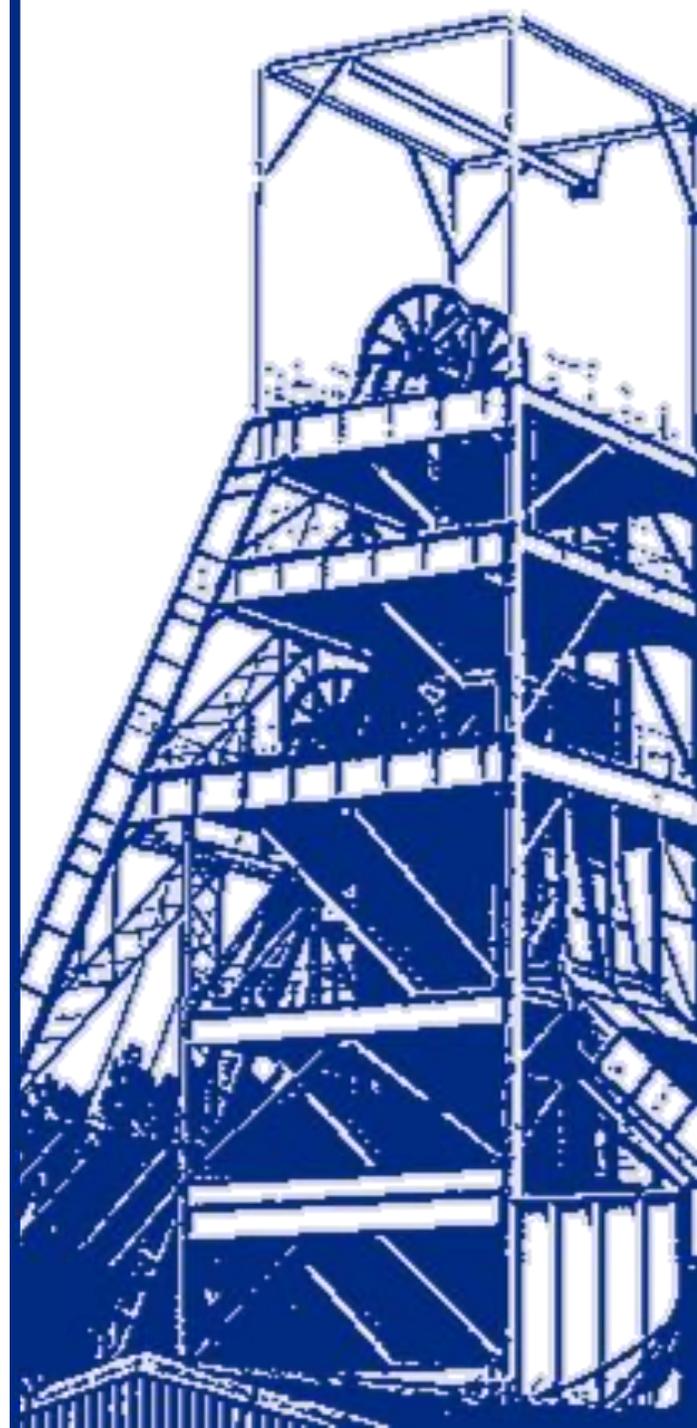


# FY2014 IFRS Financial Results

27.03.2015



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# Key events in 2014



## Operations

- Total production of raw coal in 2014 amounted to 10.2 million tonnes which is 31% above the level of 2013
- New longwalls were successfully launched in Raspadskaya underground mine in 2014. The mine is running four longwalls simultaneously for the first time since 2010
- Works were completed in the air shaft in block 4, the ventilation scheme of Raspadskaya underground mine was changed
- Engineering documents of the 3rd stage of mine recovery were approved to ensure further extension of annual production up to 6 million tonnes of raw coal in Raspadskaya underground mine
- Engineering documents were approved in relation to development of coal bodies with a deposit of about 500 kt of "K" grade coking coal in field 2 of Raspadskaya-Koksovaya mine. Development operations started in June
- Operations in Raspadsky Open-pit IX-XI section started in October to maintain production at the current level of 4 million tonnes per year



