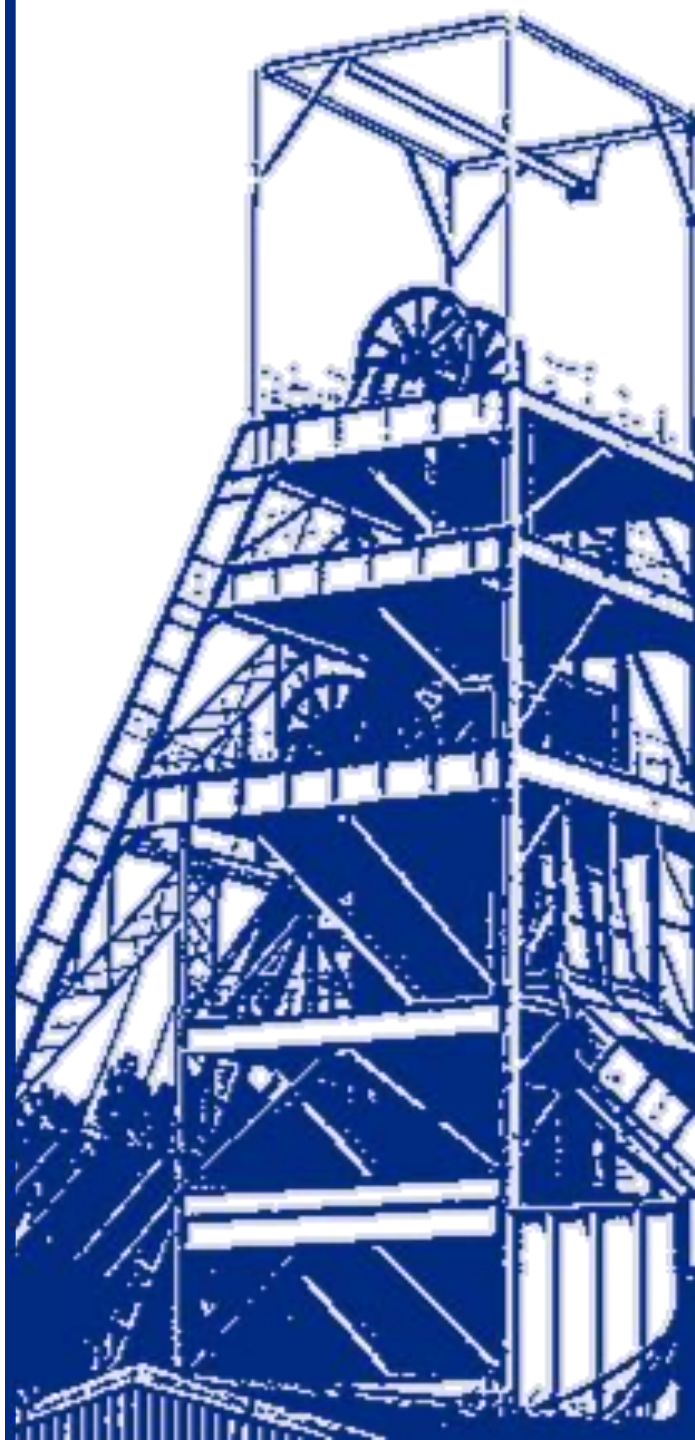
RASPADSKAYA

RASPADSKAYA OJSC

1H2015 Financial Results

04.09.2015



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Key events

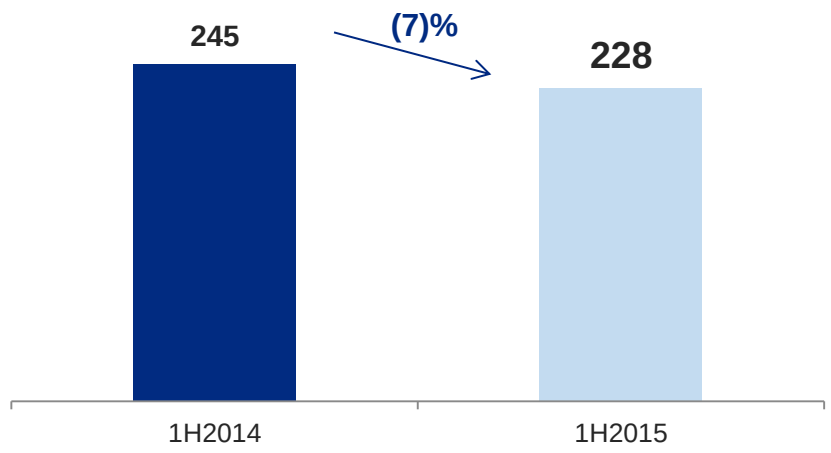
Production	Sales and marketing	Corporate
▪ Overall production of raw coking coal is 5.1mt ▪ Stable production by Raspadskaya underground mine with 2.8mt of raw coking coal mined (+71% YoY) ▪ The room and pillar production of K grade coal launched at Raspadskaya-Koksovaya mine ▪ Full scale operations at new field IX-XI of Raspadsky open-pit	▪ Focus on domestic sales: finding new opportunities to expand cooperation with major steel companies and consumers of coking coal ▪ Long-term contacts signed with a number of customers in Russia ▪ Commercial production of K grade coal launched ▪ 100% of K and KO grade coal output is sold domestically ▪ Export shipments