RASPADSKAYA
ОАО RASPADSKAYA

Raspadskaya Medium-Term Programme of Production Development for 2011-2015

22 February 2011

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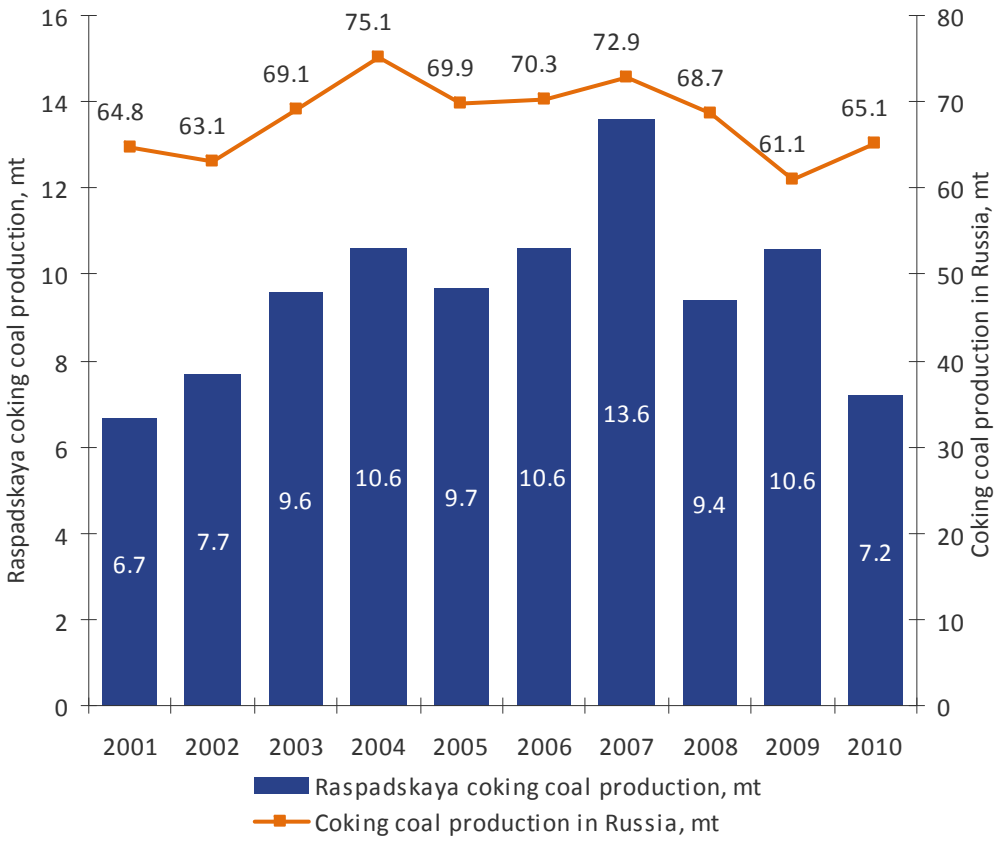
Raspadskaya Coking Coal Production 2001-2010

