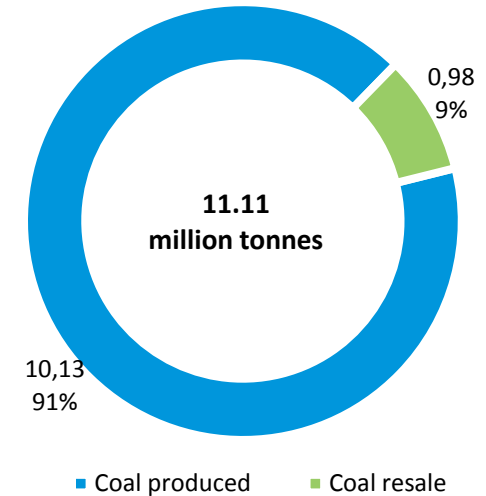
# COAL PRODUCTION AND SALES



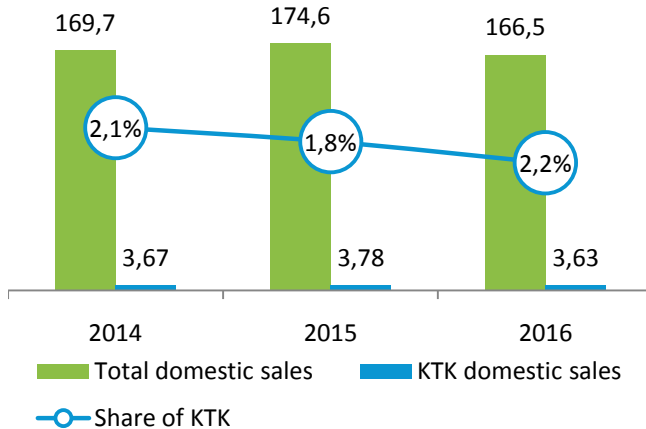
Production in Russia, in millions of tonnes



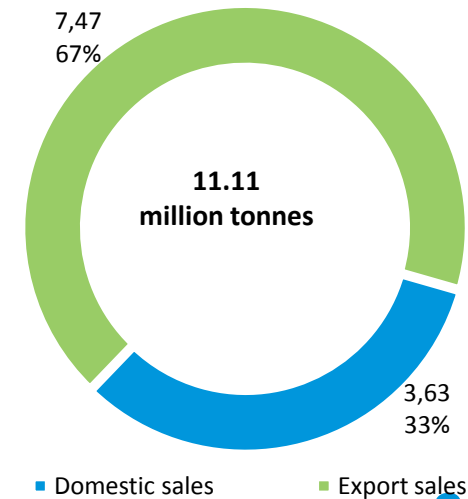
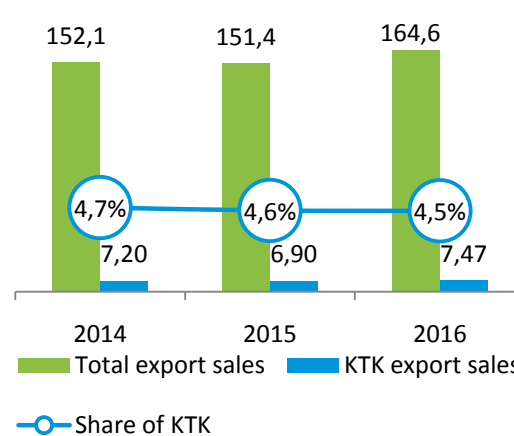
KTK's sales in 2015, in millions of tonnes