to 8 new clients carried out as a result of the client base expansion	▪ Following the AGM held in 21 May 2015, Olga Pokrovskaya was elected to the Board of Directors as an independent director ▪ As of 10 February 2015, management functions of Yuzhkuzbassugol (part of EVRAZ) and Raspadskaya have been combined

Key 1H2015 Highlights

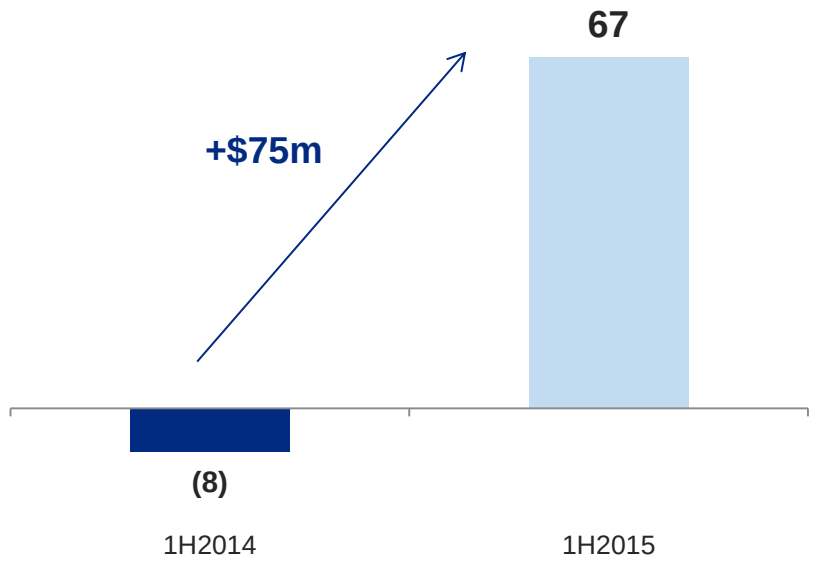
- Raw coal production of 5.1mt, up 15% yoy
- EBITDA of US$67 million, +US$75 million yoy
- EBITDA margin reached 29.3%
- Cash cost of concentrate of US$28/t, down 53% yoy
- Net loss down to US$8 million vs US$67 million in 1H2014

	1H 2015	1H 2014	1H 2015/ 1H 2014, %	FY 2014
Raw coal production, kt	5,072	4,427	15%	10,223
Coal product sales, kt	3,720	3,326	12%	7,035
Revenues, US$m	228	245	(7)%	443
EBITDA, US$m	67	(8)	n/a	44
EBITDA margin, %	29.3%	n/a	n/a	9.8%
Net loss, US$m	(8)	(67)	n/a	(306)