Raspadskaya Coking Coal Production, 2001-2010

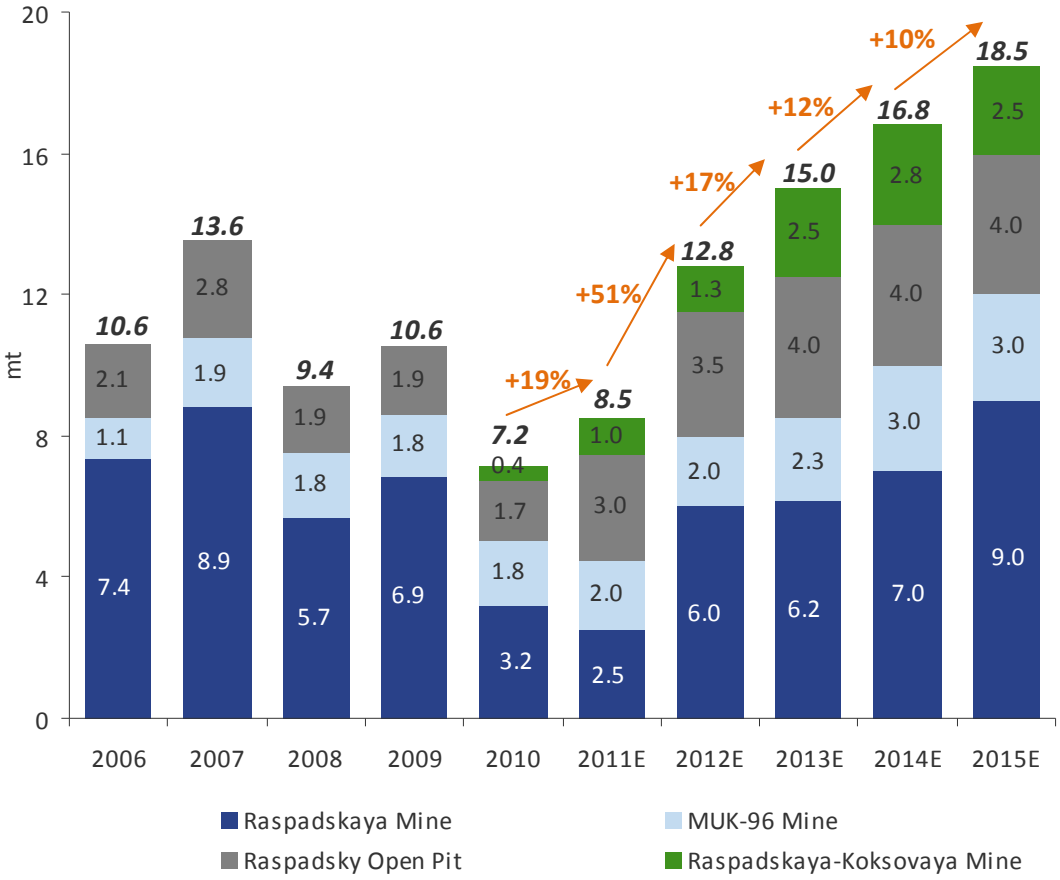


Source: Raspadskaya, UDP 3.10 TsDU-TEK

- In 2007, the Company reached production level of 13.6 mt due to the deficit of coking coal in Russia as a result of several domestic mine accidents and extra demand for Raspadskaya coking coal concentrate from large customers.
- In 2008, planned production volume of coking coal was at around the same level as for 2007, but due to technological issues in 1Q2008 and beginning of Russian production slowdown in 4Q2008 Company's total production volume amounted to 9.4 mt of coking coal.
- In 2009, demand for coking coal from Russian metallurgical industry recovered only in 2H2009, and the Company used new trading and logistics opportunities to export its coal production to the Asian market. All this enabled the Company to reach production level of 10.6 mt of coking coal.
- In 1H2010, demand for coal production from Russian and Asian consumers was increasing and Raspadskaya was able to meet this growing demand successfully.
- Due to the accident at the Company's largest mine in May 2010 Raspadskaya production volume decreased to 7.2 mt of coking coal for full 2010.

Production Growth Outlook

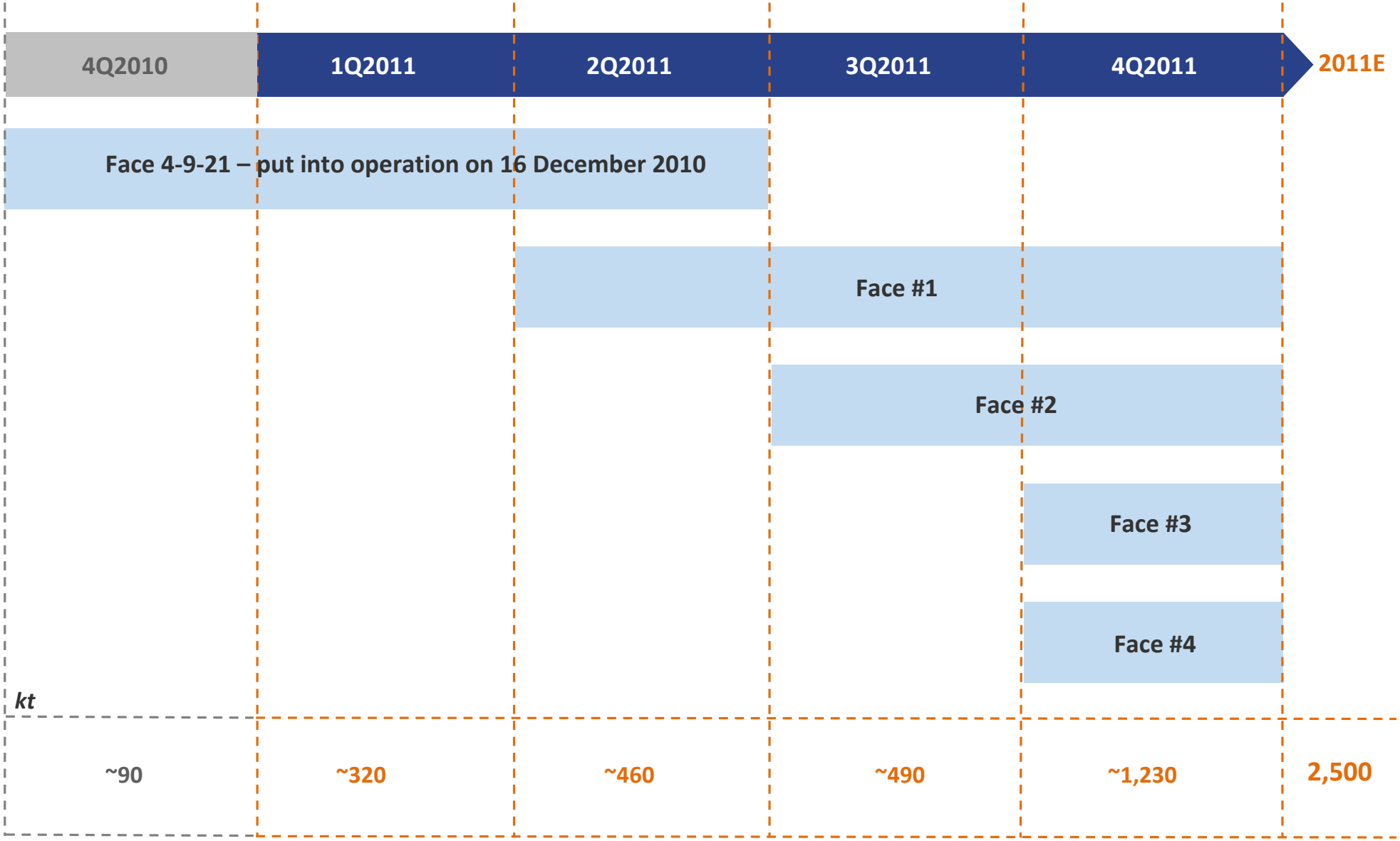
Raspadskaya Coking Coal Production, 2006-2015E