Domestic sales, in millions of tonnes



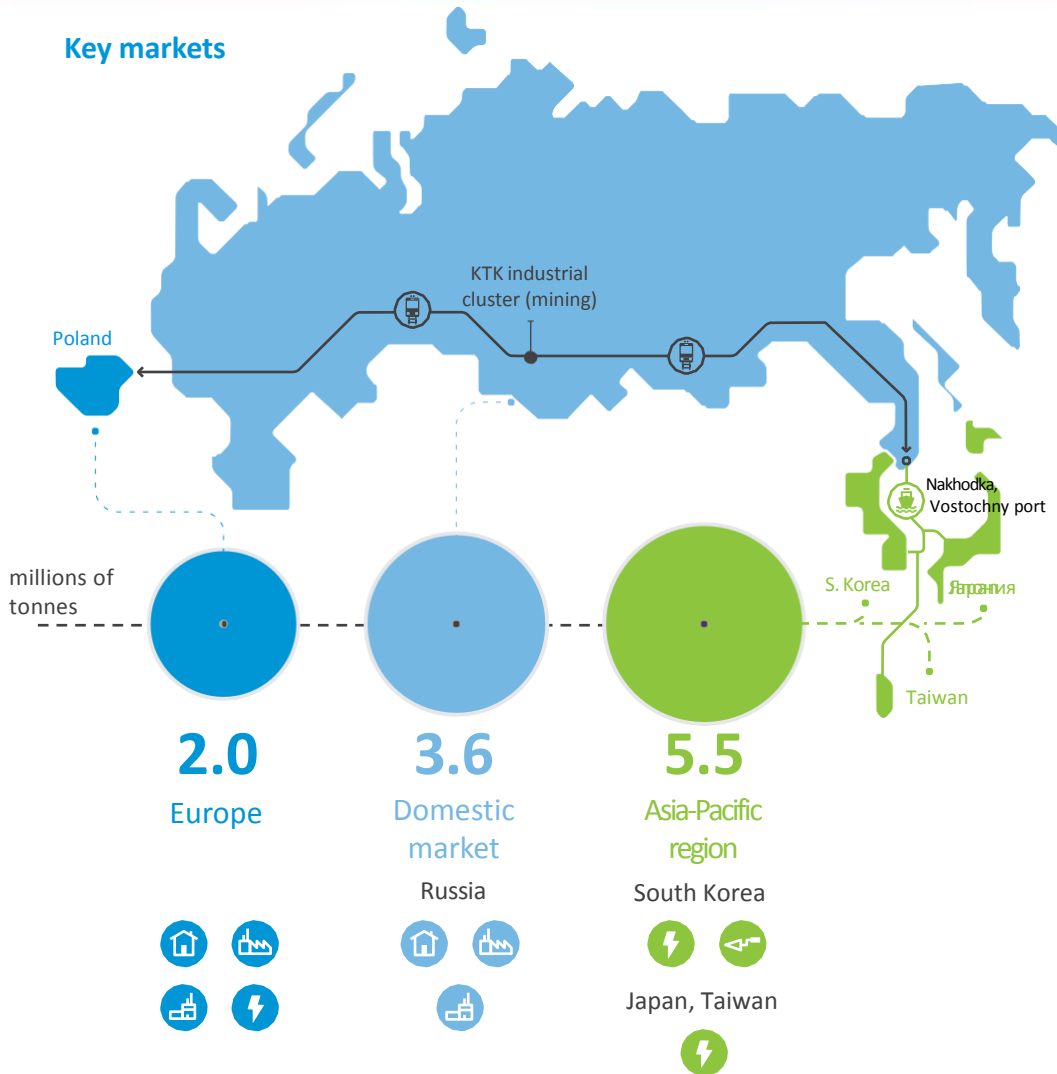
Export sales, in millions of tonnes



# AVERAGE SELLING PRICES AND MARKETS



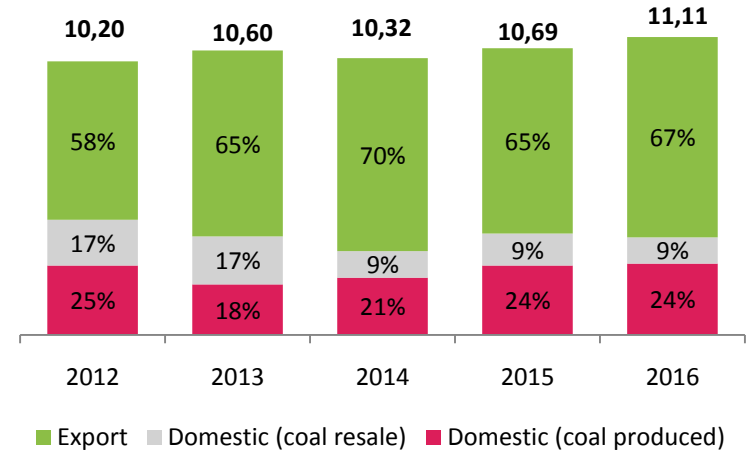
## Key markets



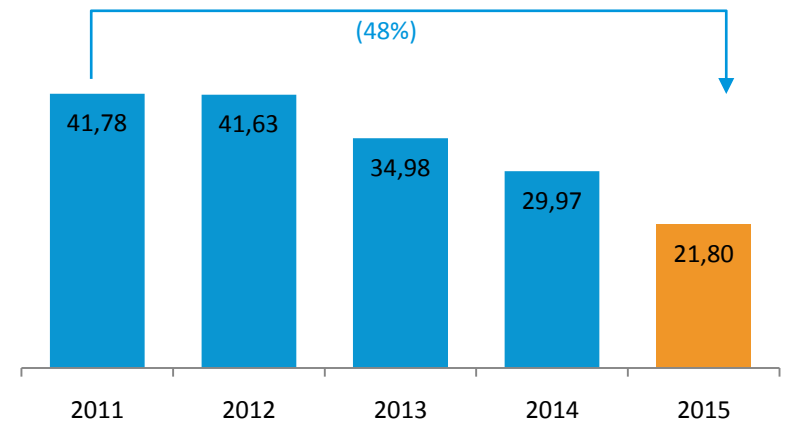
Types of end consumers

- Households
- Public utilities
- Industrial consumers
- Energy plants
- Cement producers

## Sales, in millions of tonnes



## Average selling price, RUB per tonne





# FINANCIAL PERFORMANCE

# KEY FINANCIAL HIGHLIGHTS

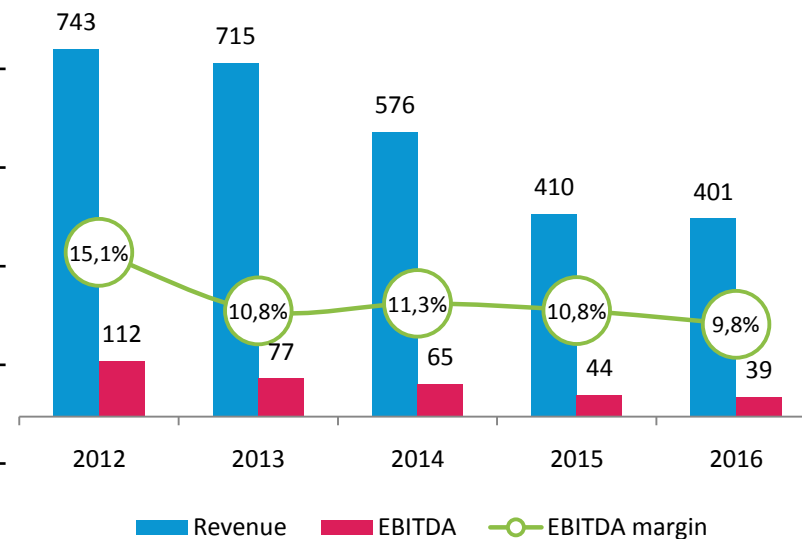


## 2016 financial results

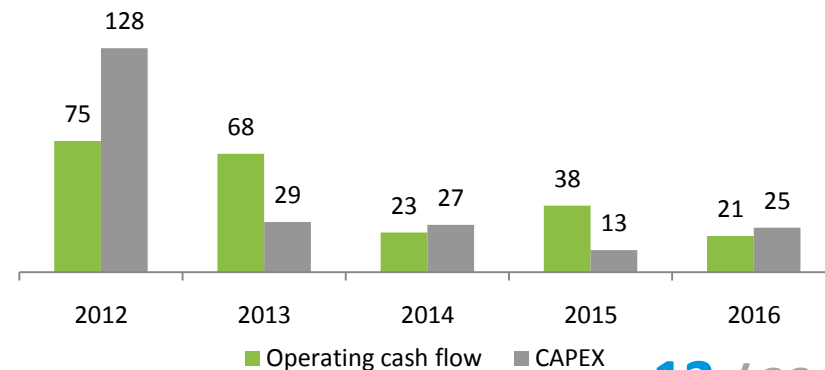
➤ Revenue	USD 401 million	(-2%) Y-o-Y
➤ EBITDA	USD 39 million	(-11%) Y-o-Y
➤ EBITDA margin	9.8%	(- 1,01 pts) Y-o-Y
➤ Net income	USD 9.65 million	1,5 times Y-o-Y
➤ Operating cash flow	USD 20,46 million	-46% Y-o-Y
➤ CAPEX	USD 25,97 million	(63%) Y-o-Y
➤ Net debt	USD 89,09 million	(- 4%) Y-o-Y
➤ Net debt/EBITDA	2,31 <sup>(1)</sup>	(31 %) Y-o-Y
➤ Cash and cash equivalents	USD 63 million	(36%) Y-o-Y

