RASPADSKAYA
OAO RASPADSKAYA

OAO Raspadskaya –

1H 2010 IFRS Financial Results

Investor Presentation

17 September 2010

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1H2010 Key Highlights

Key Highlights, US$m *(unless stated otherwise)*	1H2010	1H2009
Coal Concentrate Sales Volumes*, kt	3,777	2,986
Revenue	466	148
EBITDA**	259	63
Margin, %	*56%*	*43%*
EBIT	203	33[1]
Margin, %	*44%*	*22%*
Net Profit	228	0.36[1]
Adjusted Net Profit	124[2]	0.36

Source: Raspadskaya

(1) EBIT and Net Profit have been restated following a reassessment of the remaining useful lives of items of property, plant and equipment. For more detail see Unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2010

(2) Adjusted Net Profit represents Net Profit less US$104m, which represent the excess of the provisional fair value of identifiable net assets of ZAO Koksovaya over the fair value of transferred consideration, recognized in the statement of comprehensive income in accordance with IFRS

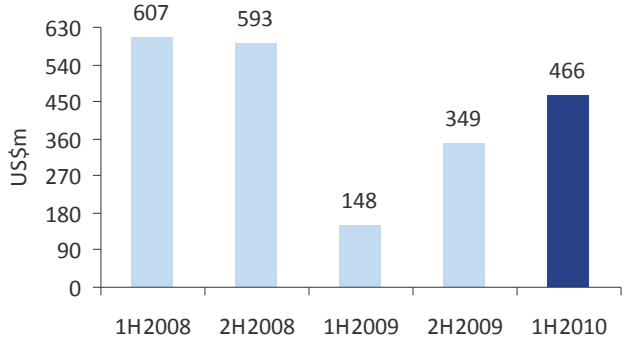
Company's performance in 1H2010 was significantly affected by the following factors:

- *Accident at Raspadskaya mine through the night on 9 May 2010*
- *Increase of sales price of coal concentrate in 1Q and 2Q 2010*
- *Purchase of ZAO "Koksovaya" mine from Evraz in April 2010 – the enterprise that extracts coking coal of K and KO grades*

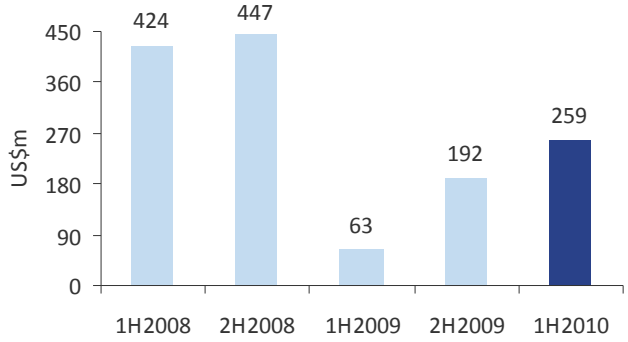
* Coal concentrate sales volumes contain raw coal sales volumes restated in tonnes of coal concentrate at output ratio of 75.9% and 73.3% for 1H2010 and 1H2009, respectively

**EBITDA represents profit for the period before foreign exchange gains/(losses), gain/(loss) on net monetary position, depreciation, depletion and amortization, dividend income, interest income and expense, capitalized interest and income tax expense, extraordinary gain/loss