Source: Raspadskaya

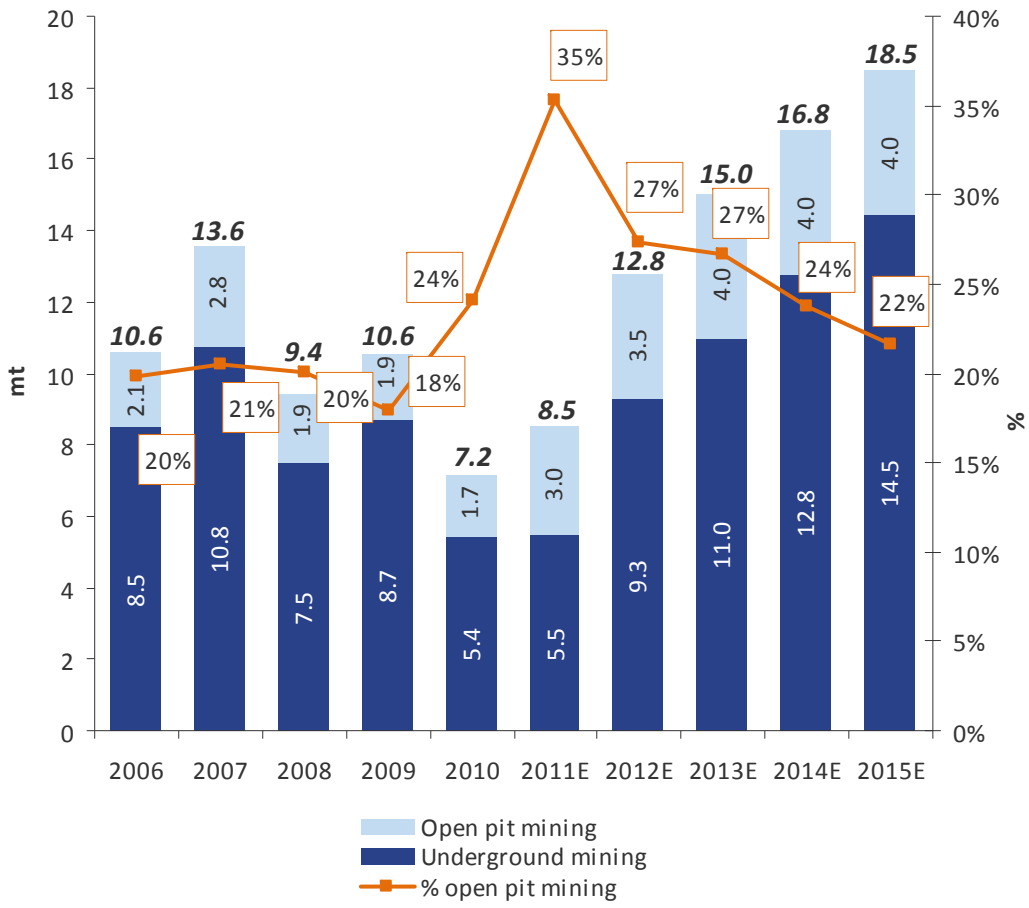
- In mid December 2010, the Company commenced the first face after the accident at Raspadskaya Mine. In 2011, it is planned to put another four mining sites into operation. In 2011, total production volume of coking coal from Raspadskaya Mine will amount to 2.5 mt.
- In 2011, reconstruction of Raspadskaya Mine, production growth from other Company's enterprises that is based on an increase of production volume from Raspadsky Open Pit and Raspadskaya-Koksovaya Mine, will enable the Company to reach the targeted production level of 8.5 mt of coking coal.
- In 2012, production volume growth will be supported by the increase of production from Raspadsky Open Pit and Raspadskaya Mine.
- In the medium term, share of Raspadskaya Mine in Company's total production volume will decrease from around 65% to about 45%.
- In terms of production volume at Raspadskaya Mine for the nearest period the Company used a more conservative scenario compared to the production potential of the Mine.
- In 2013, the Company plans to reach a new production level of 15.0 mt of coking coal, that exceeds 2007 level by 10%.
- At a 5-year planning horizon, the Company's enterprises have a potential of coking coal production growth of 16.8 mt and 18.5 mt in 2014 and 2015, respectively, that represents YoY growth of 12% and 10%, respectively.