(1) 2.09 if calculated in RUB

## Revenue and EBITDA, in millions of USD



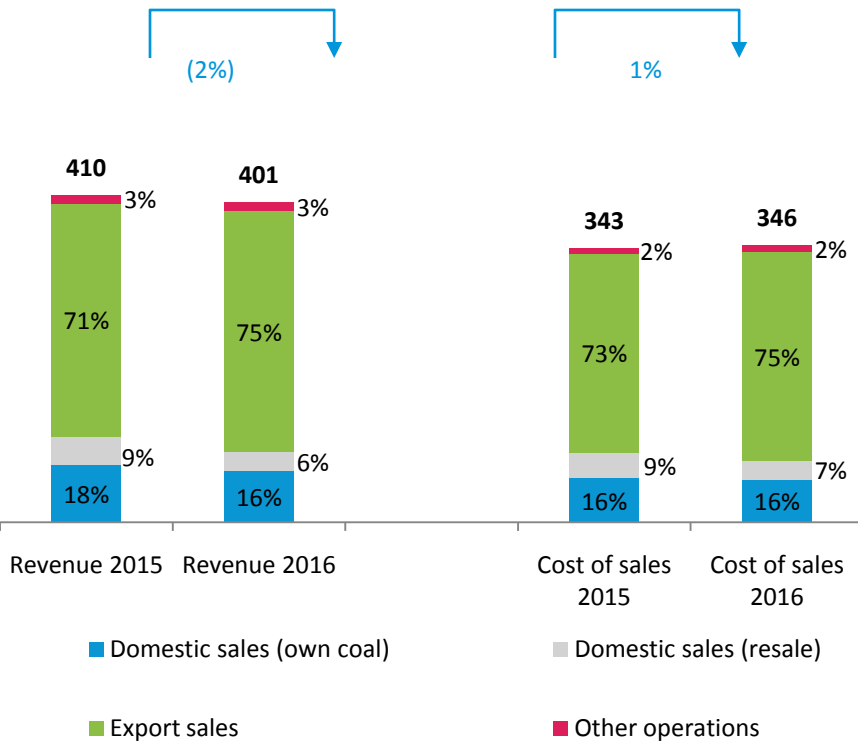
## Operating cash flow and CAPEX, in millions of USD



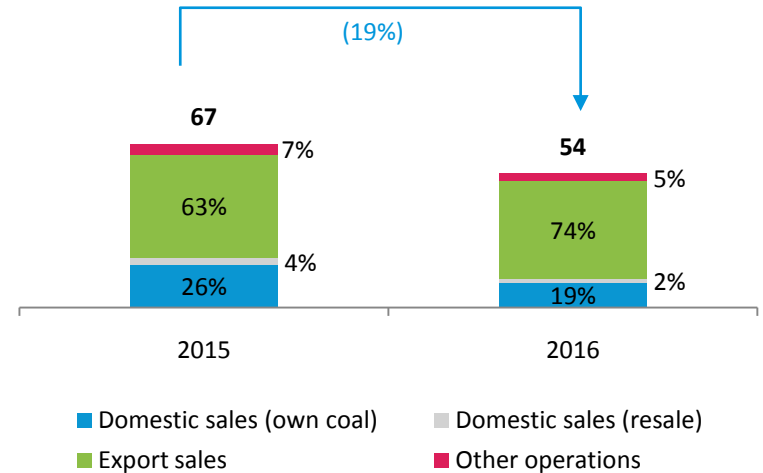
# SEGMENT REPORTING



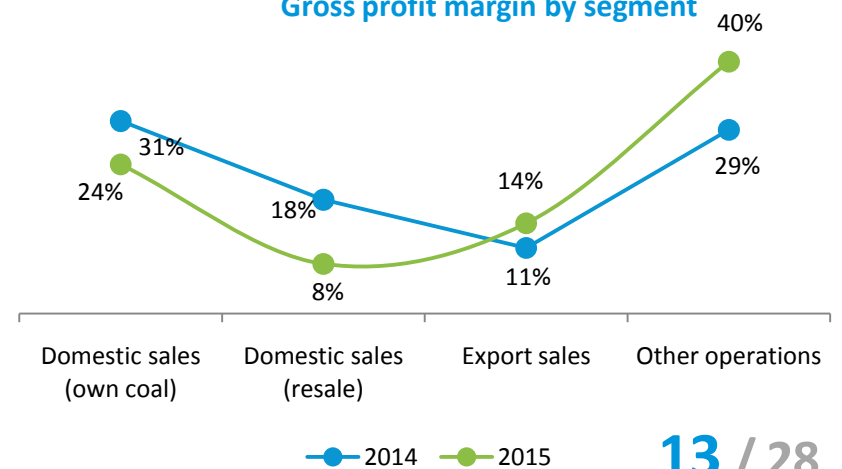
Revenue and cost of sales by segment, in millions of USD



