

# Raspadskaya – Russia's Leader in Coking Coal

## Investor Presentation



*Moscow, April 2008*

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## Russian leading coking coal producer

- Largest high quality coking coal reserves in Russia
- Largest producer of coking coal in Russia in 2007
- Top-five producer of coking coal in the world in 2007

## Efficiency

- Low cash cost of concentrate production – US\$18.1 per ton in 2007
- Labor productivity on par with global peers
- Compact integrated operating complex employing modern highly-productive equipment

## Professional management

- Optimal and highly efficient production
- Continued focus on safety procedures
- Experienced management – proved by efficient operation track record

## Strong financial performance

- 2007 Revenue - US\$784m and EBITDA - US\$491m
- EBITDA margin – c. 59% in 2005, 55% in 2006 and 63% in 2007 (one of the best in global coal and mining industries)

## Growth potential

- Target production volume growth above Russian coking coal market's CAGR
- Strengthening of positions in domestic market: K and KO grade introduction and LT contracts
- Growth of market share in Ukraine and Eastern Europe
- Access to rapidly growing Asian markets
- Potential to increase reserves and resources

## Sound financial policies

- Effective Net Debt / EBITDA < 1x while maximum allowable Net Debt / EBITDA = 3x
- Dividend pay out ratio in the range of 25 - 50 - 64 % of IFRS net income

- 28% increase in the production output leading to a record 13.55 million tonnes of raw coal produced in 2007 and positioning Raspadskaya as № 1 producer in Russia and № 5 globally
- Sales volume of coal concentrate is up by 34%, in particular by 18% in Russia and by 95% for export sales confirming strong Russian demand and surging Ukrainian demand
- Strong EBITDA of \$491.4 million and the corresponding EBITDA margin of 63% bolstered by increasing coking coal prices in the 2nd half of 2007
- Total cash cost per tonne of raw coal produced down from \$12,0 per tonne to \$11,5 per tonne and total cash cost per tonne of coal concentrate produced down from \$18.8 per tonne to \$18.1 per tonne demonstrating management's cost controls
- Strong commitment to shareholders' value, M&A discipline and operational independence confirmed by our considerate and diligent handling of the complex Yuzhkuzbassugol consolidation process
- The Company's Board of Directors at its meeting on 17 April 2008 has recommended for the approval by the shareholders at the Annual General Meeting a final dividend of RUR3.75 per share (or total \$124,9 million) for the financial year ended 31 December 2007 payable to the shareholders on the share register as of 24 April 2008  
If approved, total dividends for 2007 including 2007 interim dividends will be RUR5.00 per share (or total \$164,6 million), which is 158% more than in 2006 and approximates 64% of 2007 audited IFRS consolidated net income

- Coal production – 100% coking coal
- JORC reserves = 782 million tonnes<sup>1</sup>, resources = 1,461 million tonnes
- Long reserve life of over 55 years based on 2007 production of 13.6 mt