Step-by-Step Reconstruction of Raspadskaya Mine



Open Pit Mining

Production Volume Breakdown by Mining Method, 2006-2015E

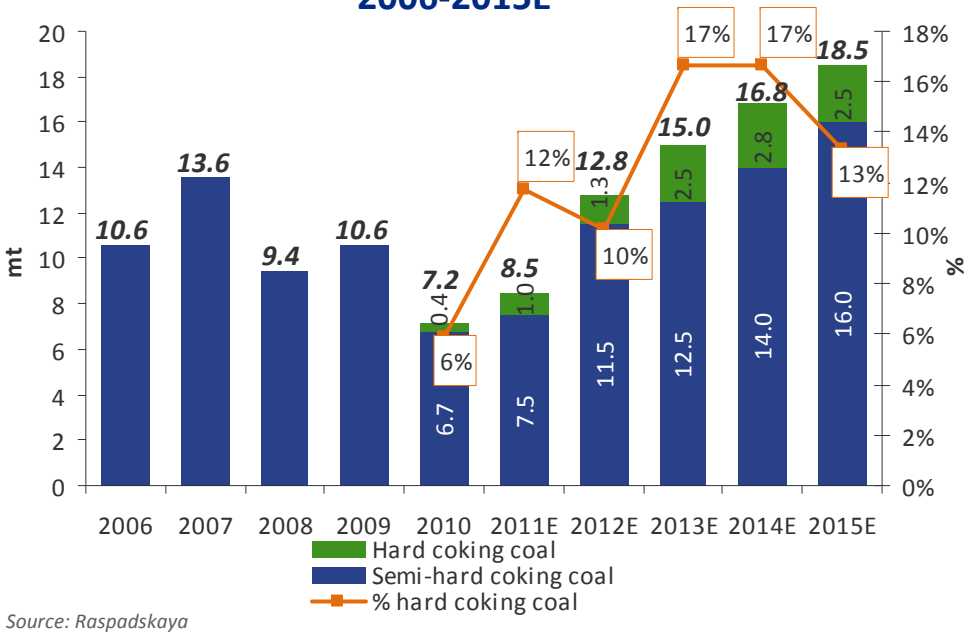


Source: Raspadskaya

- In 2006-2007, Raspadsky Open Pit was working at a license area of Raspadskaya Mine using highwall mining complex.
- In 2006, Raspadsky Open Pit purchased at public auctions the rights of exploration of mineral resources at adjacent areas “Glukhovsky” and “Raspadsky IX-XI” for open pit mining.
- In 2010, the Company decided to accelerate the timing of involving new license areas into operation, including a part of Raspadskaya Mine area suitable for open pit mining (“Raspadskaya-4” area purchased in Autumn 2009).
- Raspadsky Open Pit was gradually equipped with the necessary machinery and equipment for mining, stripping and blasting works. In 2010 and early 2011, there were purchased six dump trucks “BelAz” with load capacity of 220t, two boring rigs by SANDVIK, excavator BUCYRUS RH-340B with a bucket capacity of 34 m3, repair box for heavy trucks was commissioned.
- In the medium term, production volume using open pit works will amount to 3.5-4.0 mt of coking coal with a growth potential up to 5.0 mt per year.

Hard Coking Coal Production

Production Volume Breakdown by Coal Grade, 2006-2015E



Source: Raspadskaya

Coking Coal Production in Russia by Coal Grade

mt

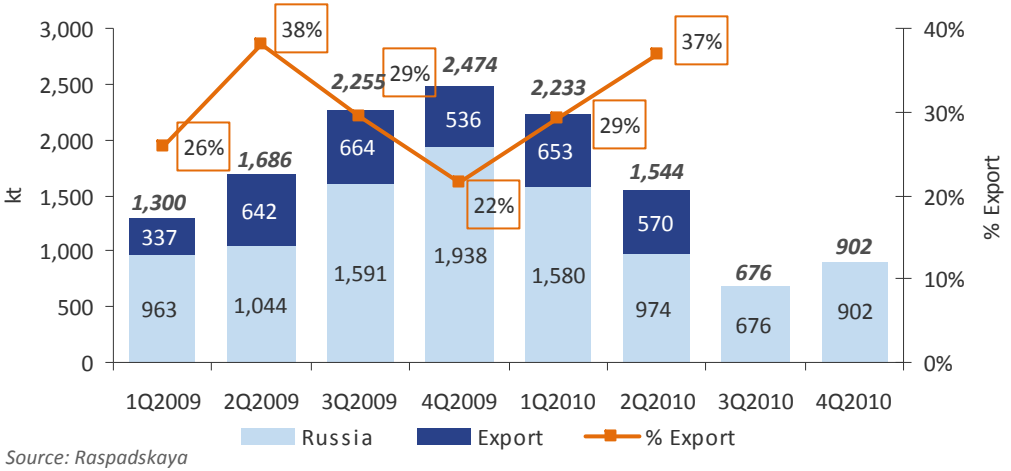
Coal Grade	2010	+/- 10/09 %	2009	+/- 09/08 %	2008	+/- 08/07 %	2007
K	9.7	+94%	5.0	-50%	10.1	+8%	9.3
KO	4.4	-7%	4.7	-12%	5.3	+3%	5.2
KS	15.2	+9%	13.9	-6%	14.7	+3%	14.2
KSN	0.0	n/a	0.1	-88%	0.8	-14%	0.9
Zh	15.7	+7%	14.6	+3%	14.2	+2%	14.0
GZh	9.5	-31%	13.7	+6%	12.9	-23%	16.7
GZhO	2.0	+12%	1.8	-30%	2.6	-11%	2.9
G	2.9	-5%	3.0	+10%	2.7	+3%	2.7
TS	0.2	+90%	0.1	-64%	0.2	-29%	0.3
OS	5.6	+36%	4.1	-18%	5.0	-24%	6.6
Total:	***65.1***	*+7%*	***61.0***	*-11%*	***68.7***	*-6%*	***72.9***

Source: UDP 3.10 TsDU-TEK

- Company's major coal production is represented by gas fat coal grades (GZh) according to Russian classification and semi-hard coking coal under international classification.
- Basic characteristics (ash, moisture, sulfur, phosphorus, volatility, depth of plastic layer) are included in the Company's commercial contracts, that are also subject to the system of premiums and discounts in terms of basic characteristics.
- In the medium term, hard coking coal production will gradually reach a level of 1.3 mt (2012E) – 2.5 mt (2015E), that will account for 10%-13% of total production volume, respectively.
- The Company will succeed in strengthening its positions on regional sales markets due to:
  - diversification of grade composition of the Company's coal production – an increase of hard coking coal production;
  - availability of in-house washing plant with a laboratory of quality that enables the Company to produce required coal mix for coking process and to control the quality.