Gross profit by segment, in millions of USD



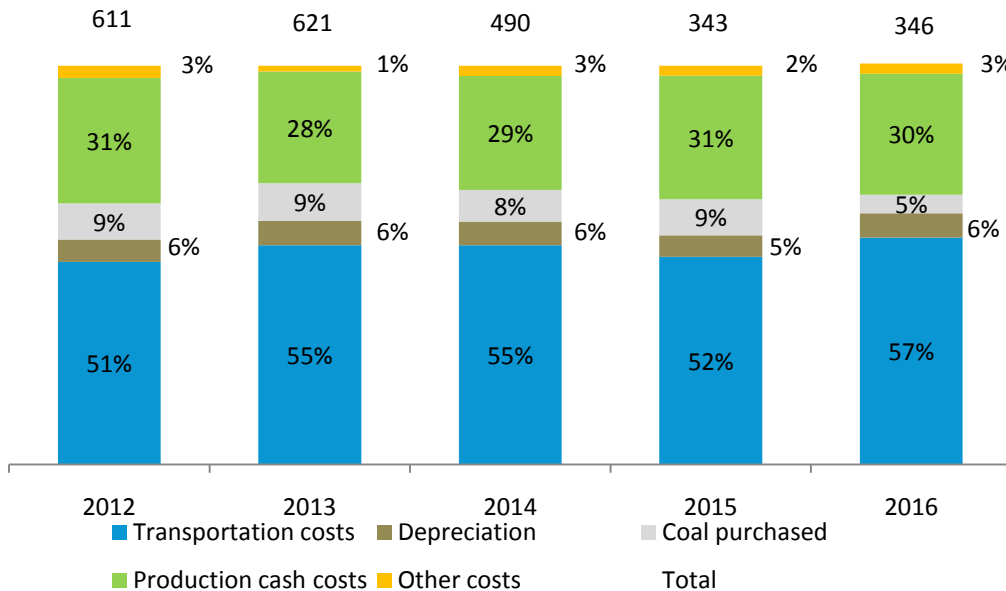
Gross profit margin by segment



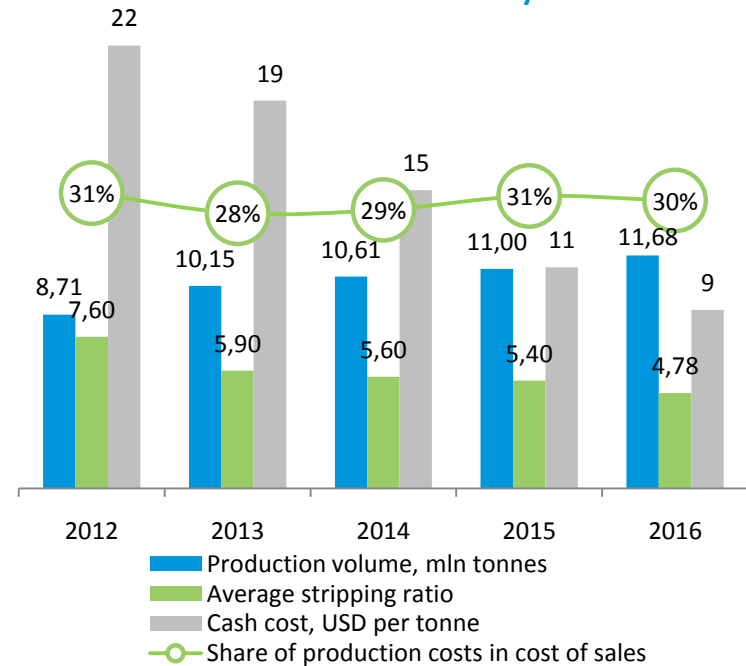
# COST OF SALES AND PRODUCTION CASH COSTS



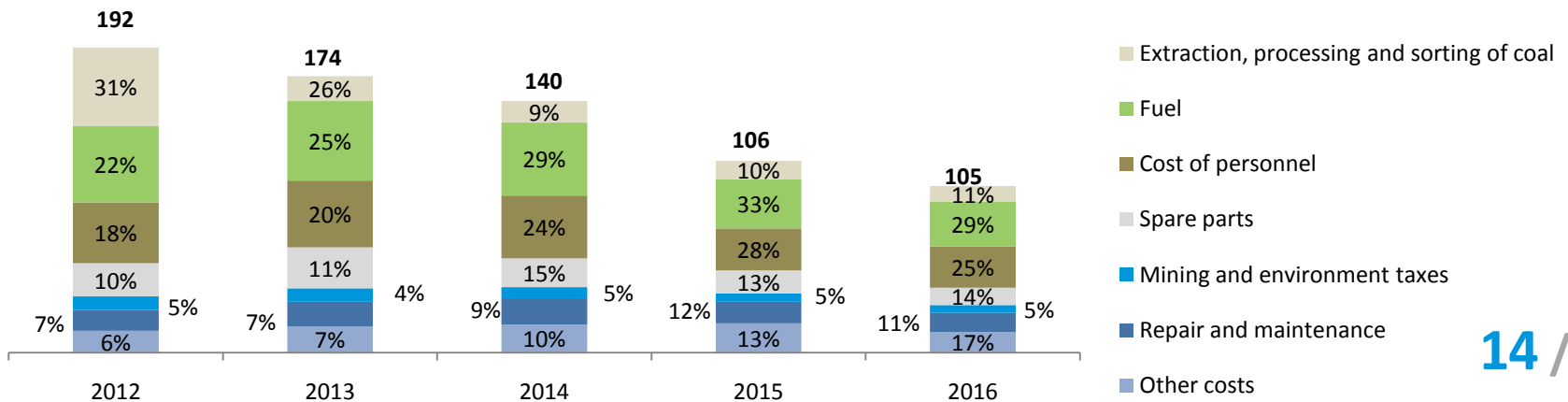
Cost of sales breakdown and dynamics, in millions of USD