Revenues, US$ million



EBITDA, US$ million

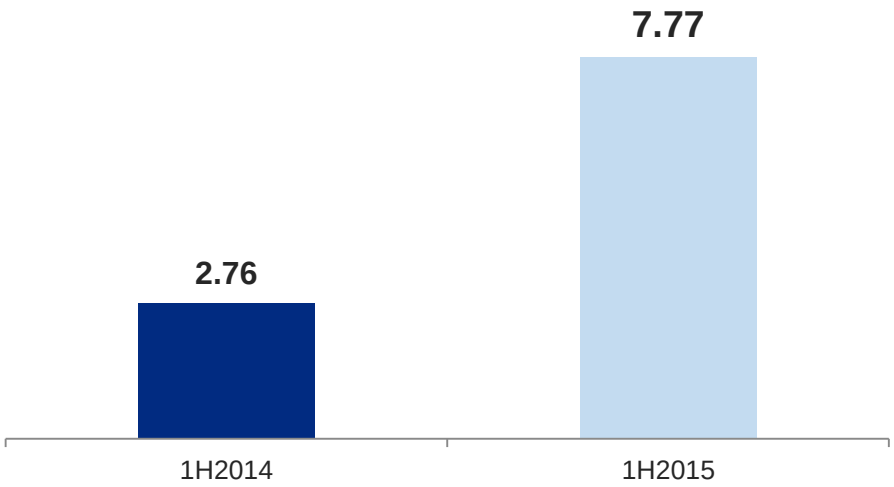


Source: Raspadskaya

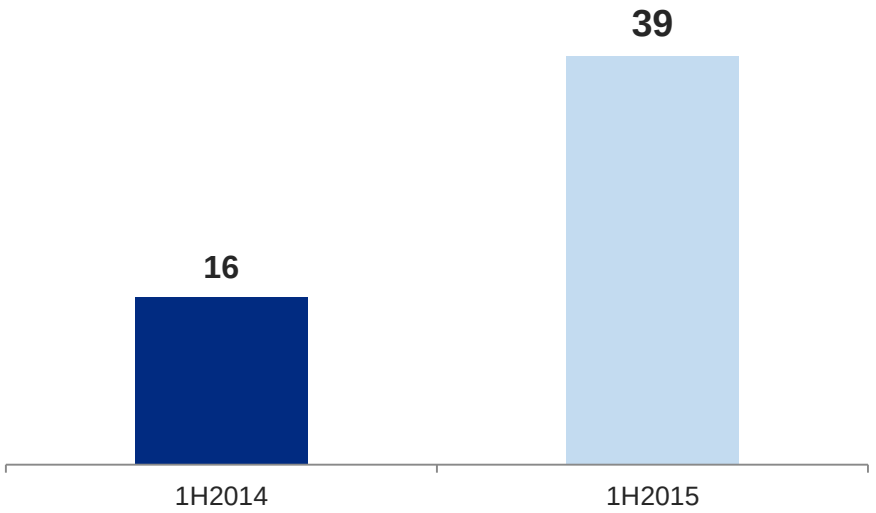
Health and Safety

- Safety remains our key priority
- No fatalities reported in 1H2015
- Higher number of injuries resulting in LTIFR rate growth partially reflects our efforts to improve reporting transparency