Raspadskaya Sales Policy

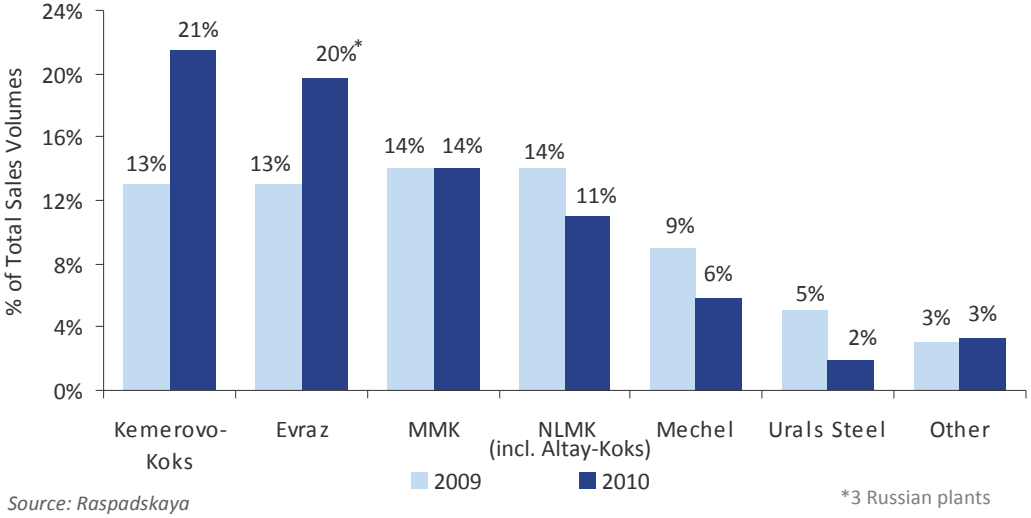
Raspadskaya Coal Concentrate Sales



Source: Raspadskaya

- In 4Q2010, sales of coal concentrate increased by 33% QoQ due to commencement of face 4-9-21 bis (seam #9) at Raspadskaya mine on 16 December 2010, increase of production volumes at the other Company's enterprises as well as high preparation ratio in 4Q2010 – 79.1%.
- In 4Q2010, the Company put a new face at Raspadskaya-Koksovaya Mine into operation that resulted in an increase of sales volume of hard coking coal by more than 3 times QoQ to 243 kt.
- In December 2010 and January 2011, average monthly hard coking coal production amounted to more than 100 kt.

Major Russian Consumers of Raspadskaya Coal Concentrate



Source: Raspadskaya

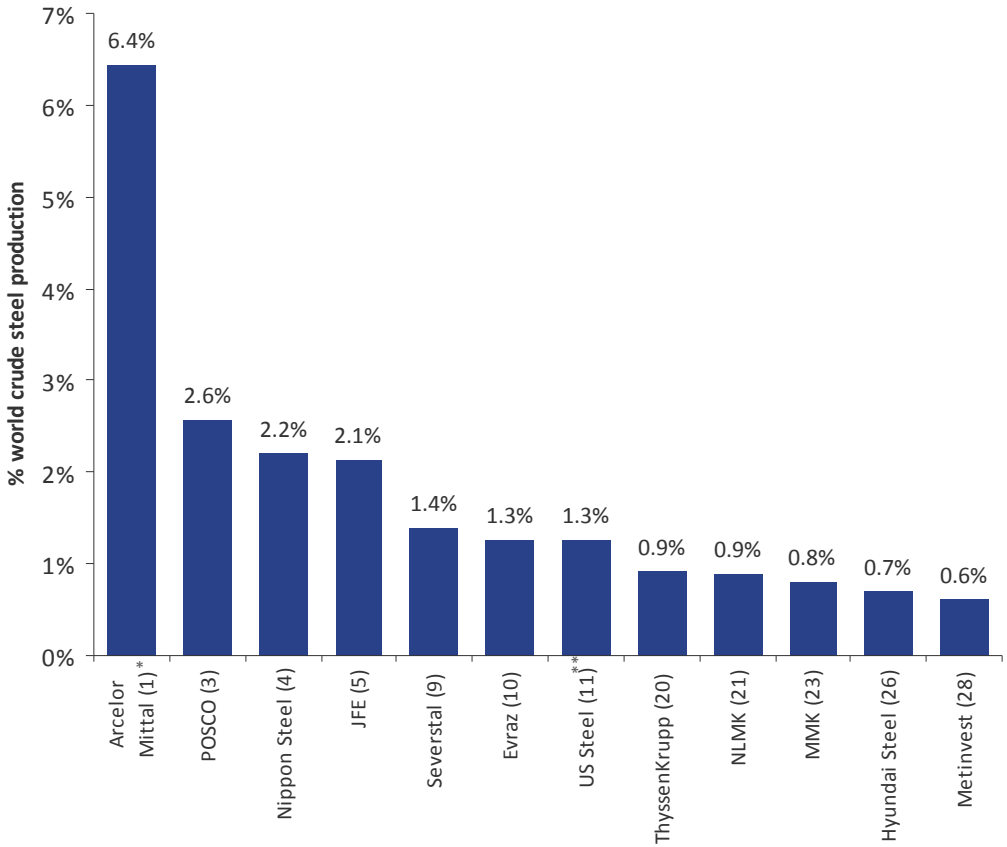
*3 Russian plants

Note: FY2010 data for sales by clients is preliminary and may immaterially differ from the final

- During 2008-2010, the Company diversified its client base that resulted in a decline of sales volume to Raspadskaya Russian major customers (MMK, NLMK (incl. Altay-Koks), Evraz) from 58% in 2008 to 42% in 2009 and 45% in 2010. The company delivered significant volumes to such medium consumers as Kemerovo-Koks, Mechel, Urals Steel.
- With large Russian consumers Raspadskaya was working under the long-term contracts and in 2011 launched their prolongation.