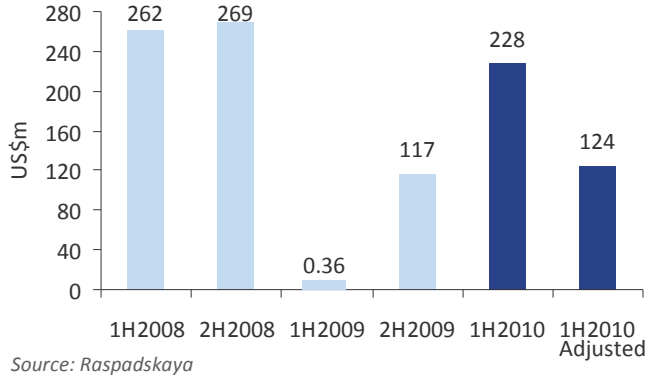
Revenue



EBITDA



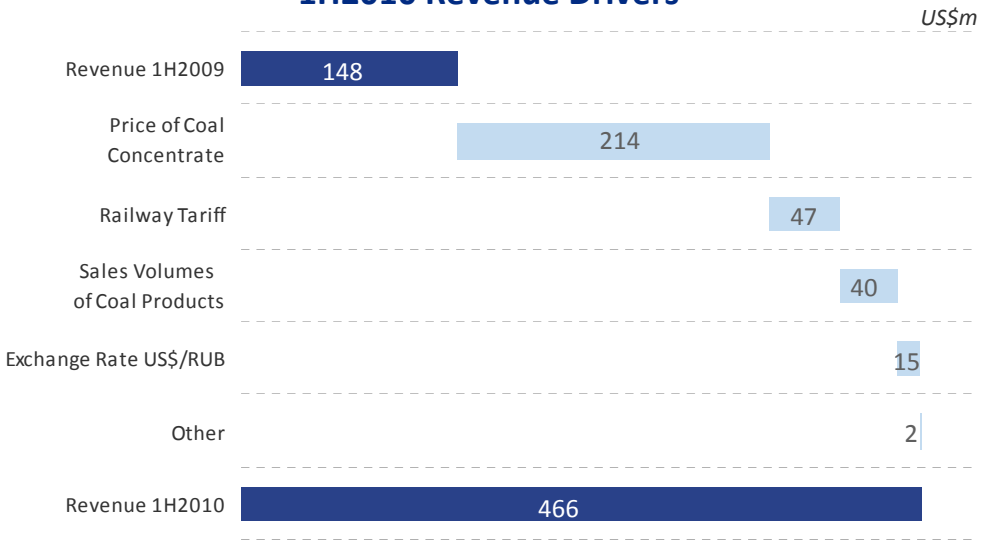
Net Profit



Source: Raspadskaya

Revenue and Coal Concentrate Price

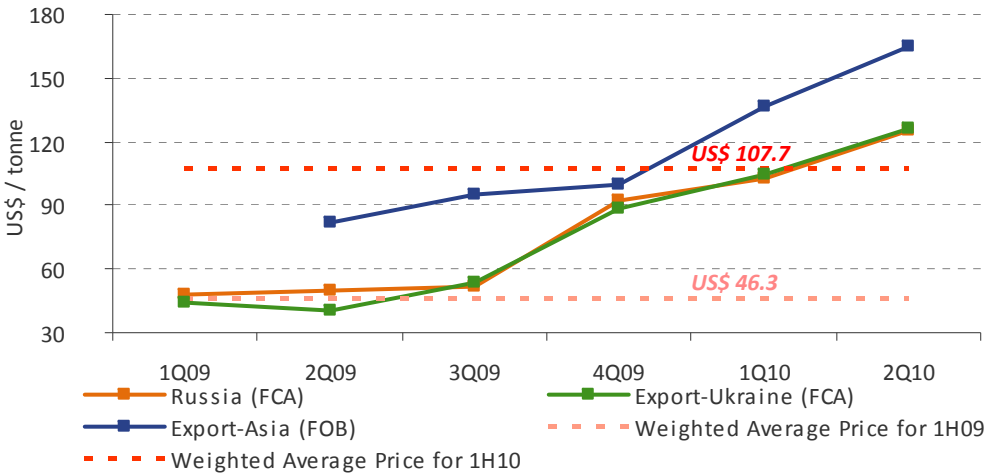
1H2010 Revenue Drivers



Source: Raspadskaya

- The significant YoY growth in the Company's revenue was mainly due to the increased production and sales volumes of the Company, and beneficial sales prices.
- Increase of the Company's revenue YoY was also driven by the higher demand on coal production and active export sales policy of the Company.
- 1H2010 revenue was negatively affected by the accident at Raspadskaya mine in May 2010, as a result of which production at this mine was temporarily suspended (in 2Q2010, sales volumes decreased by 31% QoQ).

Raspadskaya Coking Coal Price Dynamics

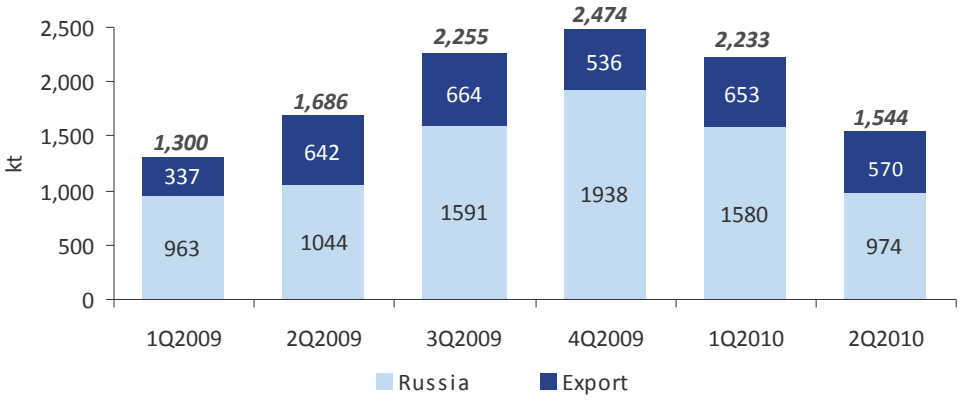


Source: Raspadskaya

- Raspadskaya continues to operate in the frames of long-term contracts with the major Russian customers. Starting 3Q2010, Raspadskaya agreed with proposals of Russian customers to temporarily fix contracts on a monthly basis due to the uncertain demand in the steel and coke markets.
- In 3Q2010, sales price of coal concentrate on domestic market remained at the level of 2Q2010.

Coal Concentrate Sales

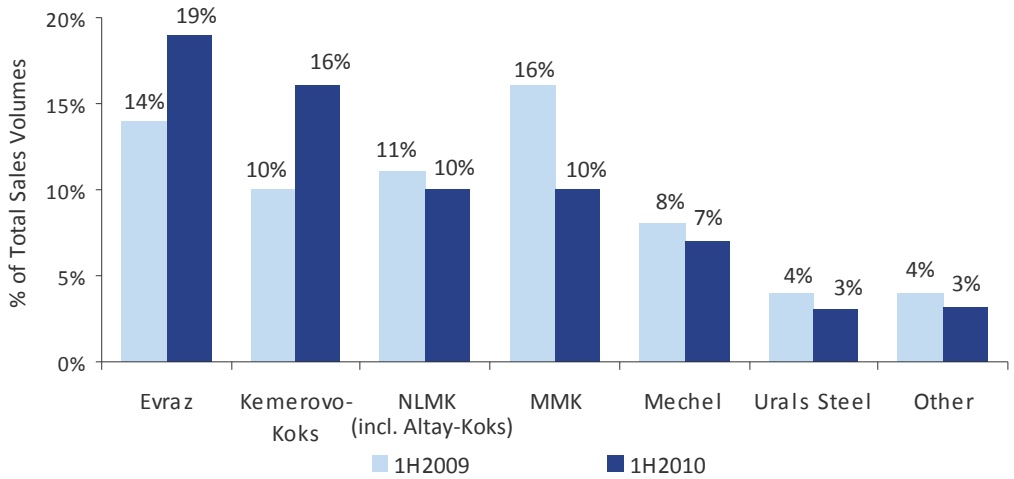
Raspadskaya Coal Concentrate Sales



Source: Raspadskaya

- In 1Q2010, decrease of sales volumes by 10% QoQ was due to the anomalously low temperatures that set in for a long period of time and disruptions in the production process.
- In 2Q2010, decrease of sales volumes by 31% QoQ was caused by the accident at Raspadskaya mine on 9 May 2010 as a result of which the mine is out of operations now.
- The Company commenced production and delivery of K (KO) coal grades (hard coking coal under the international classification) in raw coal base at ZAO "Koksovaya" mine acquired in the end of April 2010. In 2Q2010, sales volumes amounted to 21 kt.

Major Russian Consumers of Raspadskaya Coal Concentrate

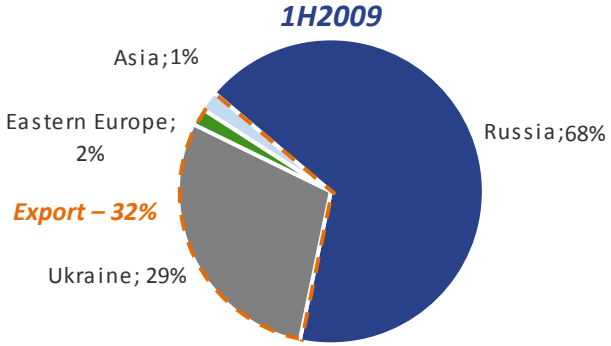


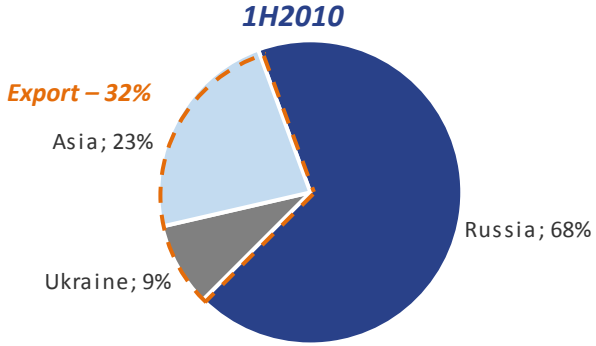
Source: Raspadskaya

- Share of domestic sales volumes to the three major customers of Raspadskaya (MMK, NLMK (including Altay-Koks), Evraz) accounted for 39% and 41% of total sales volumes in 1H2010 and 1H2009, respectively.
- Before May 2010, the Company diversified its Russian client base and as a result Raspadskaya sold considerable volumes to such medium-sized companies as Mechel, Urals Steel and Kemerovo-Koks.
- After the accident at Raspadskaya mine the Company concentrated on Russian sales only – currently there are sales to the eight Russian plants.