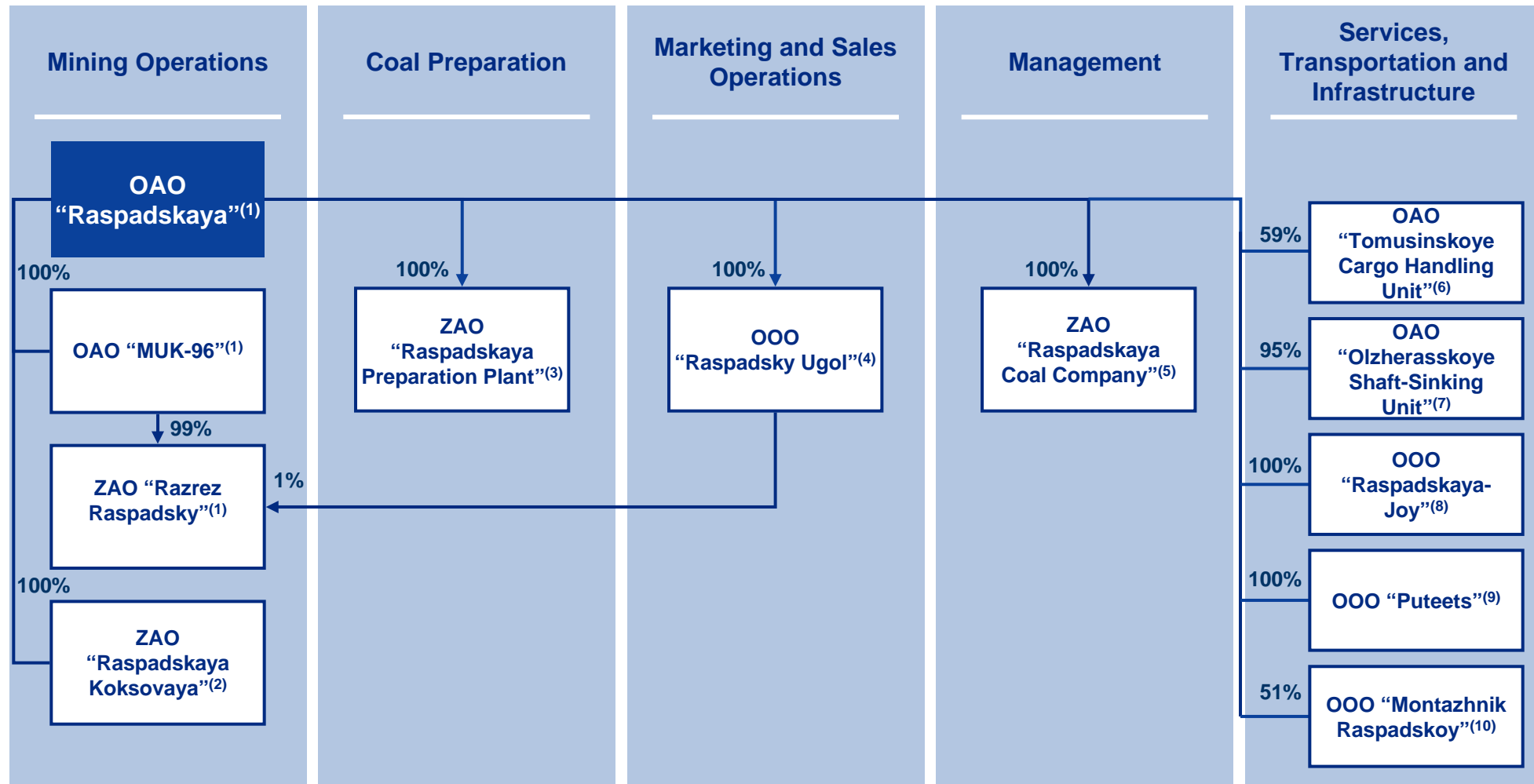
- Average number of employees – 7 530 in 2007
- Production per underground mining employee – over 20000 tppy (2007)

- 3 production sites
  - 2 mines (5 longwall faces)
  - 1 open-pit
  - 1 mine under construction

- Russian steel producers and coking chemical plants accounts for 74 % of sales

■ 2007 Sales	US\$784 million	+67% Y-o-Y
■ 2007 EBITDA	US\$491 million	+93% Y-o-Y
■ 2007 EBITDA margin	63%	+ 8% Y-o-Y

<sup>1</sup> Proved and probable, calculated on the international basis, IMC report as of 30 June 2006, of which 22 mt produced by 31 March 2008