Export Opportunities and Capacity of Sales Markets

Raspadskaya Clients that the Company Delivered to or Planned Deliveries of its Coal Production



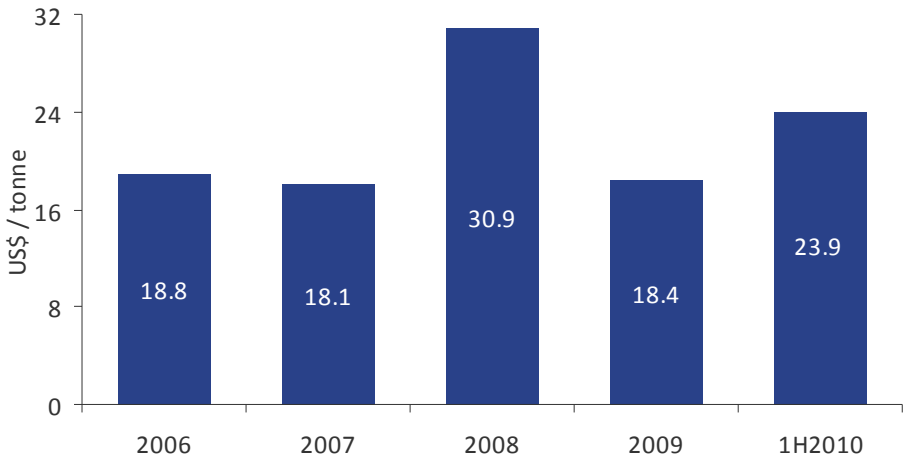
* Assets in Ukraine and Romania
** Assets in Bulgaria

Source: World Steel Association – Top Steel Producers 2009

- Due to the accident at Raspadskaya Mine the Company temporarily suspended its export sales and focused on domestic sales only – currently the Company supplies eight Russian metallurgical and coke plants .
- In 1H2010, export sales amounted to 32% of total sales volume, sales volume to the Asian market accounted for 72% of total export sales.
- In 2011, the Company is able to resume its sales to the capacious export markets (S.Korea, China, Japan), which since 2009 began to focus on increasing consumption of Russian coking coal.
- Given an established logistics for coal production exports to the Asian countries the Company in the medium term plans to export not less than 35% of total sales volume of coal production.
- Main directions and customers for the Company's exports will be determined on the basis of changing external conditions – terms of delivery, price level, supply volumes, system of premiums and discounts, possibilities of use of port facilities and capacity of border-crossings and railways.
- As part of the strategic programme to increase sales volume, diversify client base and sales markets the Company is able to present on markets of Russia, Asia (S. Korea, China, Japan), Ukraine and Eastern Europe.

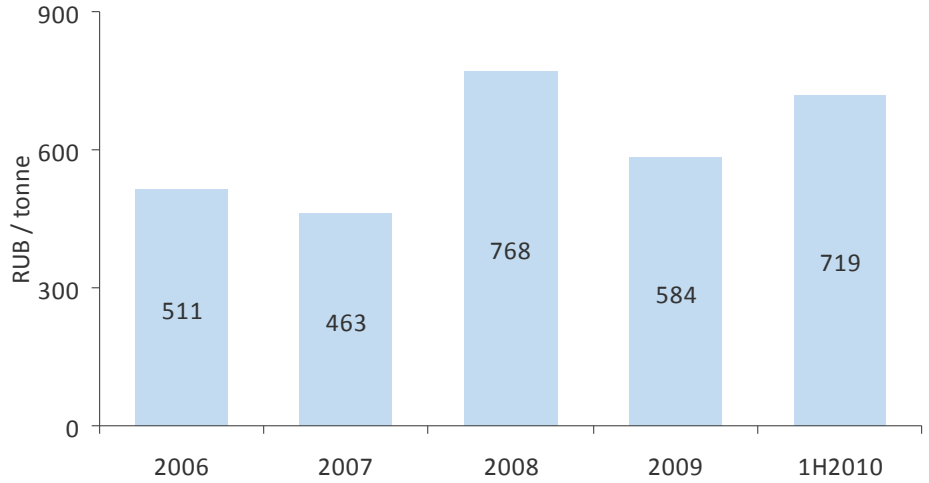
Cash Cost of Coal Concentrate (SHCC)