## Sales & Marketing

- Upon the result of 2014 the sales of coal products have demonstrated a 20% growth compared to 2013 due to increased production volume
- The domestic sales of concentrate have recovered to the level of 2013 due to increase in production and in demand. The latter was caused by improved quality of concentrate
- Export sales in the reporting period were mainly made to Japan, Korea, Ukraine, Slovakia and China
- Trial shipments of small lots were made to Erdemir and Isdemir facilities in Turkey
- The Company's strategic priority is to extend the share of the domestic sales and export to the premium markets



## Corporate

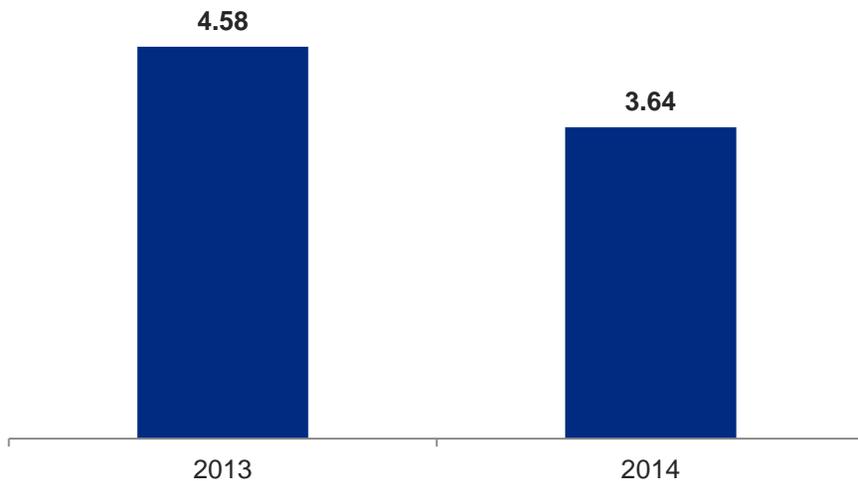
- The Board of Directors was re-elected at the annual general meeting
- Sergey Stepanov is the General Director of ZAO Raspadskaya Coal Company (the management company of the Group) with effect from July 1st, 2014
- Gennady Kozovoy, his predecessor in this position, will continue as member of the Board of Directors of OAO Raspadskaya

# Health and Safety

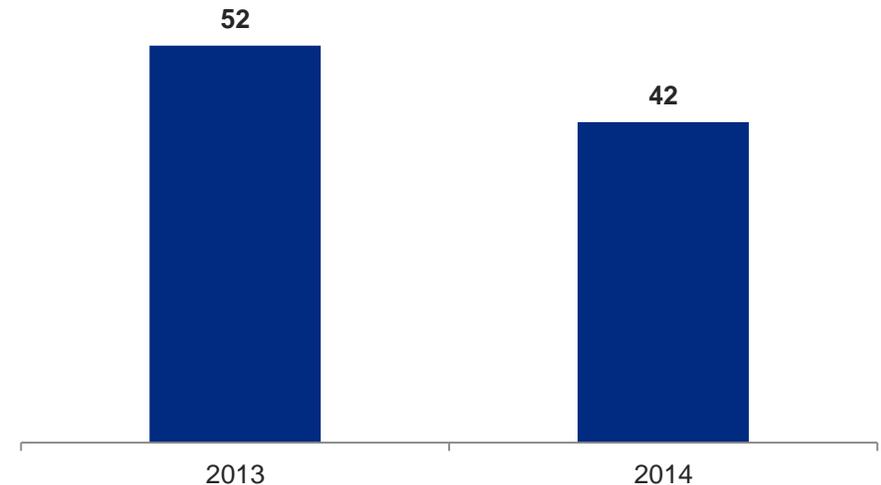
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- Safety remains the key priority
- 42 accidents were reported in 2014 compared to 52 in 2013
- Unfortunately there were 4 fatalities in 2014:
  - one due to rock fall in March
  - one in May due to electro trauma
  - two more in August - a traffic accident and compression between two roof support units