LTIFR



Injuries

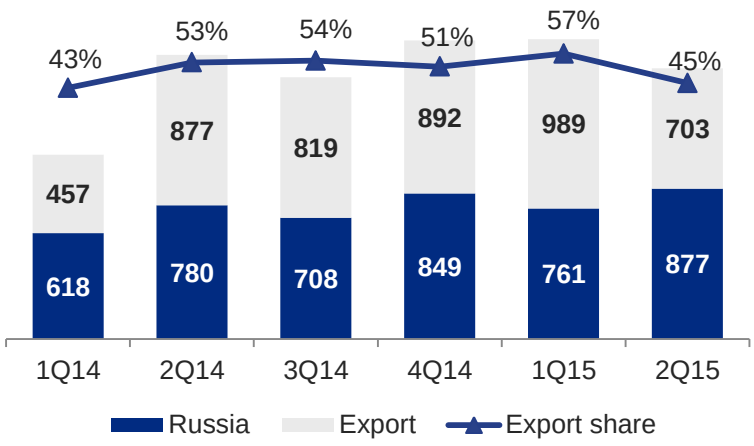


Source: Raspadskaya

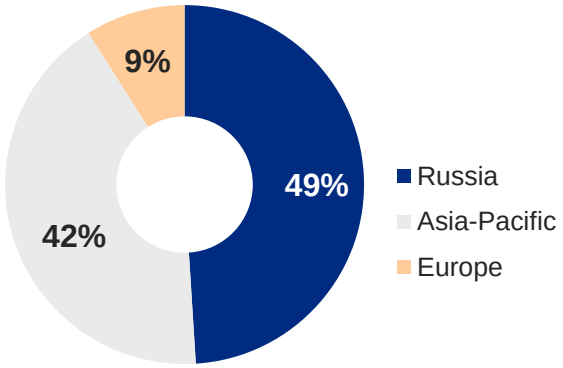
Coal product sales

- Major Russian consumers of Raspadskaya coal products include EVRAZ, MMK, NLMK, Severstal and other
- Sales volumes increased to 3,720 kt (+12%) YoY, mainly due to higher exports of concentrate
- Share of exports in coal concentrate sales increased to 51% as excess domestic volumes were redirected to markets of Asia-Pacific and Europe
- Share of coal products supplied to EVRAZ was reduced to 21%
- Sales volumes in the Asia-Pacific region grew by 26% YoY due to expansion of the client base in line with our strategy

Coal concentrate sales, kt



Coal concentrate sales by region

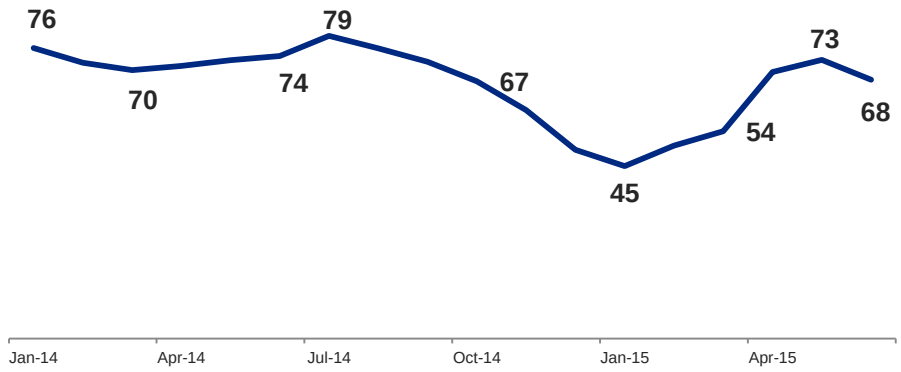


Source: Raspadskaya

Prices

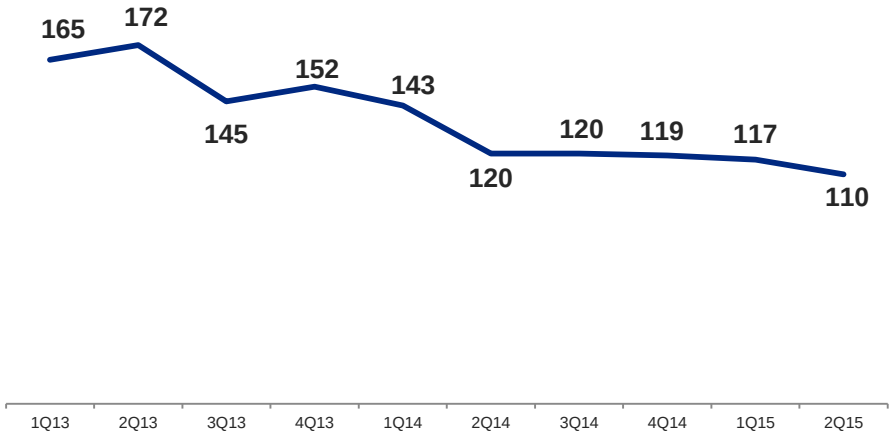
- Local prices of coking coal concentrate were supported by the Russian rouble devaluation and stable demand
- The international market continued to demonstrate a downward price trend throughout 1H2015 due to weakening demand from China, Ukraine and the EU
- We maintain our positive outlook for the domestic coking coal market and expect demand for premium coal grades to remain strong