Cash Cost of Coal Concentrate / Tonne, US$



Source: Raspadskaya

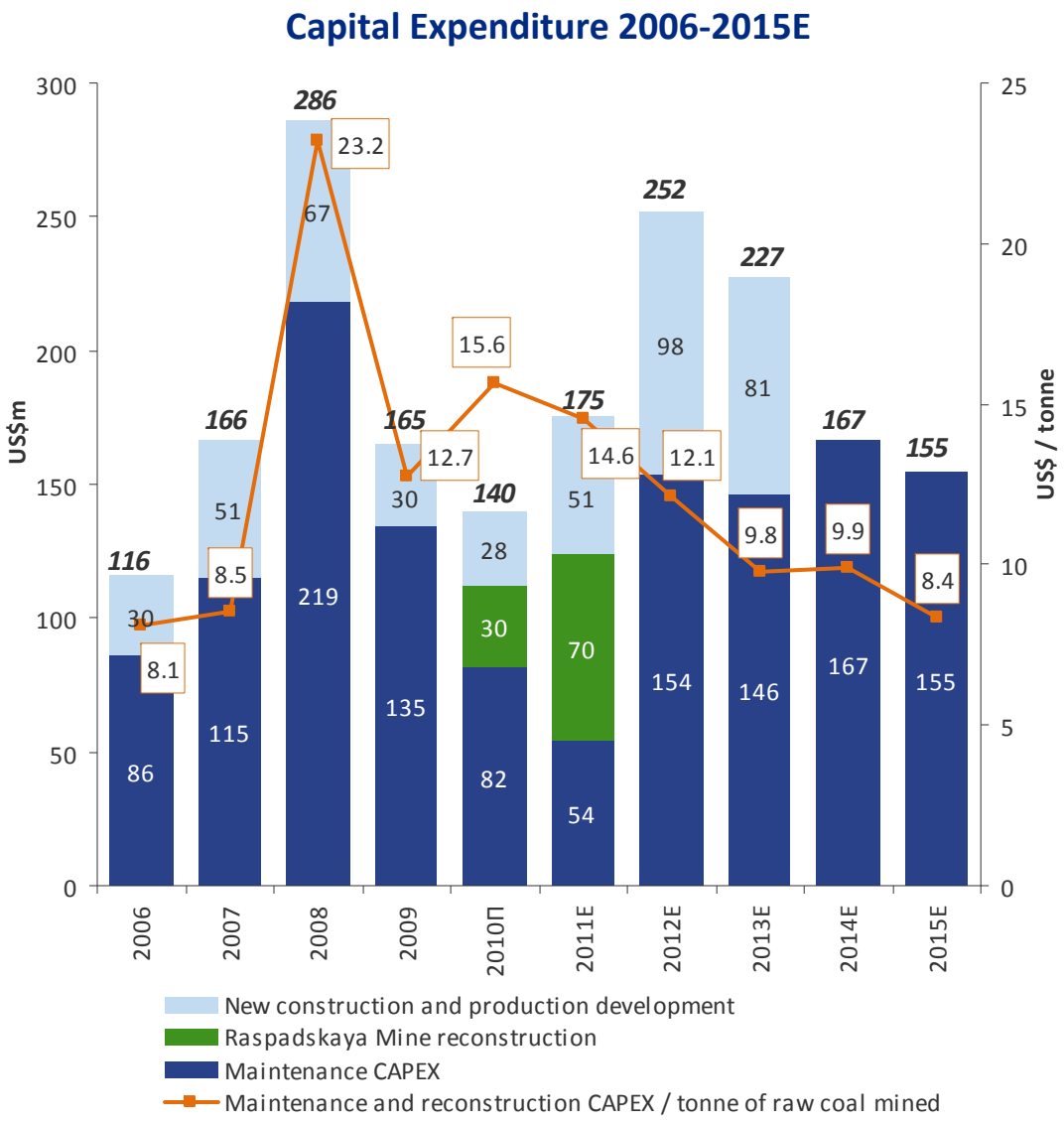
Cash Cost of Coal Concentrate / Tonne, RUB



Source: Raspadskaya

- Raspadskaya in terms of cash cost per tonne of coal concentrate is the most competitive among Russian and international coking coal producers (Russia – more than US$40 / tonne, USA – more than US$60 / tonne, Australia, Canada – more than US$70 / tonne).
- For the entire 2010, cash cost per tonne of coal concentrate is expected to increase YoY due to the following factors:
  - production volume decrease by 32% YoY as a result of the accident at Raspadskaya Mine in May 2010;
  - strengthening of RUB against US$ by 4.3%;
  - inflationary cost increase;
  - growth of real wages.
- In 2011, cash cost per tonne of coal concentrate is expected to increase YoY as a result of the following factors:
  - recovery in the prime cost structure of fixed costs due to the start of production at Raspadskaya Mine, as in 2010 these fixed costs were attributed to other operating expenses;
  - increase of the effective rate of insurance premiums accrued to payroll;
  - inflationary cost increase.
- Starting 2012, the Company expects a decrease of cash cost due to production growth.

Capital Expenditure 2006 – 2015E



Source: Raspadskaya

- In 2008, maintenance CAPEX per tonne of raw coal production increased to US$23.2 due to the purchase of two longwall sets of equipment together with the growth of metal prices and, consequently, mining equipment.
- In 2006-2010, capital investments in new construction and production development represent construction of Raspadskaya-Koksovaya Mine and the second stage of Raspadskaya Washing Plant.
- In 2011-2012, capital investments in new construction and production development will amount to US$149m, that reflects:
  - purchase of trucks and equipment for mining, stripping and blasting works to reach production level 4.0 mt per year at Raspadsky Open Pit;
  - purchase of longwall set of equipment to reach production level of 3.0 mt per year at MUK-96 Mine;
  - purchase of drifting equipment, sinking of incline #3 and ventilation holes at Raspadskaya-Koksovaya Mine;
  - purchase of equipment for drifting mine workings at Raspadskaya Mine.
- In 2013, capital investments in new construction and production development will amount to US$81m, that reflects :
  - purchase of longwall set of equipment and drifting of mine workings at Raspadskaya-Koksovaya Mine;
  - purchase of drifting equipment to drive mine workings at Raspadskaya Mine.