LTIFR



Injuries

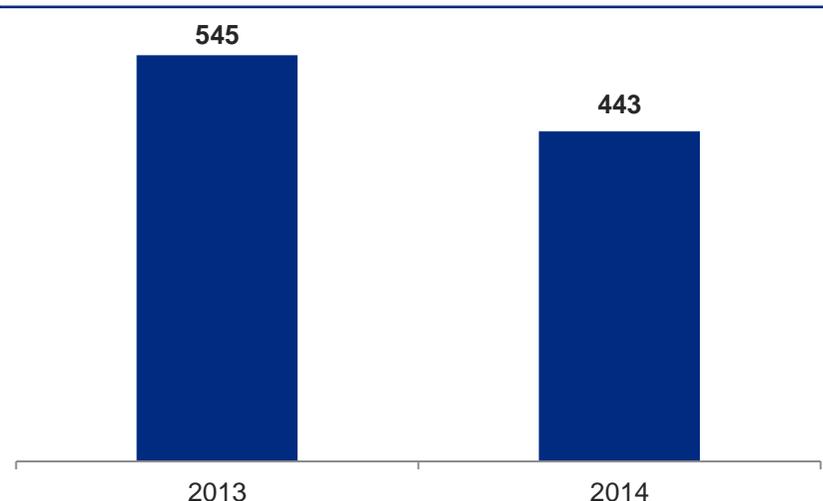


Source: Raspadskaya

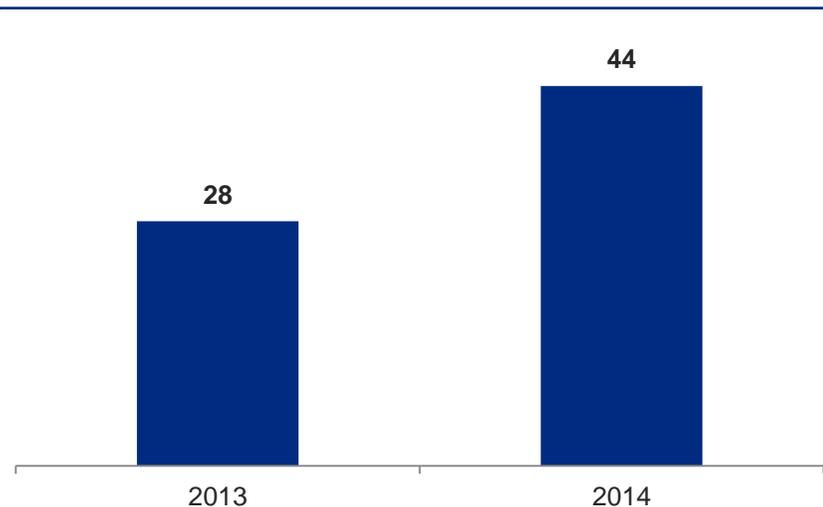
# 2014: Key Highlights

Highlights	incl. H2 2014	2014	2013	Var.
Raw coal extraction, kt	5,795	10,223	7,824	31%
Coal concentrate and raw coal sales volume, kt	3,708	7,034	5,855	19%
Revenues, US\$ million	198	443	545	(19)%
Adjusted EBITDA, US\$ million	52	44	28	55%
<i>EBITDA margin, %</i>	26.0	9.8	5.1	
Net profit/(loss) , US\$ million	(239)	(306)	(126)	

Revenues, US\$ million



Adjusted EBITDA, US\$ million

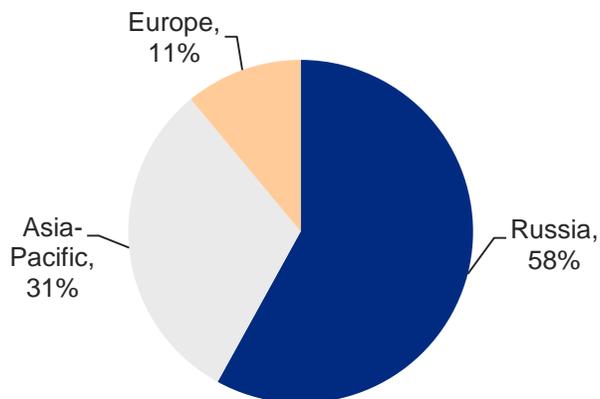


- The Company revenue decreased in the 2014 due to a decreased revenue from the sale of coal products by 9% and the decrease of the transport component in the sales price by 64%
- The adjusted EBITDA amounted to US\$44 million
- During 2014 the Company incurred foreign exchange losses in amount of US\$264 million out of US\$306 million of net loss
- In 2015 we plan to increase production of raw coal up to 12 million tonnes