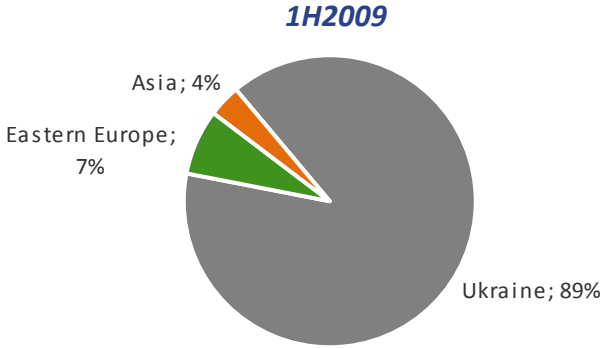
Raspadskaya Sales Geography

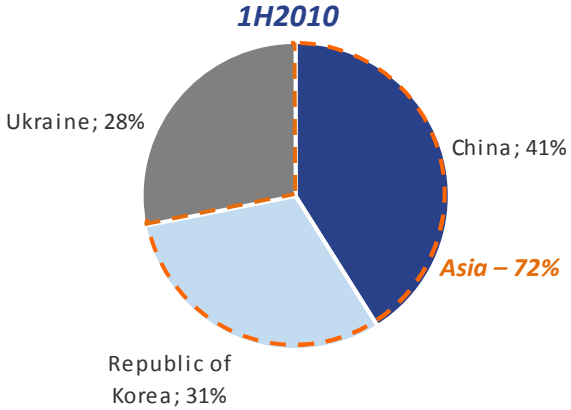
Raspadskaya Sales Geography Breakdown





Raspadskaya Export Sales

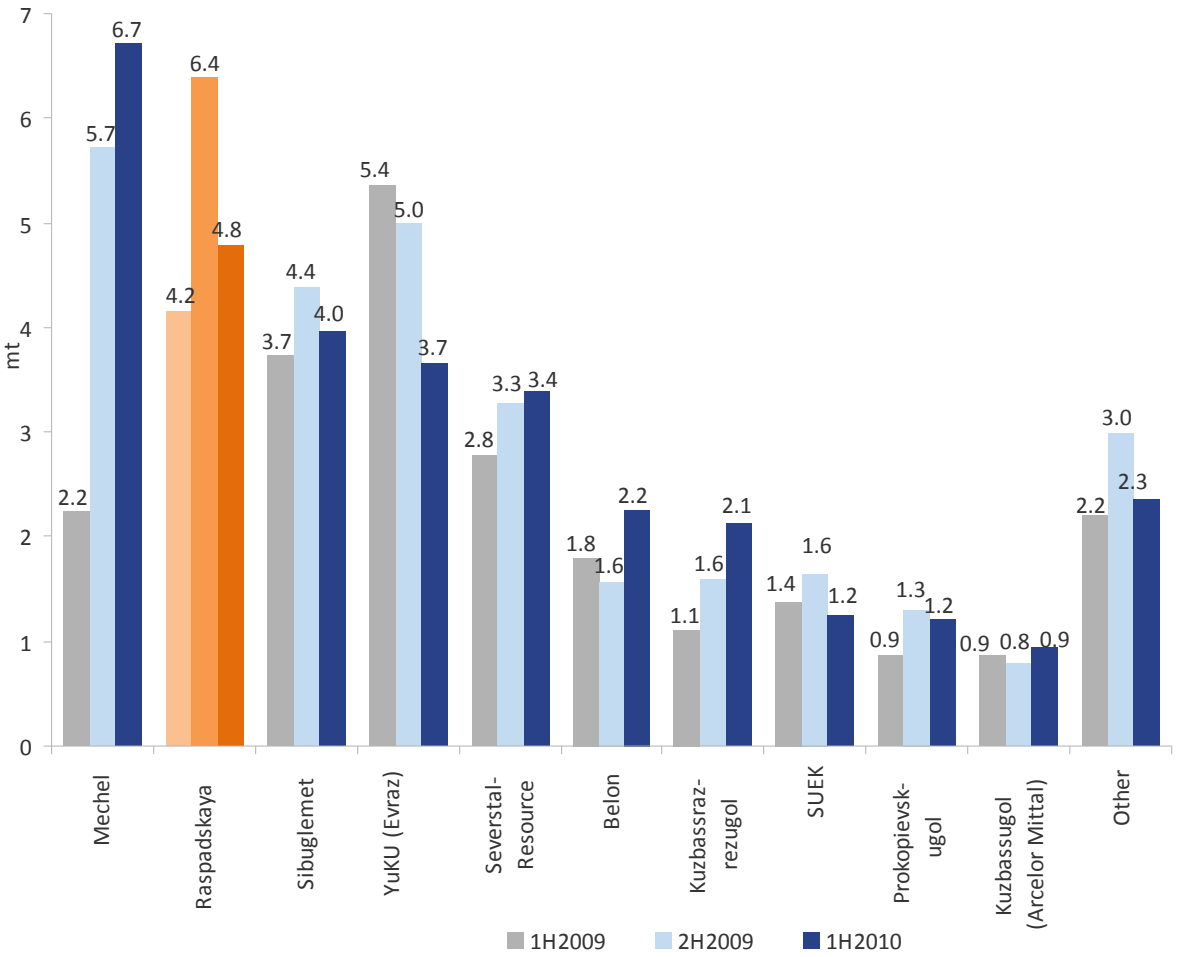




- Before May 2010, the Company diversified and expanded its export sales
- In 1H2009, export share did not change YoY and amounted to 32% of total sales volumes
- The most important feature of the diversification was the shift toward the Asian market. Share of Asian sales amounted to 72% and 4% of total export sales in 1H2010 and 1H2009, respectively
- Sales volumes to Ukraine dropped by 60% YoY mainly because of a slowdown in the Ukrainian metallurgical industry
- Share of sales to Ukraine dropped from 89% in 1H2009 to 28%of total export sales in 1H2010
- After May 2010, in order to minimize the negative effects of a sudden drop in coking coal production for the Russian metallurgical industry, the Company supplies Russian customers only
- As soon as production volumes will be restored, the Company plans to recommence deliveries to both domestic and foreign customers