Production cash costs dynamics



Production cash costs breakdown, in millions of USD



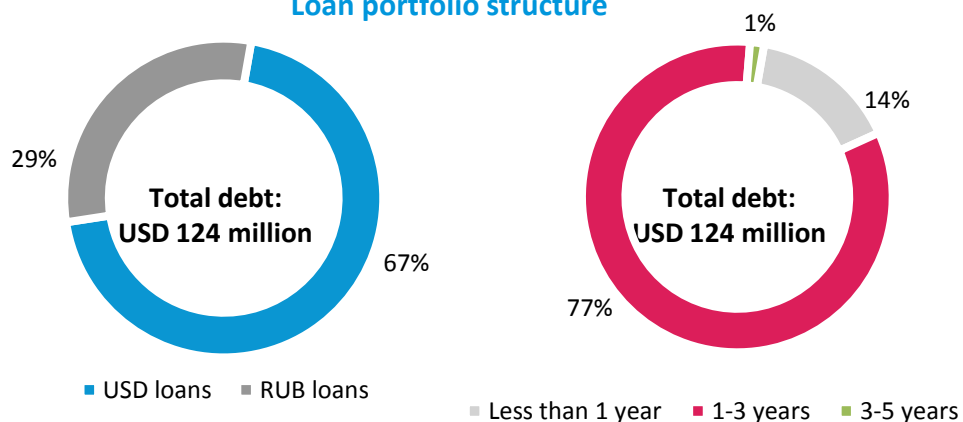
# SETTLEMENT OF FINANCIAL LIABILITIES



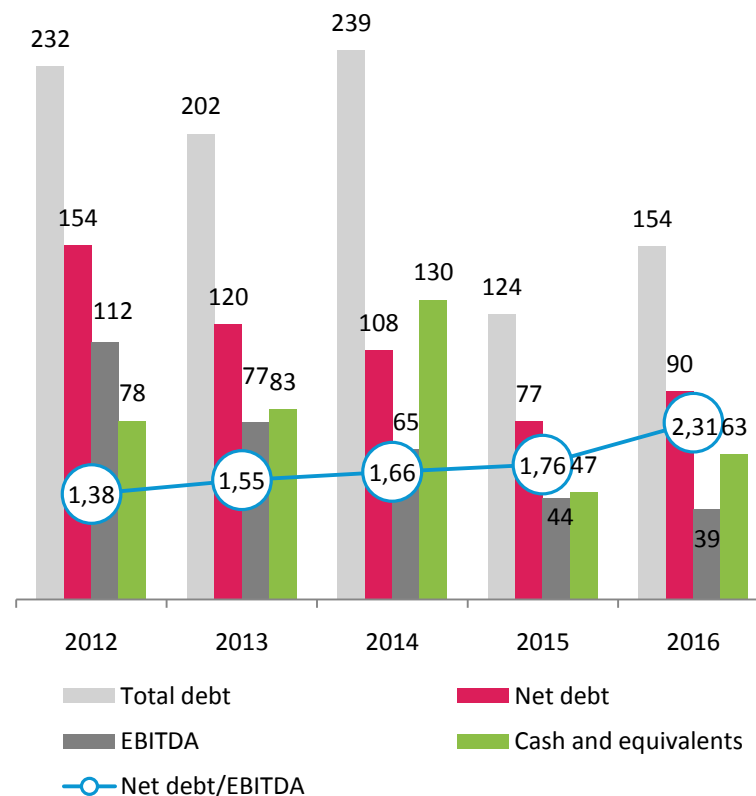
## Indebtedness as of 31.12.16

➤ Net debt	USD 89.09 million	15% Y-o-Y
➤ Net debt to EBITDA	2.31 <sup>(1)</sup>	31 ppts Y-o-Y
➤ Average interest on RUB loans	11.36% <sup>(2)</sup>	2,1 ppts Y-o-Y
➤ Average interest on USD loans	4.72%	0,5 ppts Y-o-Y
➤ Committed credit lines	USD 84 million	(85 %) Y-o-Y
➤ Credit portfolio diversification	9 banks from Russia and Europe	

## Loan portfolio structure



## Net Debt to EBITDA, in millions of USD



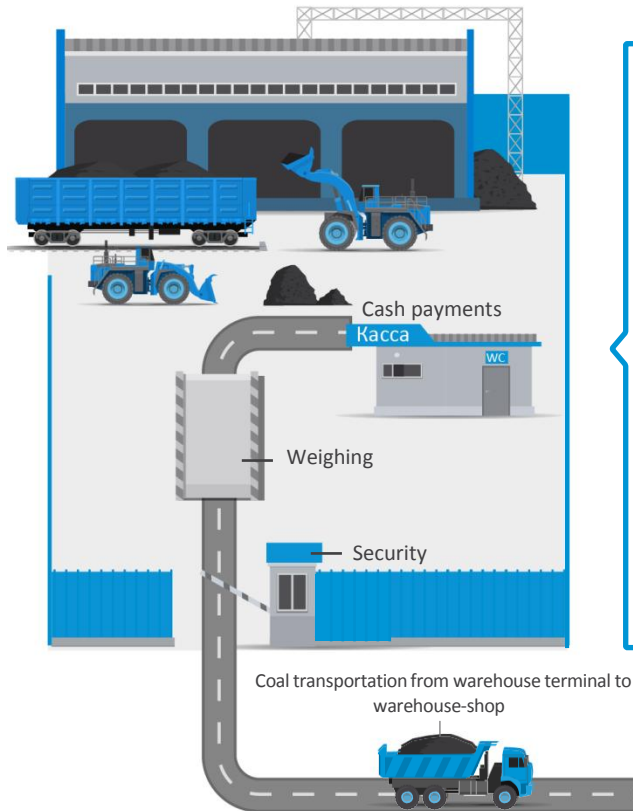
(1) 2.09 in 2016, if calculated in RUB

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

# WAREHOUSES-SHOPS INVESTMENT PROJECT



## Warehouse terminal



Coal sorting



Documents for social compensations



Pre-packing

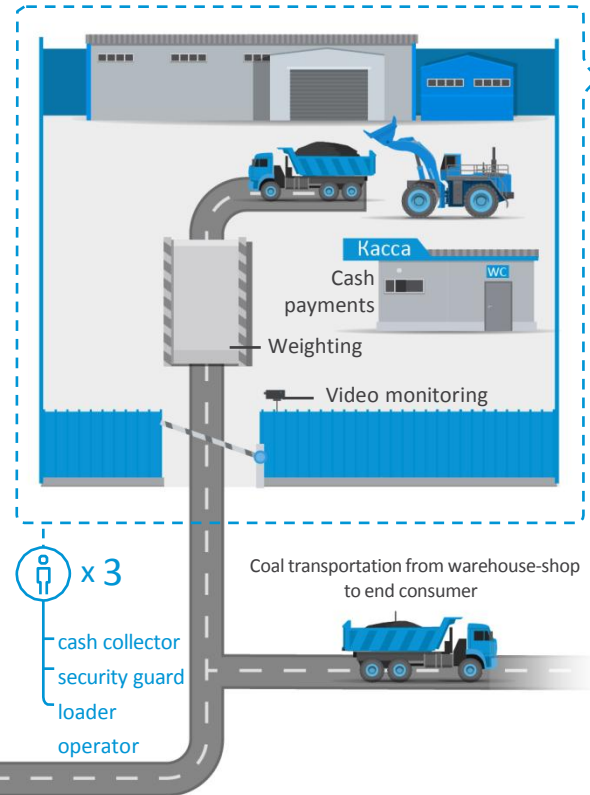


Storage



Delivery

## Warehouse-shop





# IV. STRATEGY



## PRODUCTION AND LOGISTICS

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### Expanding the resource base

Resource base expansion  
Vinogradovsky tenement's design capacity has been increased to 5 million tonnes per year.