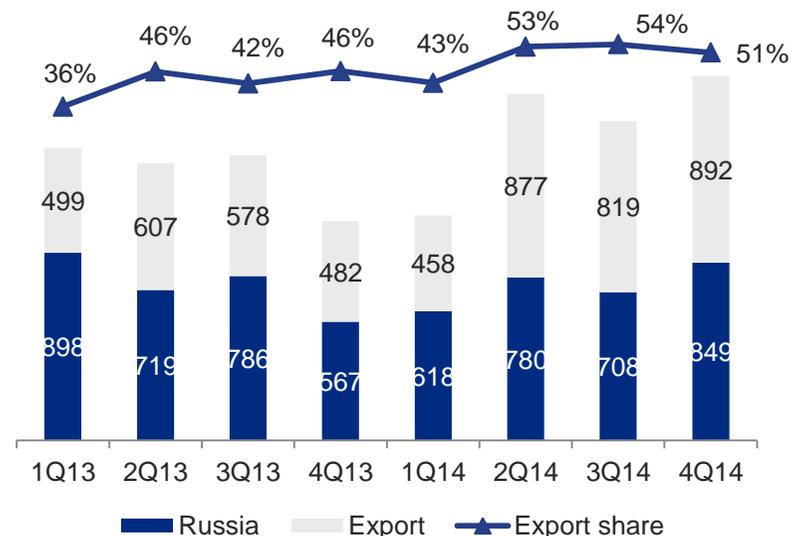
# Coal Product Sales

- The export share in the Company's sales increased to 51% due to weak demand in the domestic market
- Sales volumes in the Asia-Pacific region grew to 42% through expansion of the client base
- The Company intends to continue work actively in this region
- The share of coal products delivered to EVRAZ amounted to 20% of the total coal sales
- The sales volumes increased from 5,855 kt in 2013 up to 7,034 kt in the 2014, mainly due to increased export of concentrate
- The share of raw coal in the total sales volume increased from 12% in 2013 to 15% in 2014. All sales to EVRAZ were under long-term contracts
- Other major Russian consumers of coal products are the following: Severstal, MMK, NLMK, Mechel, Kemerovo-koks, the Ural Steel

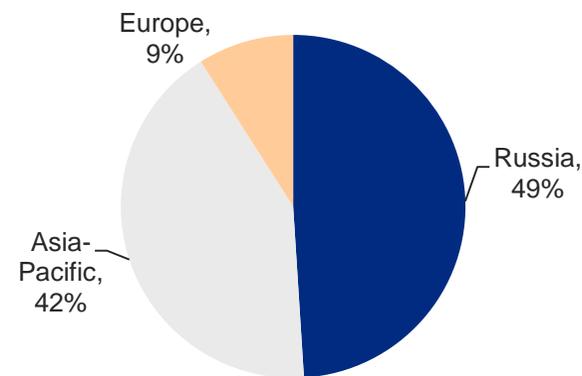
## Coal concentrate sales by regional markets , 2013