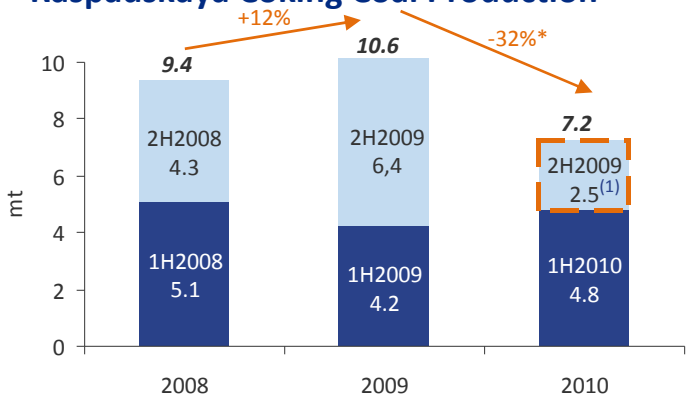
Coking Coal and Coal Concentrate Production

Russian Coking Coal Production



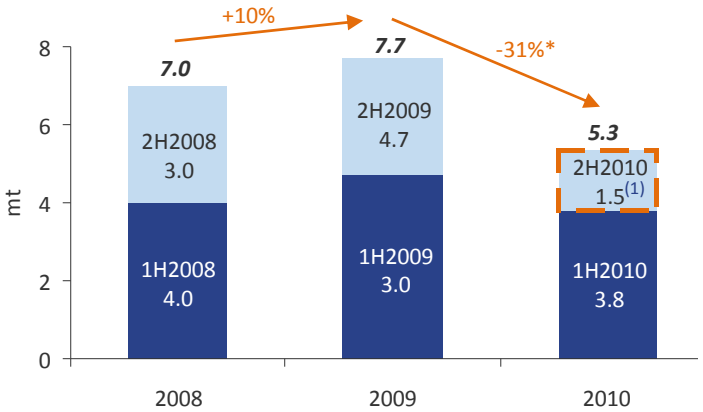
Source: Raspadskaya, UDP-3.10 TsDU-TEK for 1H2009, 2009 and 1H2010, companies' data

Raspadskaya Coking Coal Production



Source: Raspadskaya

Raspadskaya Coal Concentrate Production



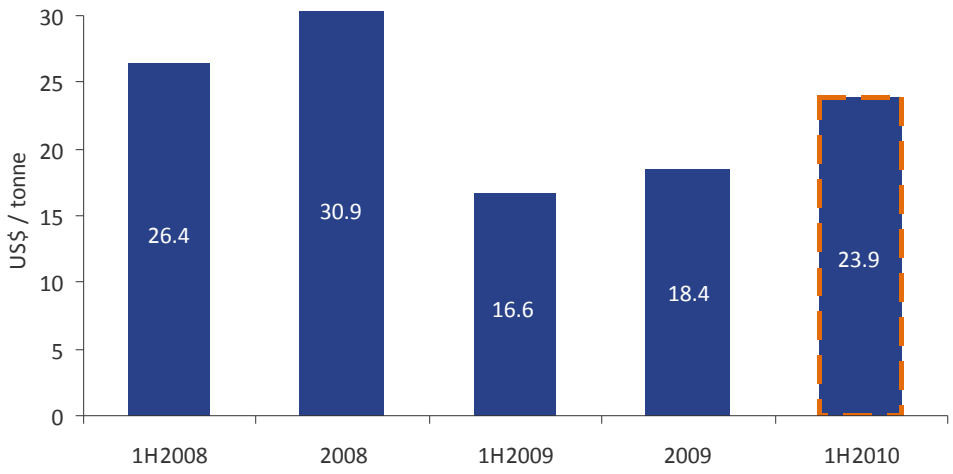
Source: Raspadskaya

*as a result of the accident at Raspadskaya mine in May 2010

(1)Volumes from Raspadskaya mine are not included before passing authorization of the projects by the appropriate government bodies (Rosglavexpertiza and Rostekhnadzor)