Russian contract price of coking coal concentrate*, $/t, FCA Mezhdurechensk



* Semi-hard coking coal

HCC international price, US$/t, FOB Australia

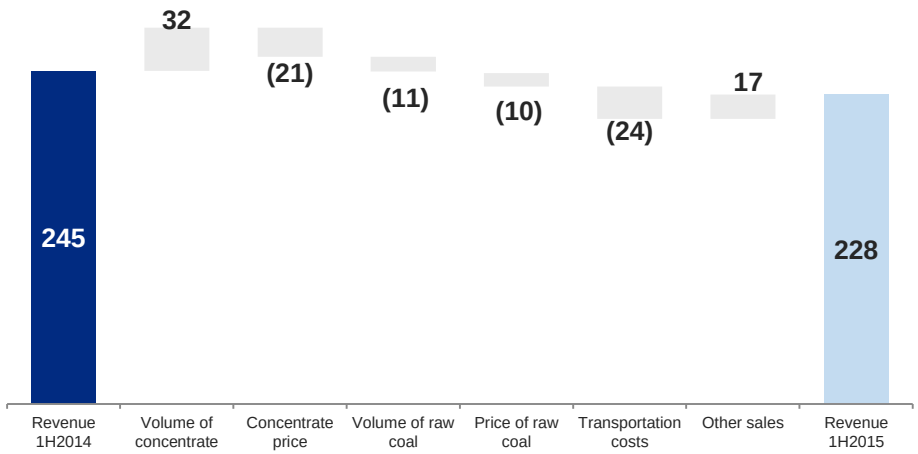


Source: Raspadskaya

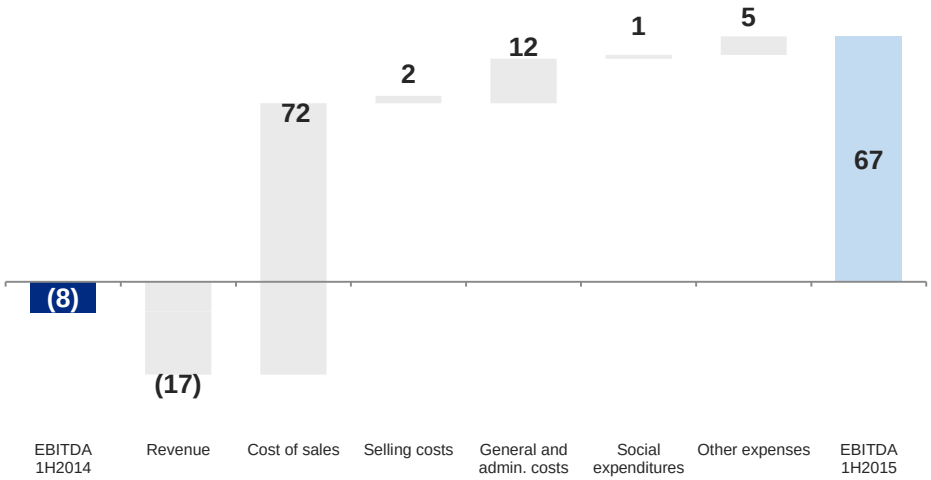
Financial performance

- Revenues were negatively impacted by:
  - lower concentrate selling price
  - reduction of transportation cost in the selling price
- The decrease was partially offset by higher coking coal concentrate sales volumes
- EBITDA was positively affected by the following:
  - lower cost of sales
  - reduced G&A costs