## Coal concentrate sales, kt



## Coal concentrate sales by regional markets, 2014

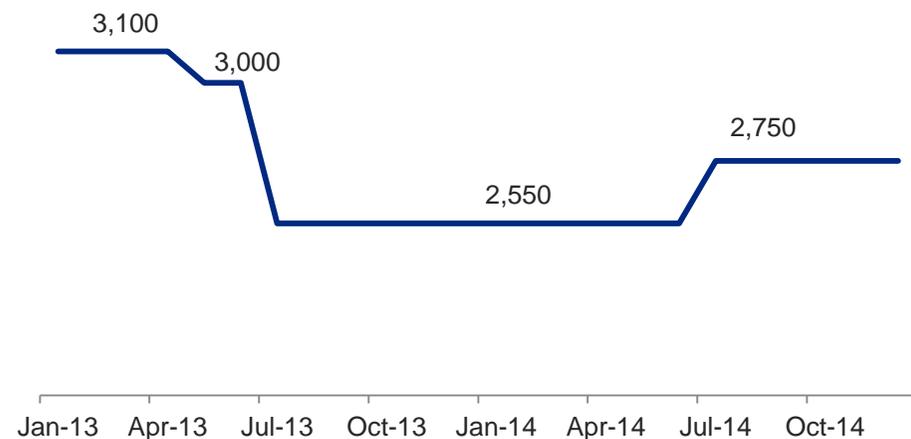


Source: Raspadskaya

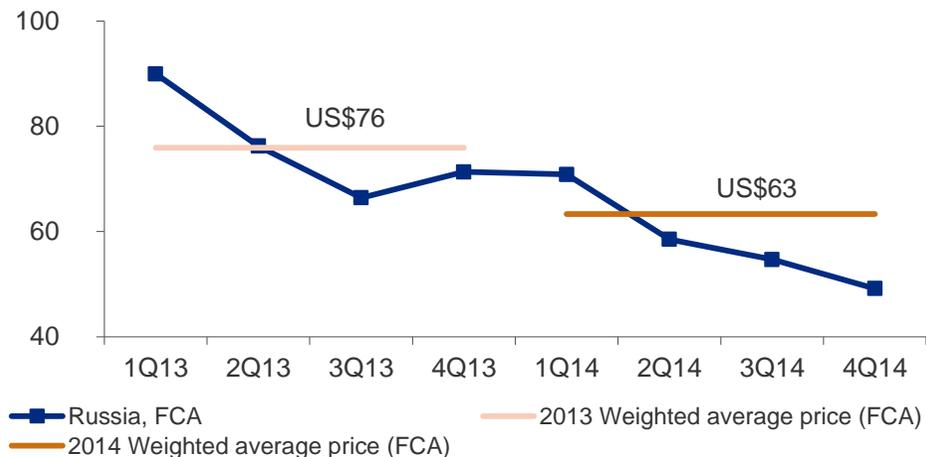
# Coking Coal Concentrate Price

- The demand in the domestic market remained steady in 2014 and in Q4 there was an upward price trend caused by Russian rouble devaluation
- The international market continued to demonstrate a downward price trend throughout 2014 due to the remaining surplus of coal
- The Company continues to pursue its strategy to preserve its footprint in the Asia-Pacific and European markets and to extend its client base

## Russian contract price of coking coal concentrate, SHCC, RUB/tonne, FCA Mezhdurechensk



## Coking coal concentrate price (SHCC, HCC), US\$/tonne



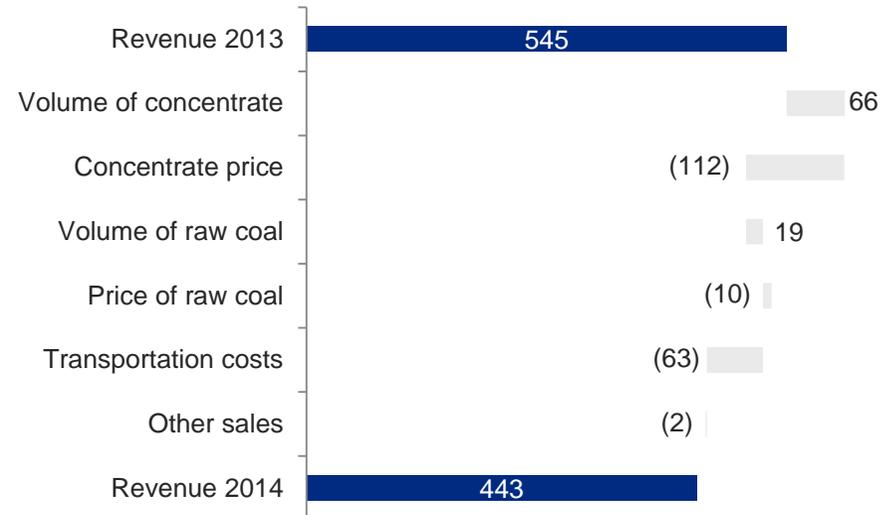
## HCC international price, US\$/tonne, FOB Australia