In 2014 KTK obtained a license to the Listvennichny tenement, with reserves in the amount of 56 million tonnes. It is located in the center of KTK's production cluster.

Coal production in the Bryansky open-pit mine started in 2015. Mining equipment and mining workers from Karakansky South will provide for the production.

### Increasing thermal coal production

Total production capacity of existing open-pit mines is 17 million tonnes. Annual coal production can be easily increased to this level, but only following the increase of the coal prices at the Asia-Pacific region.

### Developing coal transport infrastructure

Since Kuzbass Transport Company LLC spinoff, KTK is not planning to establish own railcar fleet in the medium-term perspective.

The existing capacity of Meret sorting station is 17 million tonnes per year and that's enough to satisfy growing production requirements. Currently only 80% of this capacity is being used.

KTK's management is expecting a coal handling rate reduction at the ports of the Asia-Pacific export direction.

### Applying innovative technologies

Company is developing a project to include coal-drying unit to the project of the third washing plant.

3D mining planning is already used by KTK's engineers.



## NEW PRODUCTS AND SALES DEVELOPMENT

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### Improving the quality of coal products

The Company is planning to implement selective mining at all the open-pits to get more coal for sorting.

Technical upgrading of Washing Plant «Kaskad-2» has resulted in increase of washing capacity to 3.6 mln tons.

Company's modernization plan implies production capacity growth of Washing Plant «Kaskad-1» from 1 to 3 mln. tons by 3rd quarter, 2016. Investment in this project will be made only under the condition of rising prices on international markets.

### Development of fundamentally new products

The Company expands its product line by increasing the production of sorted marks of coal and pre-packed coal.

The Company continues an experiment with producing coal briquettes.

### Domestic market development

KTK's own retail network in Russia has 100 point of sale, of which 30 are innovative warehouse-shops.

KTK's own wholesale network in Poland has 15 warehouse terminals. The management is planning to open new warehouses in future period.



## FINANCE AND MANAGEMENT

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### Efficient loan portfolio management

In April 2015 KTK Overseas AG trading house was established. Its functions will include working with traders and attracting trade financing for export shipments.

The Company's loan portfolio management policy is conservative. The management is always searching for new possibilities to refinance existing loans to decrease interest rates and increase average loan maturity.

### Improving corporate governance

KTK's controlling shareholder is focused on the high quality of corporate governance and an open discussion with minority shareholders.

Alex Williams, Independent board member, is representing Investor Protection Associatio.

The IR office in Moscow is always ready to communicate with analysts and investors.

The company organizes meetings with management and visits to production assets for analysts, investors and media.

### Optimizing costs and increasing efficiency

KTK executed a cost-cutting program in 2012-2015. All the incoming recourses and services were revised to lower the prices.

### Responsibility

KTK has undergone inspection procedures regarding compliance with ISO Standards 9001:2008 and ISO 14001:2004 and certification audit of OHSAS Standard 18001:2007. Certification under Management System by OHSAS Standard 18001:2007 describes basic possibilities and competences of the personnel and technology processes regarding operational safety of Kuzbasskaya Toplivnaya Company. Receipt of the certificate under such Standard confirms the fact that KTK enterprises attach high priority to operational safety and all processes of enterprises in this system are in line with the world standards.



## FINANCE AND MANAGEMENT



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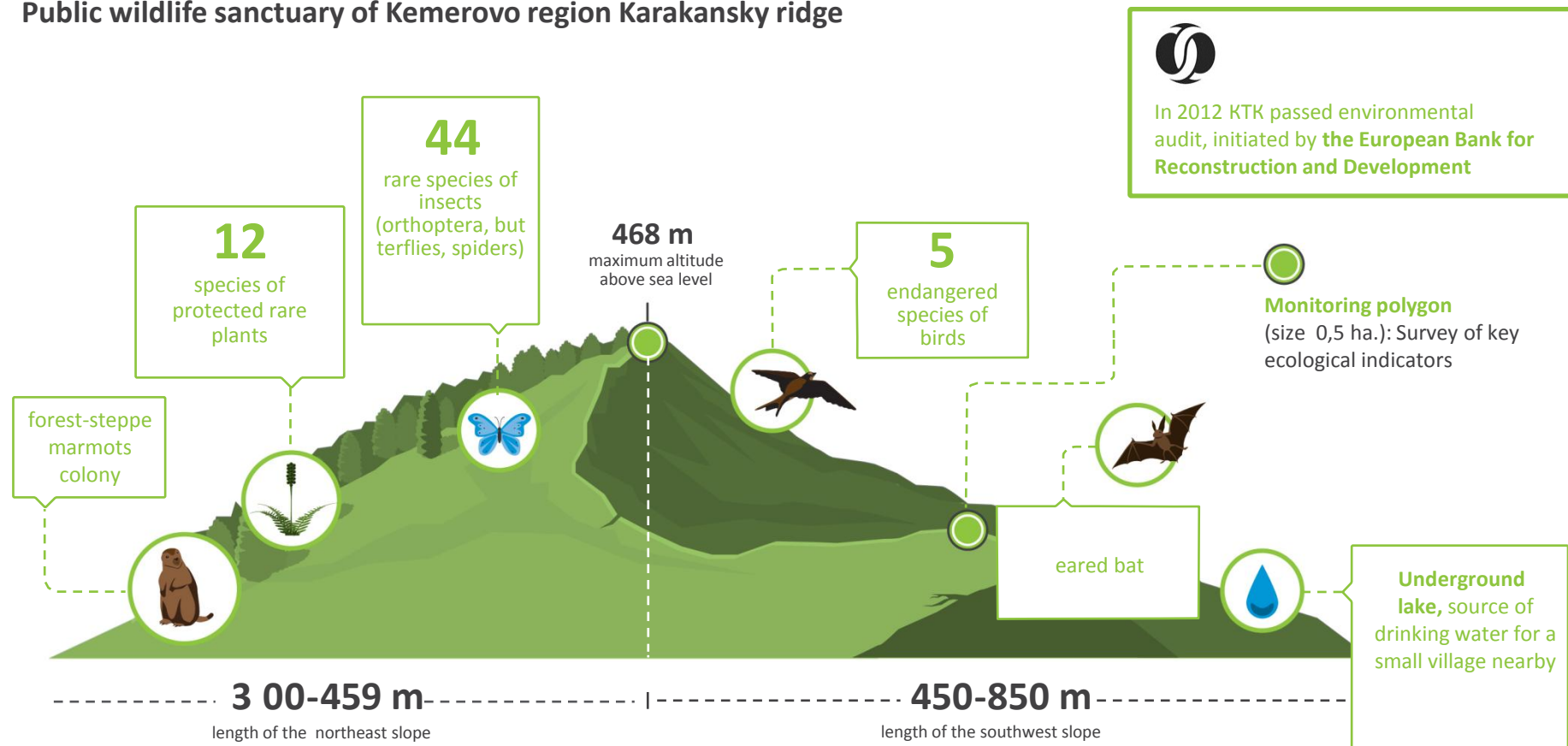
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# V. ENVIRONMENT