Revenues, US$ million



EBITDA, US$ million

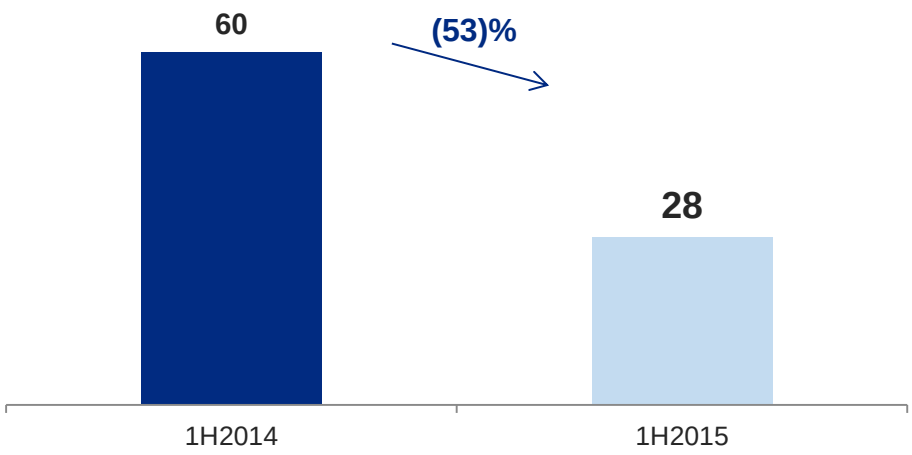


Source: Raspadskaya

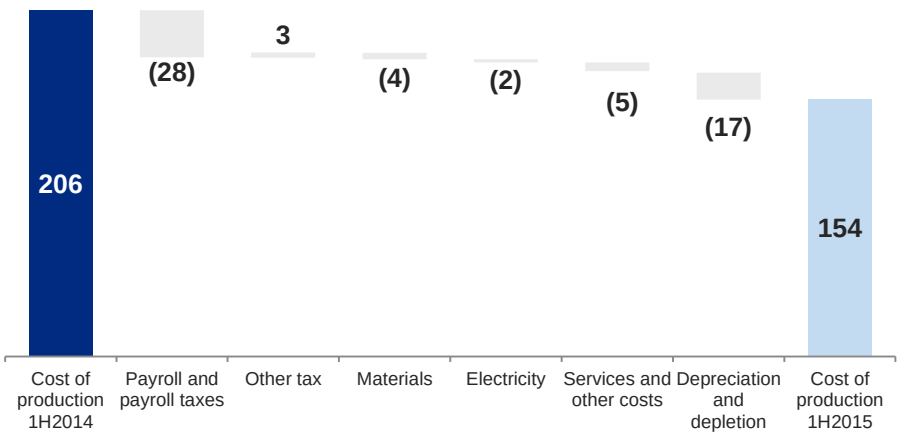
Cost of production

- Cash cost per tonne of coal concentrate in 1H2015 dropped 53% (23% in rouble terms) yoy mainly due to increase in raw coal production
- Payroll including payroll taxes constitutes the largest item of our production costs amounting to 33% in 1H2015 (38% in H12014)
  - Payroll went down by 35% yoy due to centralisation of the management functions and staff optimisation
- Materials and electricity were up 49% (ex. FX) due to external purchases of raw materials for concentrate production at Yuzhkuzbassugol washing plants and electricity tariff increase
- Amortisation decreased by 19% (ex. FX) due to full depreciation of select mining equipment