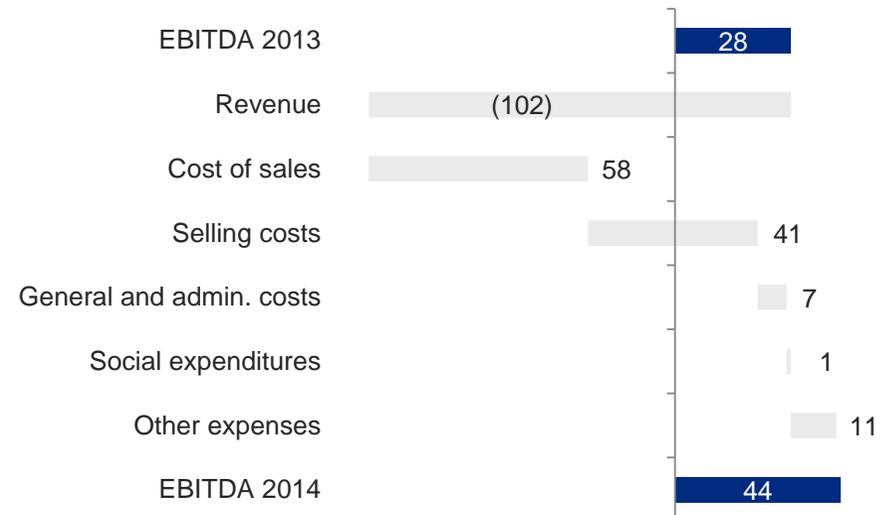
# Financial Indicators

- The main negative factors which caused reduced revenues were:
  - decreased concentrate selling price
  - decreased transportation component in the selling price
- The main positive factors that impacted revenues was increase in production of raw coal and concentrate
- The main negative factors which impacted EBITDA were:
  - reduced revenue
- The following positive factors impacted EBITDA:
  - reduced cost of sales
  - reduced selling costs
  - deviation in other expenses is due to allocation of costs on the operation at Rospadskaya underground mine during the suspension of production in May - July 2013 to this item. In 2014 these costs were accounted as production costs