# KARAKANSKY WILDLIFE SANCTUARY



## Public wildlife sanctuary of Kemerovo region Karakansky ridge



**1115.2** size of wildlife sanctuary  
ha.

**531** rare plants  
species

**15** scientists from Novosibirsk and Tomsk, summer 2013  
expeditions

# ENVIRONMENTALLY RESPONSIBLE PRODUCTION



**Energy** In 2015 to produce breakstone the Company launched a crushing and screening complex **with dedusting system**

**Energy** New energy transition line with increased thickness of the cable was built in 2013 to reduce electricity losses

**Coal dust** Dedusting systems at Kaskad 1 and Kaskad 2 washing plants do not allow any emissions of coal dust

**Fuel saving** **40 out of 216 units** of KTK's mining equipment run on electricity, reducing the volume of used fuel

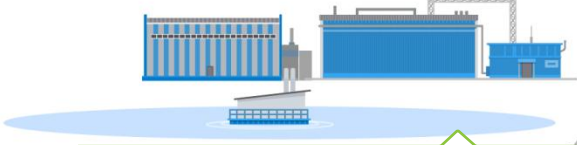
**Coal dust** Regular watering of technical roads to reduce coal dust in the atmosphere

**Water** Closed cycle of water used at Kaskad 2 washing plant is supplied with technical water by Vinogradovsky open-pit mine



**Recycling** Tires, scrap-metal and waste engine oil are used for recycling

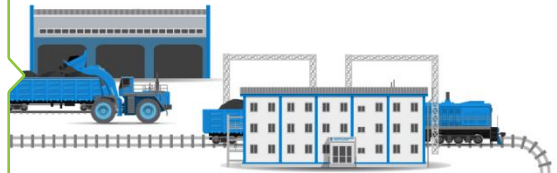
**Dumps** Internal dumps are formed on the open-pit mines to reduce land disturbance



**Water** Waste water treatment plant at industrial cluster produce water suitable for drinking. New waste water treatment plan is planned at Vinogradovsky open-pit mine

**Transportation** **↓ 10-12% less** (250,000-300,000 tonnes per year) transportation volumes by coal washing

**Transportation** **↓ 40 km less** distance of auto-transportation client due to the **new warehouse terminal** at coal-collecting station with 1.5 million tonnes of storage capacity saves 5,000 liters of fuel every year



**Emissions to atmosphere** **↓ 12% less** emissions to the atmosphere by burning washed coal



- Energy
- Coal dust
- Emissions to atmosphere
- Fuel saving
- Water
- Transportation
- Recycling
- Dumps





## Kuzbasskaya Toplivnaya Company PJSC (KTK)

### MICEX: KBTk

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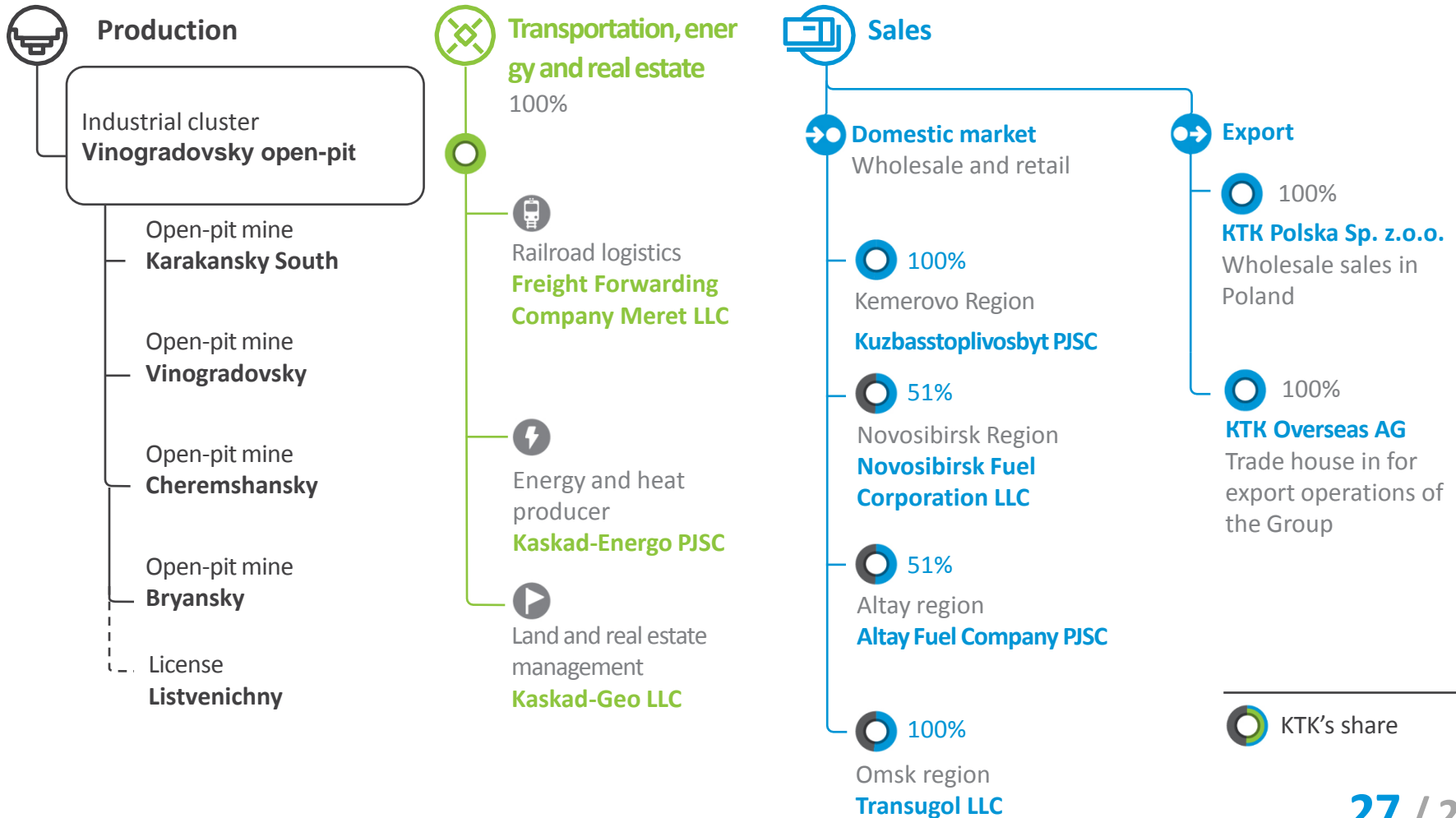