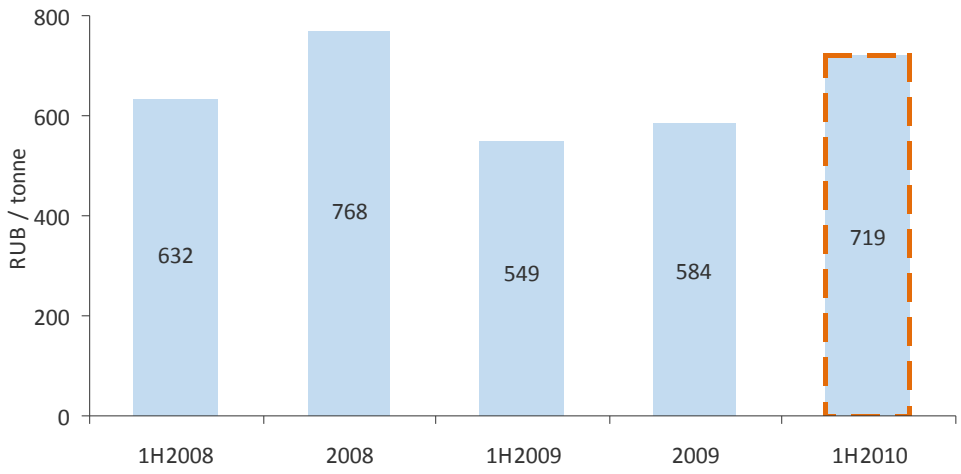
Cash Cost

Cash Cost of Coal Concentrate Production per Tonne, US$



Source: Raspadskaya

Cash Cost of Coal Concentrate Production per Tonne, RUB

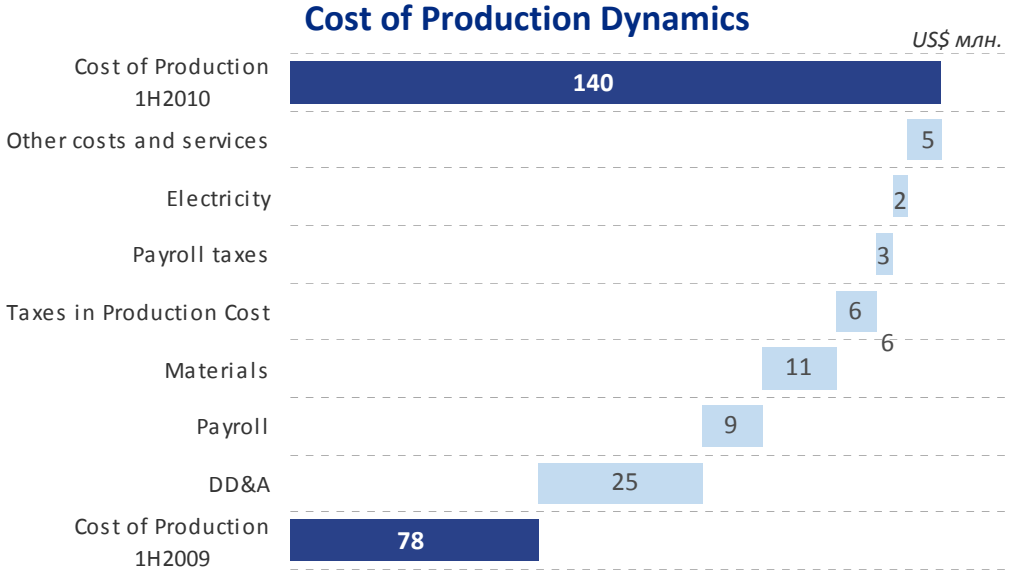


Source: Raspadskaya

- In 1H2010, increase in cash cost of coal concentrate production YoY was driven mainly by:
  - growth in production volumes by 20% and preparation of the front of working face
  - return of certain expenses to pre-crisis levels
  - industry inflation
  - lower average RUB/US$ exchange rate
- Ruble denominated cash cost per tonne of coal concentrate produced increased by 31% YoY

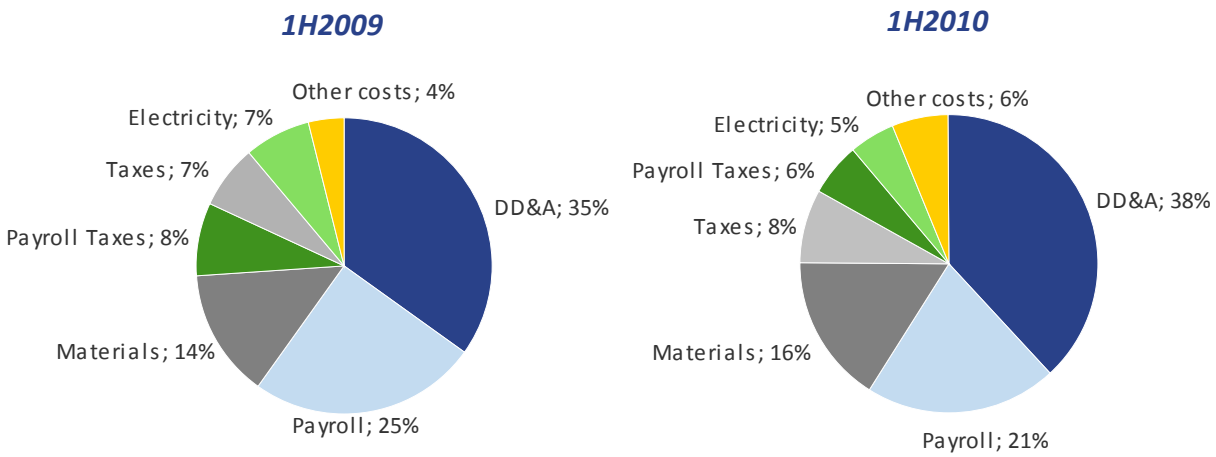
Cost of Production

Cost of Production Dynamics



Source: Raspadskaya

Cost of Production Breakdown

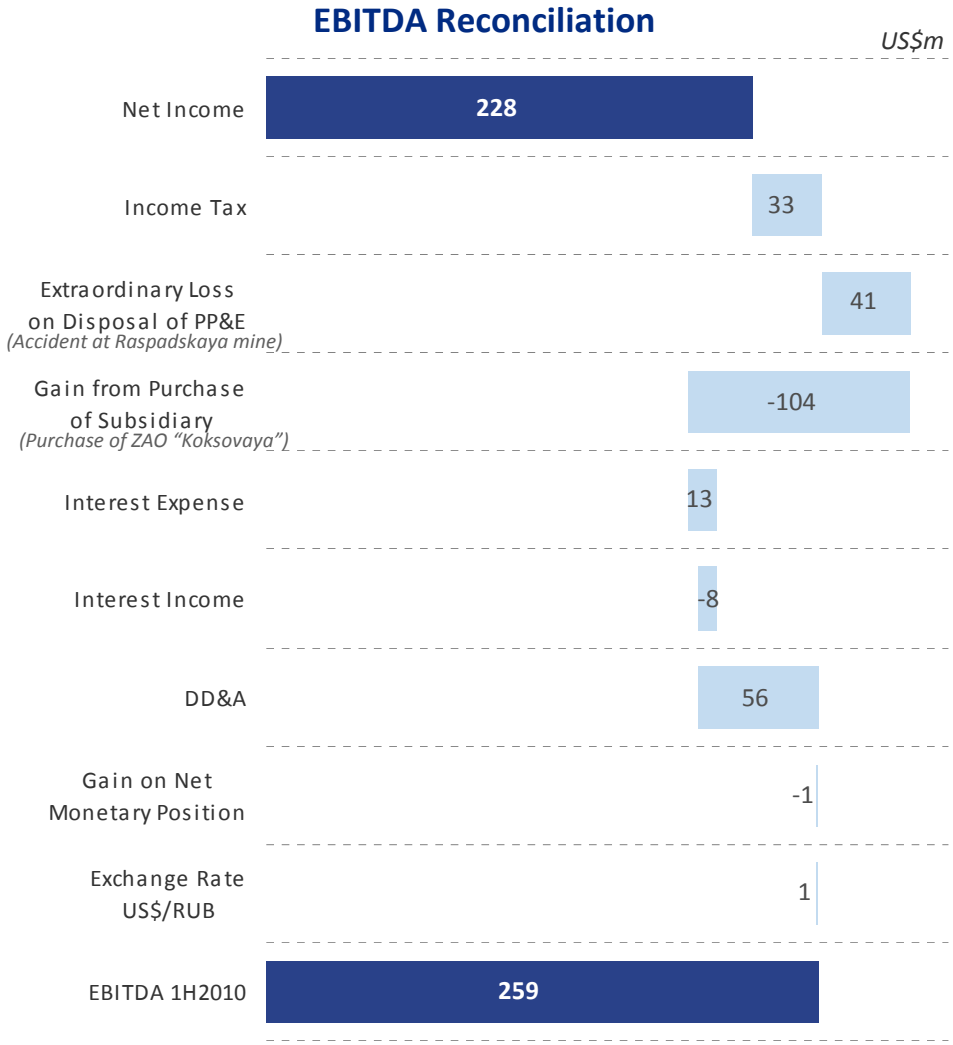


Source: Raspadskaya

- The increase in cost of coal concentrate production by 79% YoY (US$61.5m) was driven mainly by changing in next items :
  - Depreciation and depletion of mineral reserves increased by 106% (US$25.2 m) mainly because of:
    - additions of property, plant and equipment in 2009;
    - increase of production.
  - The increase in the overall labor costs by 47% (US$ 25.2 m) and payroll taxes by 43% (US$2.7 m) reflected:
    - a return to pre-crisis levels of pay;
    - the labor costs inflation.
  - The increase in materials cost by 104% (US$11.4m) was mainly due to:
    - the increase in extraction and preparation volumes;
    - a significant increase of overburden removal.
  - The increase in other taxes (mainly mineral extraction tax) by 106% (US$5.9m) was mainly due to the increase in:
    - coal prices;
    - and extraction volume.
  - The increase in electricity cost by 41% (US$2.2m) was caused by:
    - the growth of production volumes;
    - an increase of the tariff by 22%.