## Revenues, US\$ million



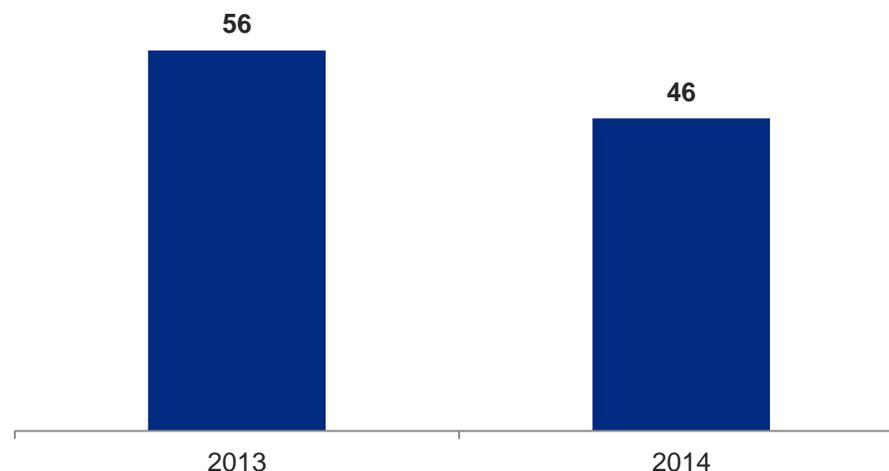
## Adjusted EBITDA, US\$ million



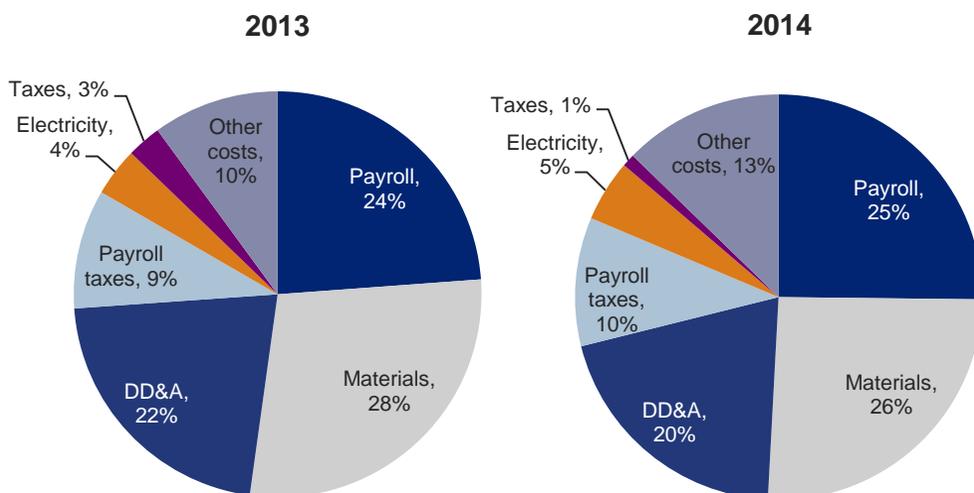
# Production Costs

- Cash cost per tonne of coal concentrate in 2014 decreased by 18% (2% in rouble terms) compared to 2013 mainly due to increase in raw coal production.
- The 74% decrease in the mineral extraction tax in rouble terms in the 2014 compared to 2013 was mainly due to the recalculation of tax for previous periods alongside with a 31% increase in extraction
- The decrease in cost of materials in the 2014 compared to 2013 amounted to 20% (7% in rouble terms) due reduced volume of development workings while production and stripping was increased
- As production and sales volumes increase, the Company expects that the cost of production of 1t of coal concentrate will decrease