Cash cost of concentrate, US$/t



Cost of production dynamics, US$ million

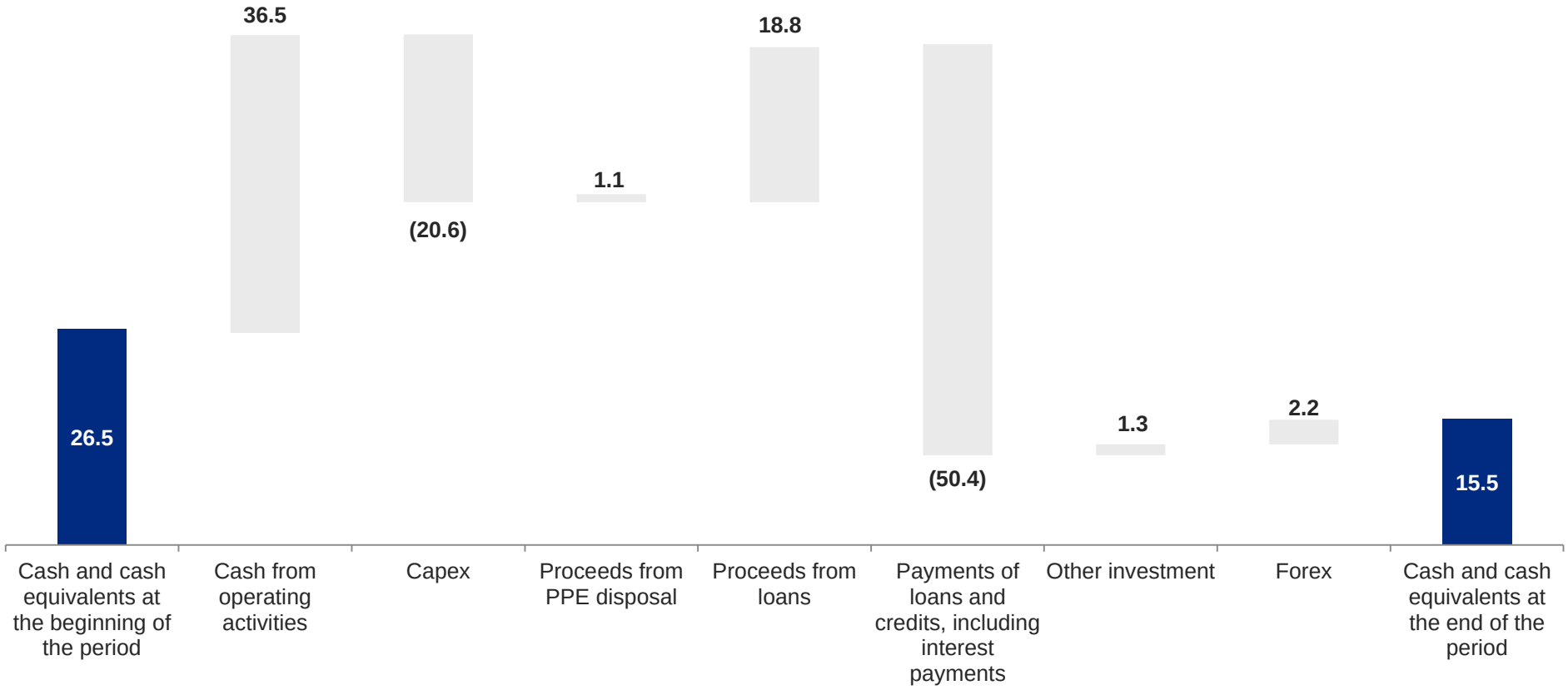


Source: Raspadskaya

Cash flow

- In 1H2015 the cash from operating activities was generally used for:
  - CAPEX - US$21 million
  - Payments of loans and credits - US$50 million

Cash Flow, US$million



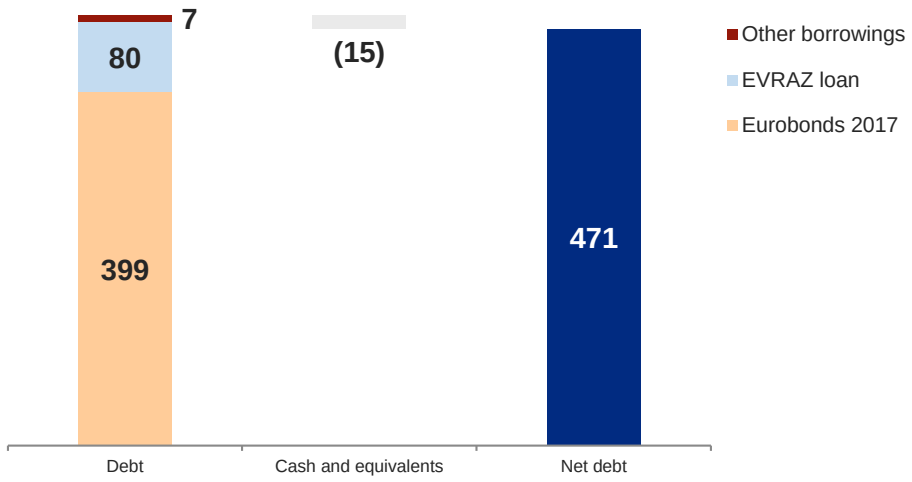
Source: Raspadskaya

Debt and working capital

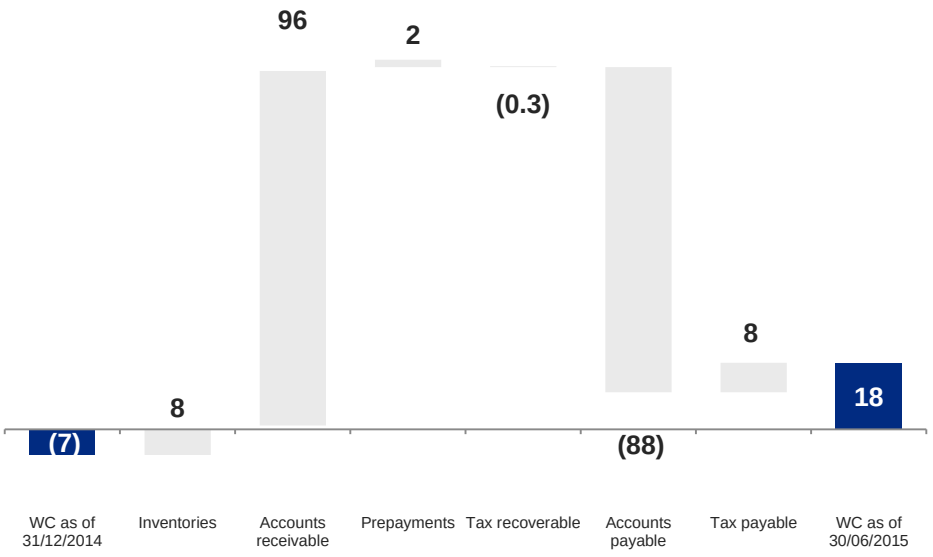
- As of 30June 2015, our long-term debt includes 7,75% Eurobonds of US$399 million due in 2017 and an US$80 million intra group loan from EVRAZ