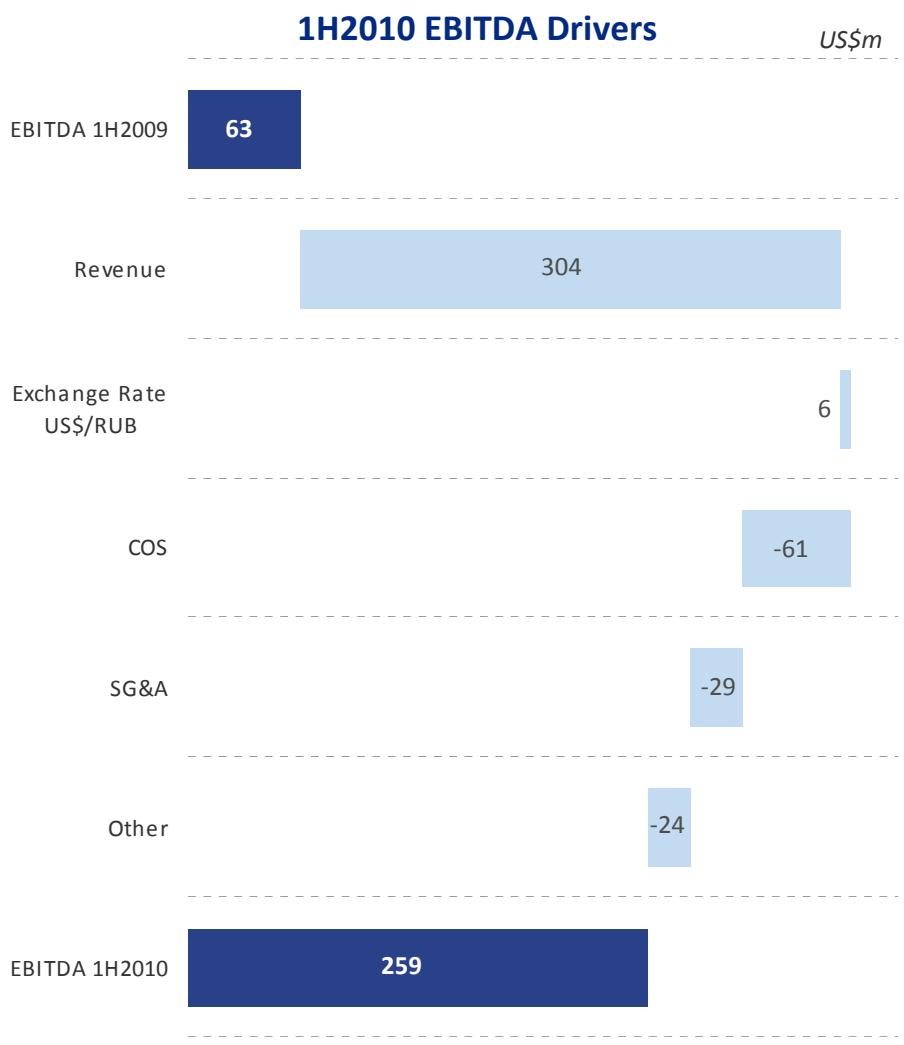
EBITDA

EBITDA Reconciliation



Source: Raspadskaya

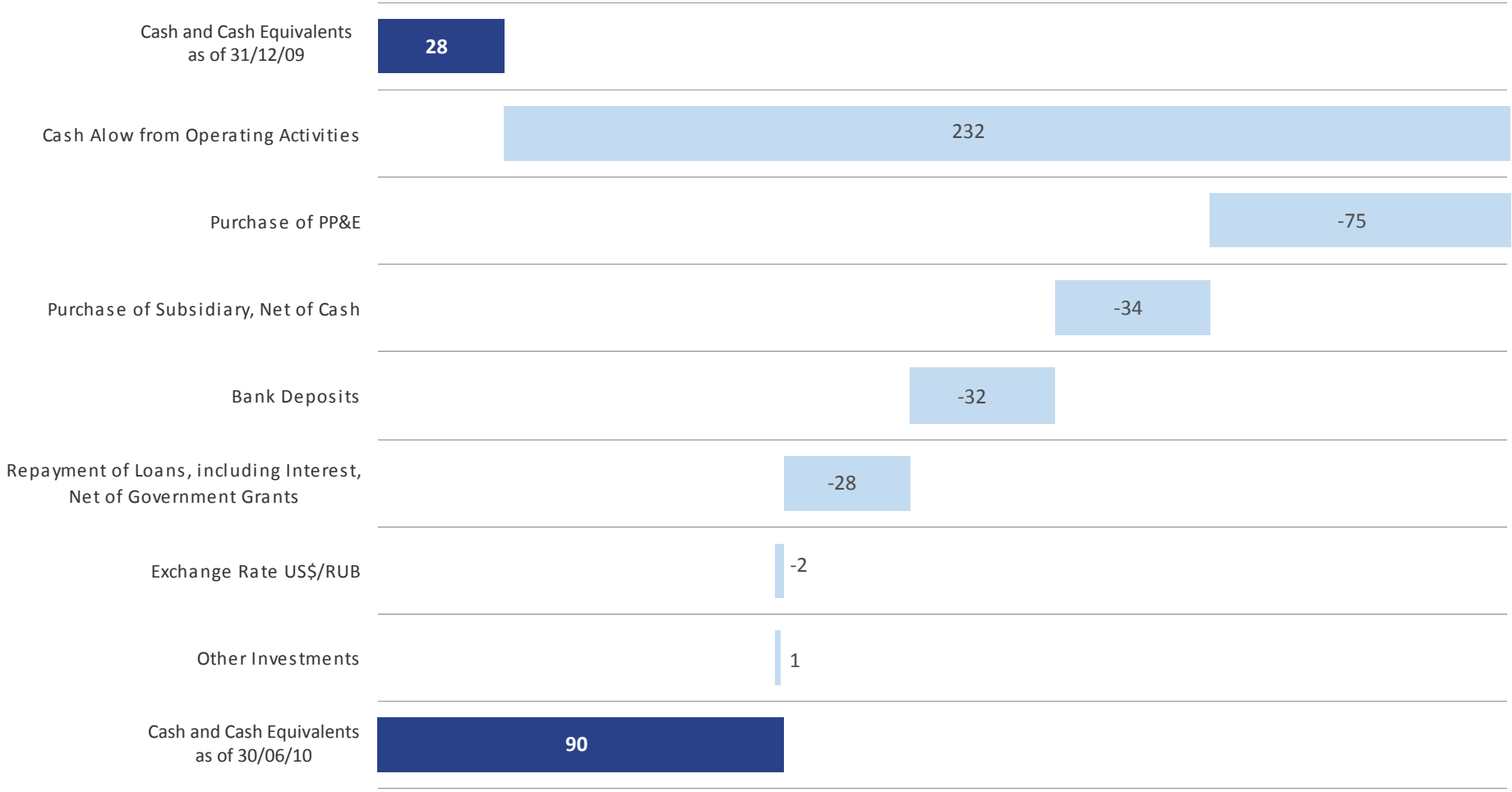
1H2010 EBITDA Drivers



Source: Raspadskaya

- In 1H2010, EBITDA margin amounted to 56%, in 1H2009 – 43%
- 12M EBITDA (2H2009 and 1H2010) amounted to US$451m

Cash Flow

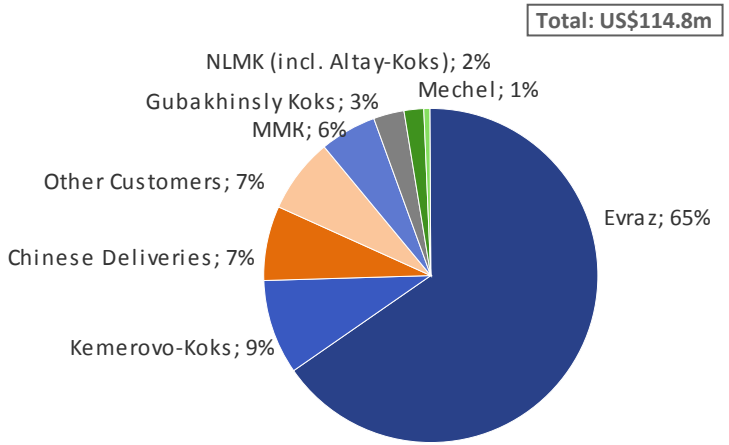


Source: Raspadskaya

As of 30 June 2010 cash and cash equivalents, short-term and long-term bank deposits increased by US$ 97.4m and amounted to US$ 306.9m

Receivables and Payables Breakdown

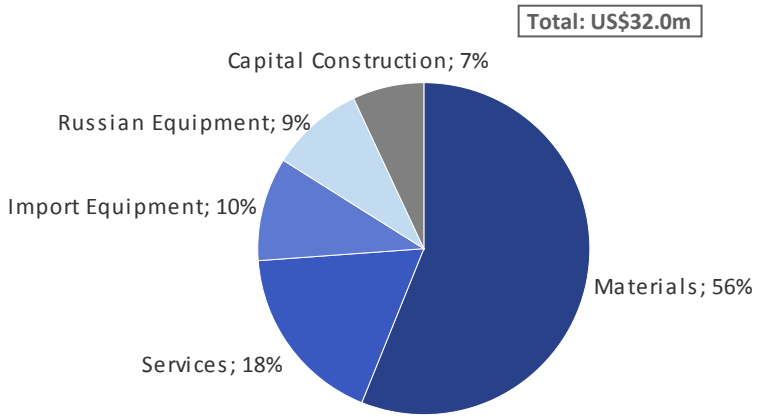
Receivables (Customers) Breakdown as of 30 June 2010



Source: Raspadskaya

- Receivables as of 30 June 2010 amounted to US$114.8m, that is 22% lower compared to the level as of 31 December 2009.