APPENDICES

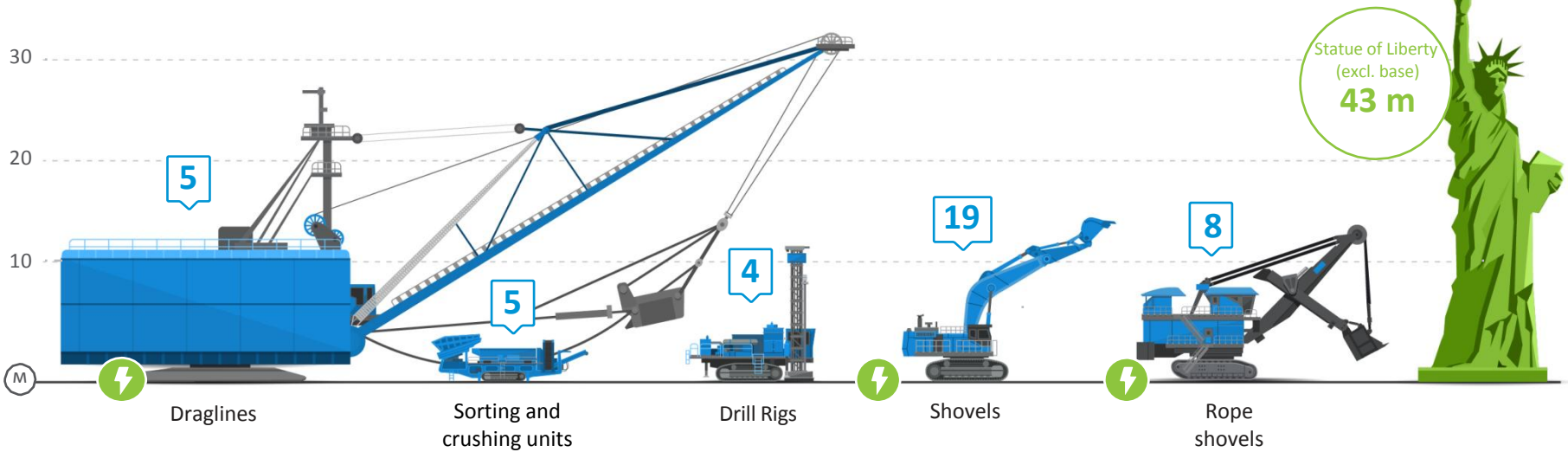
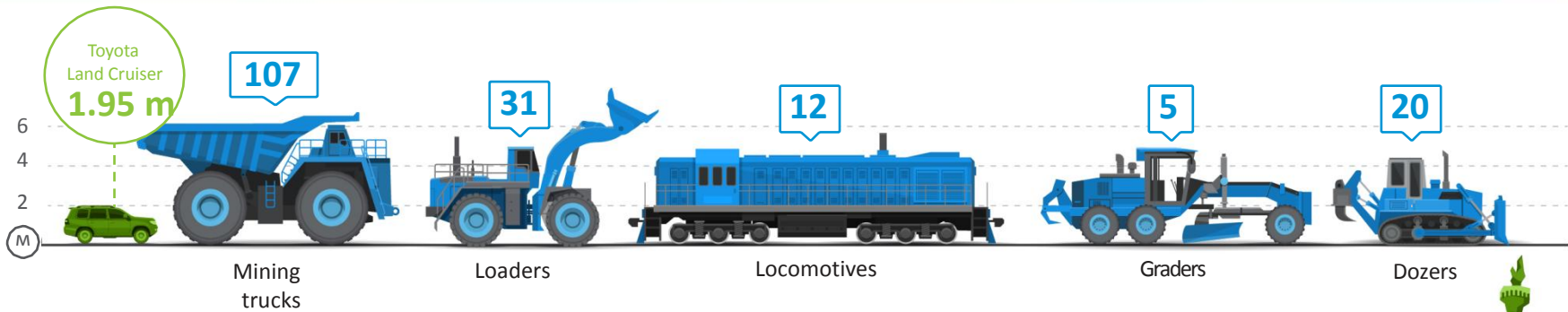
# CORPORATE STRUCTURE



## Kuzbasskaya Toplivnaya Company PJSC



# MINING EQUIPMENT



**216** units of mining equipment

**46** units of support transport



Electric mining equipment reduces production costs and environmental damage