- Working capital increased due to the implementation of the centralised trading and marketing function for sales of coal products and purchase of materials and equipment for Yuzhkuzbassugol

Structure of net debt at 30 June 2015, US$ million



Changes in working capital, US$million



Source: Raspadskaya

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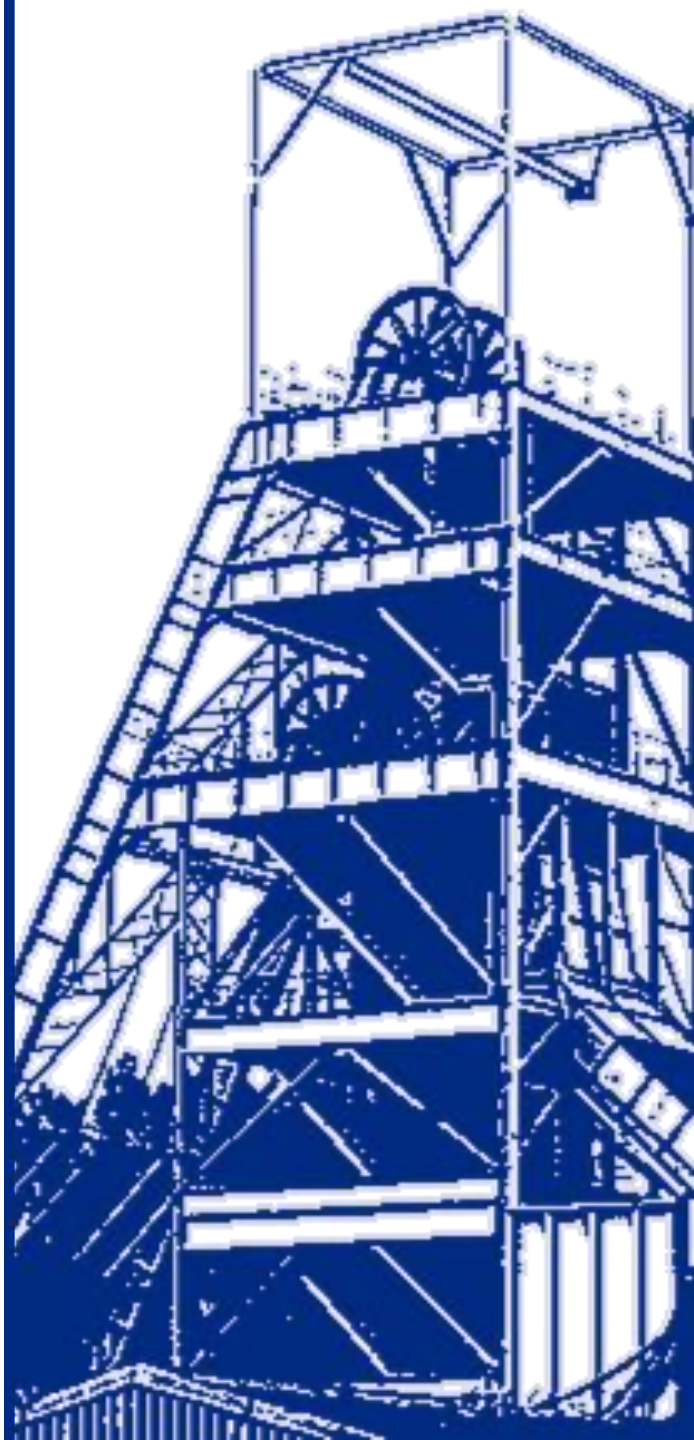
ir@raspadskaya.ru