Appendix

Raspadskaya at a Glance

Key Facts

- OAO «Raspadskaya» founded in 1973 and located in Kemerovo Region of Russian Federation
- Compact integrated coal mining and enrichment platform:
  - 2 semi-hard coking coal mines;
  - 1 semi-hard coking coal open pit;
  - 1 hard coking coal mine (acquired in April 2010 and merged with the mine under construction – Raspadskaya-Koksovaya)
  - Washing plant – the largest in Russia and one of the largest globally;
  - 5 service and infrastructure incl. logistics units, sales&marketing company as well as management company
- Production –100% coking coal
- Reserves-to-production ratio amounts to more than 70 years of production
- According to IMC Economic and Energy Consultants Limited, as at 30 June 2006, Raspadskaya had total measured and indicated resources of 1,461 mt of coking coal and proved and probable reserves of 781.5 mt, of which about 45.8 mt were extracted during the period 1 July 2006 – 31 December 2010. Since 30 June 2006, more mining licenses have been acquired with total resources of approx. 680 mt, including acquired in April Koksovaya mine with resources of approx. 151.2 mt. To confirm the estimates, Raspadskaya intends to conduct audit of the mineral reserves and resources in accordance with the JORC Code in the nearest future.
- Beneficiary shareholder – Corber Enterprises Ltd. (80%), that is owned by Raspadskaya management and Evraz Group on a parity basis
- Company's ordinary shares are listed on RTS and MICEX since November 2006. Free float – 20%
- Company's Eurobonds are listed on LSE since May 2007
- In May 2010, at Raspadskaya mine occurred an accident and as a result production at the mine was terminated
- Total reconstruction costs of the mine are estimated to be US$280m.
- In mid December, the Company commenced the first after the accident face of Raspadskaya mine
- In 2011, the Company plans to continue its work on fire extinguishing (seam #6), pumping out the water (seam #7), preparation and putting into operation mine workings at Raspadskaya mine, as well as to restart export sales that were terminated as a result of the accident

Source: Raspadskaya

Financial Highlights (IFRS)

Key Financials, US$ млн. *(unless stated otherwise)*	1H2010	1H2009	2009	2008	2007
Revenue	466	148	497	1 200	784
Change, %	*+215%*	*-76%*	*-59%*	*+53%*	*+67%*
EBITDA	259	63	255	868	491
Margin, %	*56%*	*43%*	*51%*	*72%*	*63%*
Net Income	228	0,36	117	531	240
Margin, %	*49%*	*n/a*	*24%*	*44%*	*31%*
Debt*	313	354	332	351	347
Net Debt	6	204	122	265	165
Net Debt/EBITDA	*0,01x*	*0,4x*	*0,5x*	*0,3x*	*0,3x*

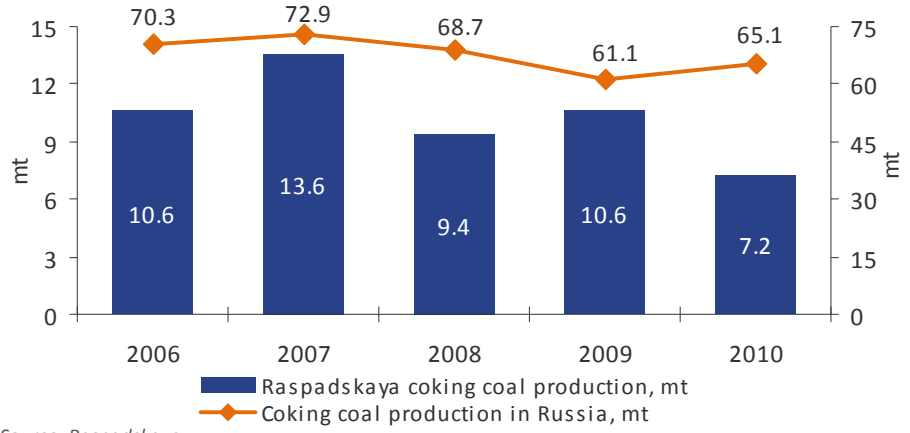
** Including US$300m Eurobonds with maturity in May 2012*
Source: Raspadskaya

Raspadskaya Credit Ratings

FitchRatings — **B+ / outlook Stable**
(off Rating Watch Negative on 22 December 2010)

MOODY'S INVESTORS SERVICE — **B1 / outlook Negative** *(due to concerns about coal prices, keeping the deadlines and budget for restoration works at Raspadskaya mine and possible delays in expected volumes increases at other mines)*
(outlook changed from Stable on 13 October 2010)

Raw Coal Production



Source: Raspadskaya

Integrated Mining Complex

Mining Operations[1]	Coal Preparation[1]	Marketing and Sales[1]	Management[1]	Services, Transportation and Infrastructure[1]
OAO Raspadskaya[2] (underground production)				OAO Tomusinskoye Cargo Handling Unit[7]
OAO MUK-96[2] (underground production)	ZAO Raspadskaya Enrichment Plant[4]	OOO Raspadsky Ugol[5]	ZAO Raspadskaya Coal Company[6]	OOO Olzherasskoe Shaft-Sinking Unit[8]
ZAO Raspadsky Open Pit[2]				OOO Raspadskaya-Energo[9]
				OOO Raspadskaya logistic company[10]
ZAO Raspadskaya Koksovaya[3] (underground production)				OOO Montazhnik Raspadskoy[11]

(1) *All the enterprises are registered in Russia and are taxpayers to Kemerovo Region*
(2) *Production of raw coal – SHCC*
(3) *Production of raw coal – HCC. In April 2010, ZAO Koksovaya mine was acquired (HCC production). In February 2011, ZAO Koksovaya mine was merged with Raspadskaya-Koksovaya mine.*
(4) *Enrichment of raw coal*
(5) *Executing coal supply contracts on behalf of the Company*
(6) *General management*
(7) *Coal transportation*
(8) *Construction of underground mine openings and creating vertical mine shafts*
(9) *Electric and heat energy wholesale trade*
(10) *Fuel wholesale trade*
(11) *Production of roof bolting, metal lattice and other spare parts for mining operations*

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