- Reduction in Receivables was due to the decrease of sales volumes of coal production in 2H2010.
- Major share of Receivables is represented by Evraz enterprises. The Company's management believes that this debt is fully recoverable.

Trade Payables Breakdown as of 30 June 2010



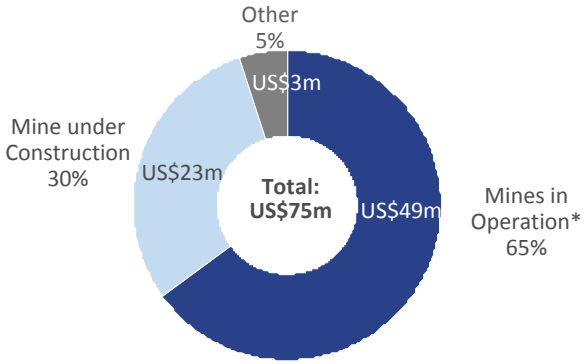
Source: Raspadskaya

- Trade Payables as of 30 June 2010 amounted to US$32m, that is 4% higher compared to 31 December 2009.
- Increase in Trade Payables was mainly represents the costs on the liquidation of the accident.
- Major share of Trade Payables is represented by the amount to be paid to suppliers of materials.

Cash Used in Capital Expenditures

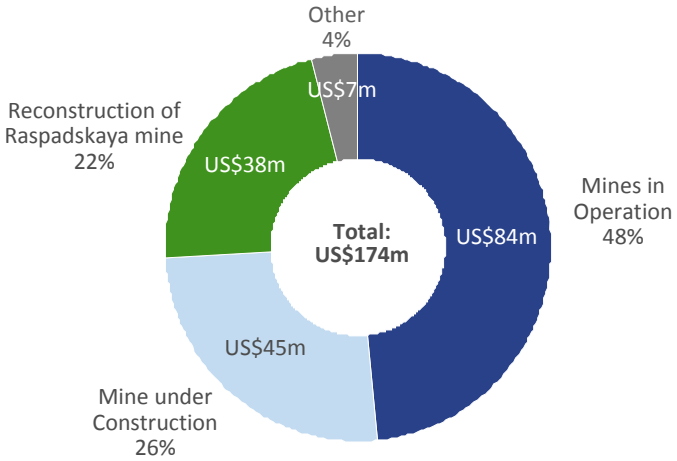
Breakdown of Cash Used in Capital Expenditures