## Cash cost per tonne of concentrate, US\$/t

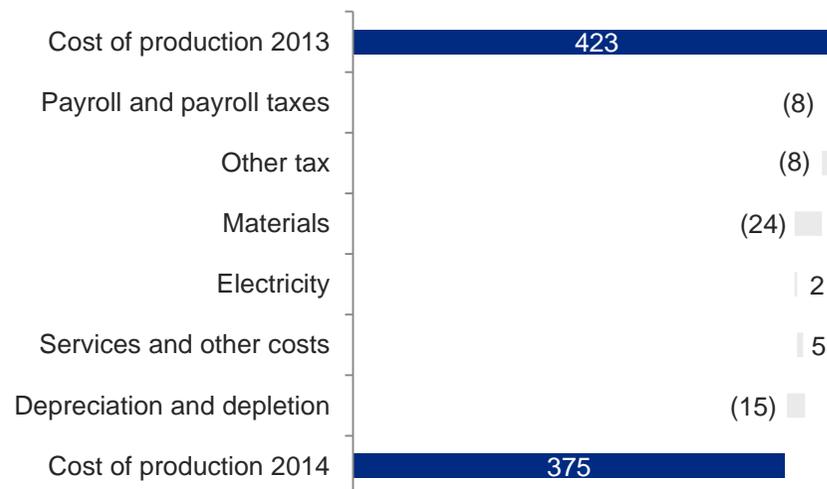


## Cost of production breakdown



Source: Raspadskaya

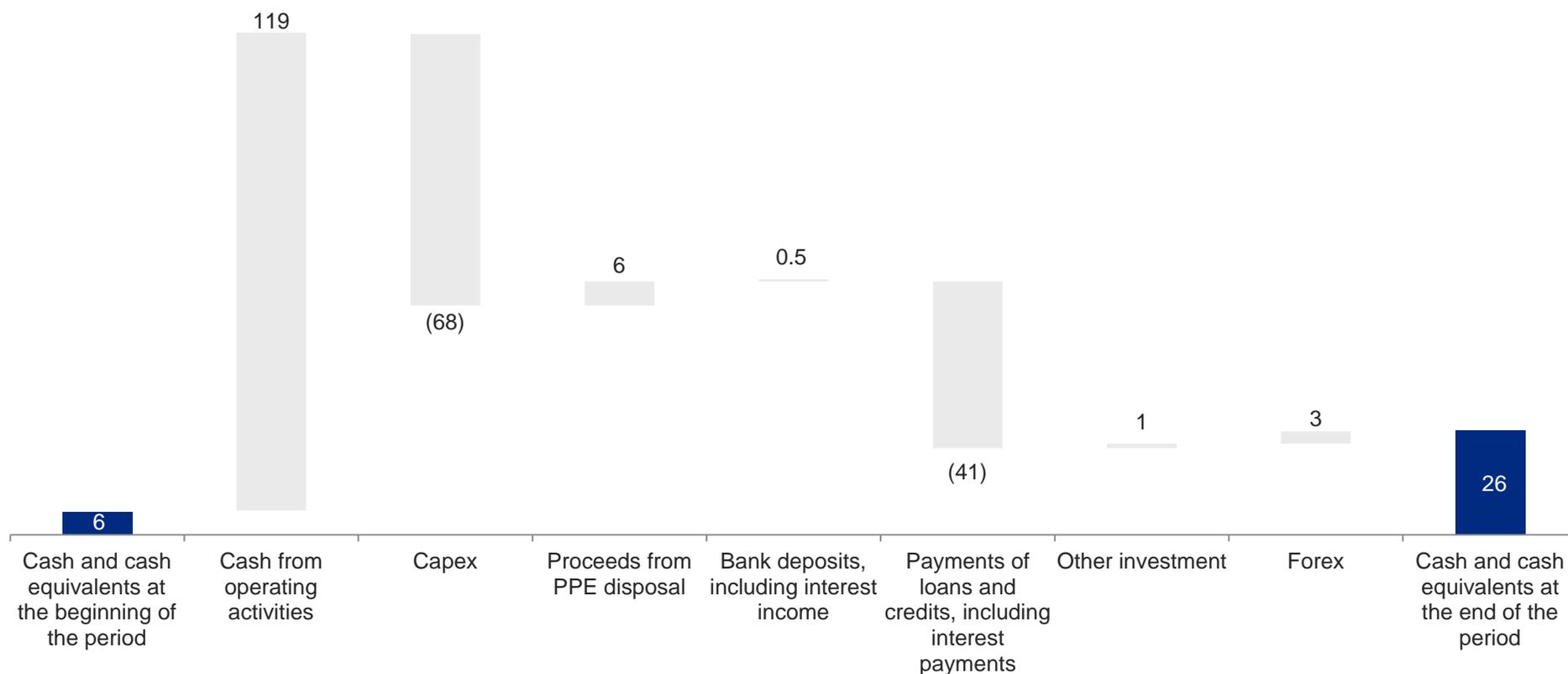
## Cost of production dynamics, US\$ million



# Cash Flow

- In 2014 the cash from operating activities were generally used for:
  - Capex - US\$68 million
  - Repayment of loan and interest - US\$41 million

## Cash Flow, US\$million

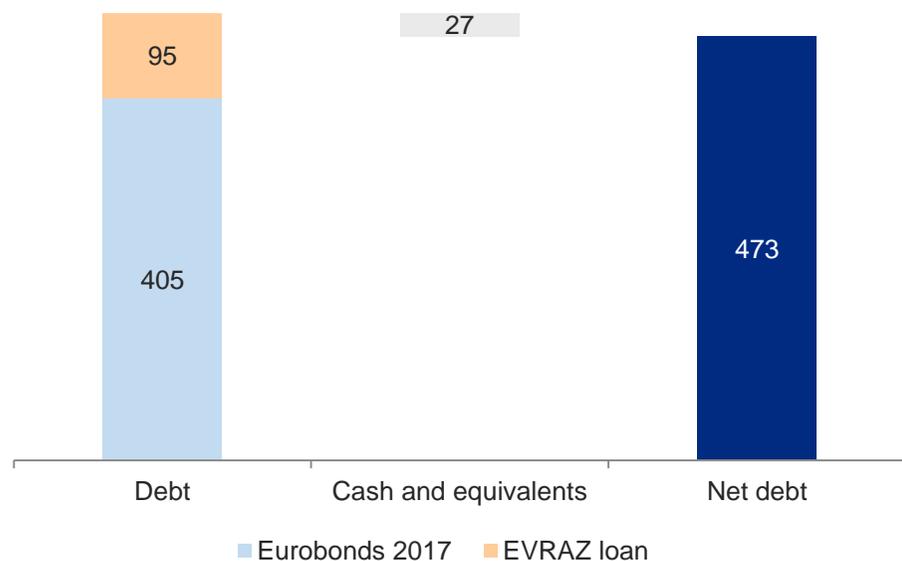


Source: Raspadskaya

# Financial Status

- As of December 31, 2014 our long-term debt consisted mainly of 2017 Eurobonds totaling in US\$405 million and intra group loan from EVRAZ in the amount of US\$95 million

## Net debt structure at year end 2014, US\$million



## Changes in working capital, US\$million