1H2010

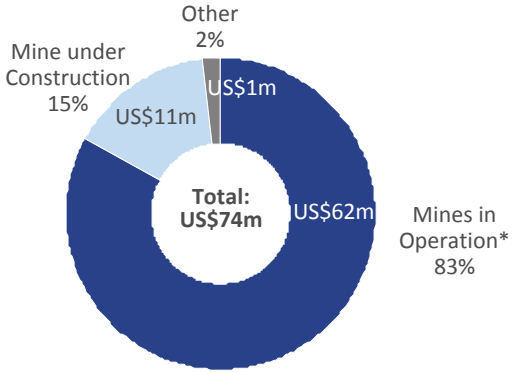


** Including Raspadskaya mine*

2010 Forecast



1П 2009



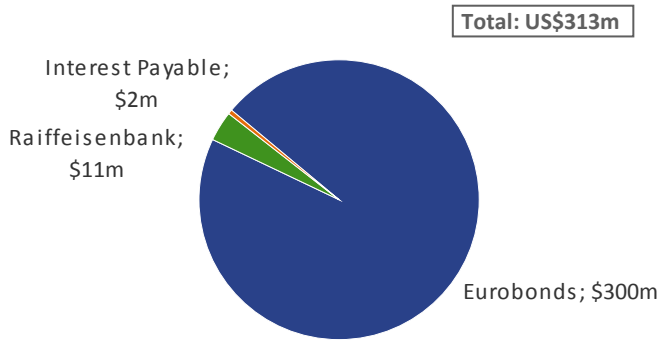
** Including Raspadskaya mine*

Source: Raspadskaya

- In 1H2010, cash used in capital expenditures remained flat. The amount of cash used in capital expenditures of mines in operation decreased because the Company signed fewer equipment purchase contracts in 1H2010 whereas contracts signed in 2008 were executed in 1H2009.
- The amount of cash used in capital expenditures of the mine under construction (Raspadskaya-Koksovaya) decreased as a result of a return to pre-crisis levels of financing.

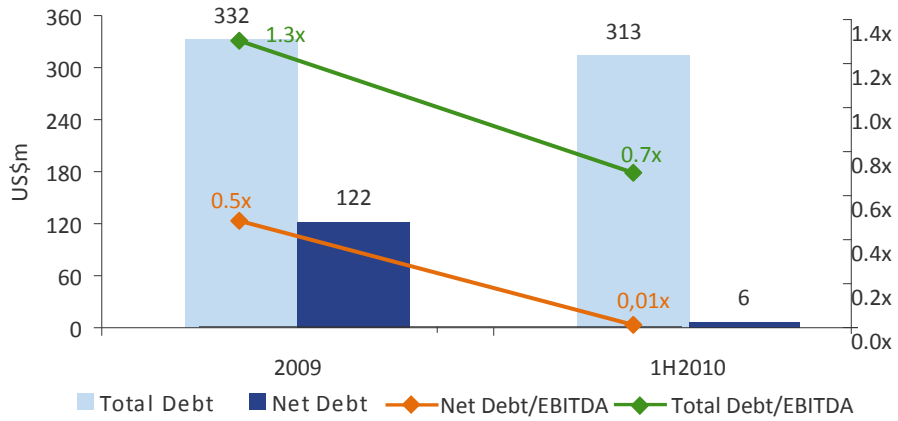
Financial Policy and Debt Breakdown

Debt Breakdown as of 30 June 2010



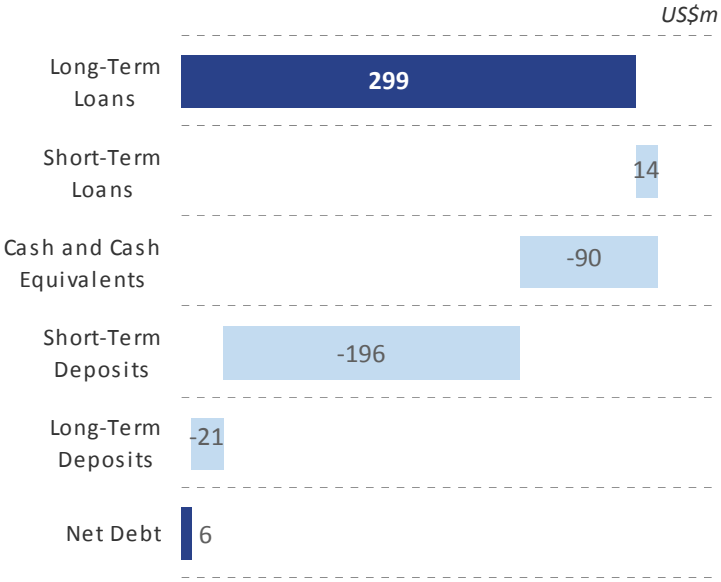
Source: Raspadskaya

Total and Net Debt



Source: Raspadskaya

Net Debt Reconciliation



Source: Raspadskaya

- The main debt is represented by the US$300m 7.5% Eurobonds due in May 2012.
- As of 30 June 2010, none of the covenants stipulated in the Loan Agreement on the Eurobonds was breached. The Company believes none of the covenants will be breached.

Accident at Raspadskaya Mine

- On 9 May 2010, an accident occurred at Raspadskaya mine resulting in deaths and injury to people and damage to property, plant and equipment.
- As of 30 June 2010, the loss on disposal of property, plant and equipment damaged in the Raspadskaya mine accident amounted to US$41m. Expenses associated with the liquidation of the consequences of the accident amounted to US$20m.
- After pumping out the water and putting out the fire, the Company plans to reconstruct Raspadskaya mine.
- The reconstruction process will be conducted in stages i.e. parts of the mine will recommence operation before the whole mine will be reconstructed.
- According to the preliminary estimations, the total expenditure on the reconstruction of Raspadskaya mine approximates US$280m and include the following:
  - compensatory social payments,
  - costs of elimination of the consequences of the accident,
  - project works,
  - purchase and repairs of property, plant and equipment,
  - preparation of coal faces.
- A plan containing timing and expenditures of the reconstruction will be announced after working all the details out.

Purchase of ZAO "Koksovaya"

- On 28 April 2010, the Company acquired from Evraz a 100% ownership interest in ZAO "Koksovaya" – an operating coal mine that extracts coking coal of K and KO grades – for a cash consideration of US$40m.
- In future, the Company plans to merge Koksovaya with Raspadskaya-Koksovaya, that will enable a more efficient extraction of coal reserves.
- In 1H2010, the Company recognized gain on a bargain purchase of subsidiary (ZAO "Koksovaya") in the amount of US$104m, that represents the excess of the provisional fair value of net assets of the acquired entity, ZAO "Koksovaya", amounting to US$144m over the fair value of transferred consideration of US$40m.
- The Management believes that this transaction resulted in gain due to the ability of the Company to extract the coal reserves of ZAO "Koksovaya" using existing mining facilities of ZAO "Raspadskaya-Koksovaya" without any significant additional capital expenditures .
- Under the deal, in May 2010 the Company signed a 10-year contract for delivery of a part of coal produced by Koksovaya and Raspadskaya-Koksovaya mines to Evraz at market price and in accordance with the existing commercial practice.
- The deal conformed to the plans of the counterparties on raw materials provision and guaranteed coal sales volumes.

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