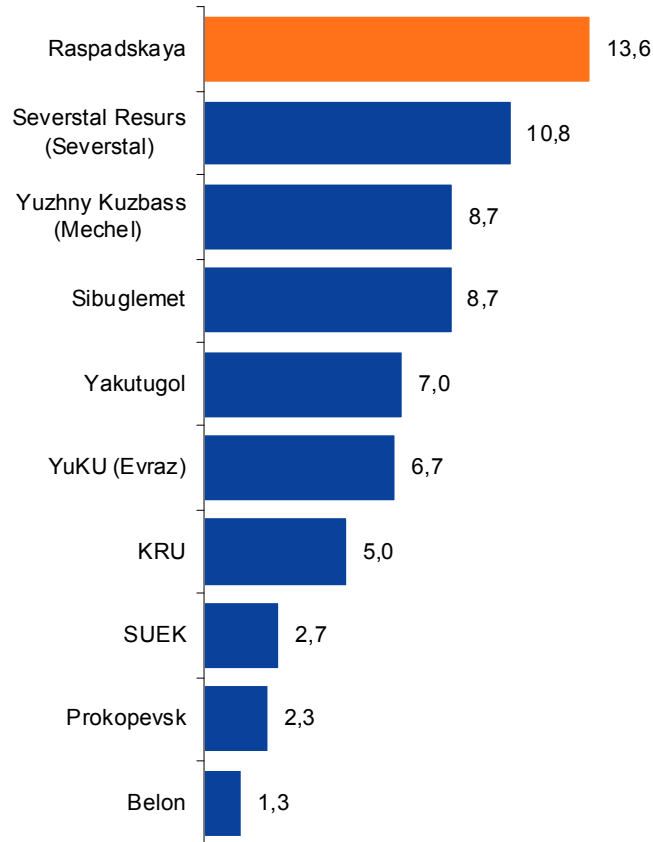
(1) Production of raw coal  
 (2) Production of raw coal (currently under construction)  
 (3) Preparation of raw coal  
 (4) Negotiates and executes coal supply contracts  
 (5) General management

(6) Coal transportation  
 (7) Construction of underground mine openings and creating vertical mine shafts  
 (8) Preparation of new longwall faces for operations  
 (9) Construction and maintenance of our railway facilities  
 (10) Production of roof bolting, metal lattice and other spare parts for our mining operations

- No.1 coking coal producer in Russia and among top five globally by volume in 2007

## Largest Russian coking coal producers (2007)

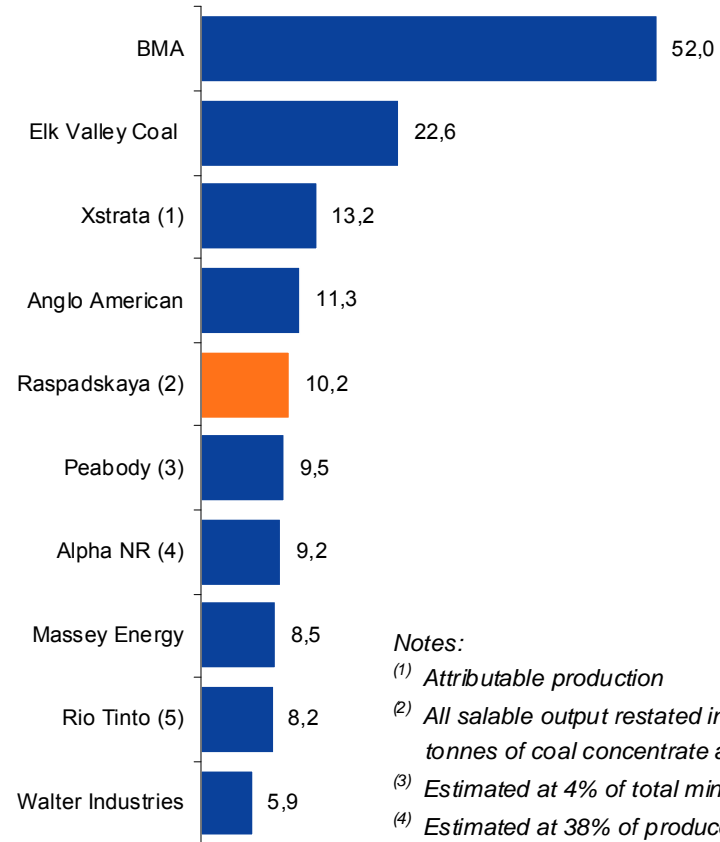
Mn tonnes of raw coal



Source: CDU TEK form UDP-3.10

## Largest world companies producing coking coal concentrate (2007)

Mn tonnes of concentrate



Notes:

(1) Attributable production

(2) All salable output restated in tonnes of coal concentrate at 75.6% yield

(3) Estimated at 4% of total mining sales

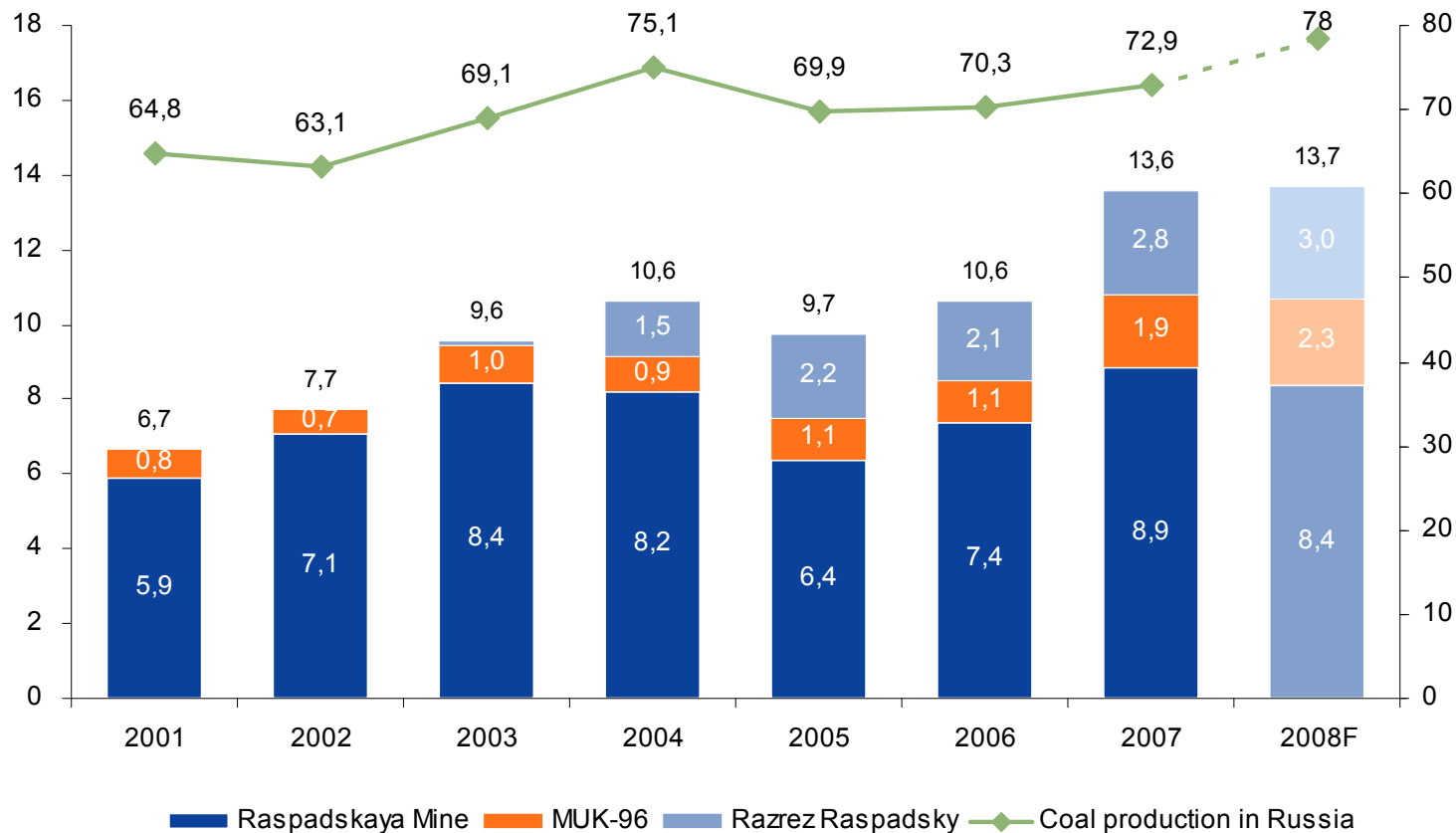
(4) Estimated at 38% of produced and processed coal

(5) Attributable production.

6.2mt of HCC plus Other met coal estimated

Source: Companies' data

- Favourable mining and geological conditions: Forceful continuous seams (1.5 to 5 m) with flat dip <math><10^\circ</math>
- Coal output CAGR at Raspadskaya in 2001-2007 was 12.5% in comparison with Russia's CAGR of just 2%
- Raspadskaya's share of total coking coal output in Russia has grown from 10% in 2001 to 19% in 2007

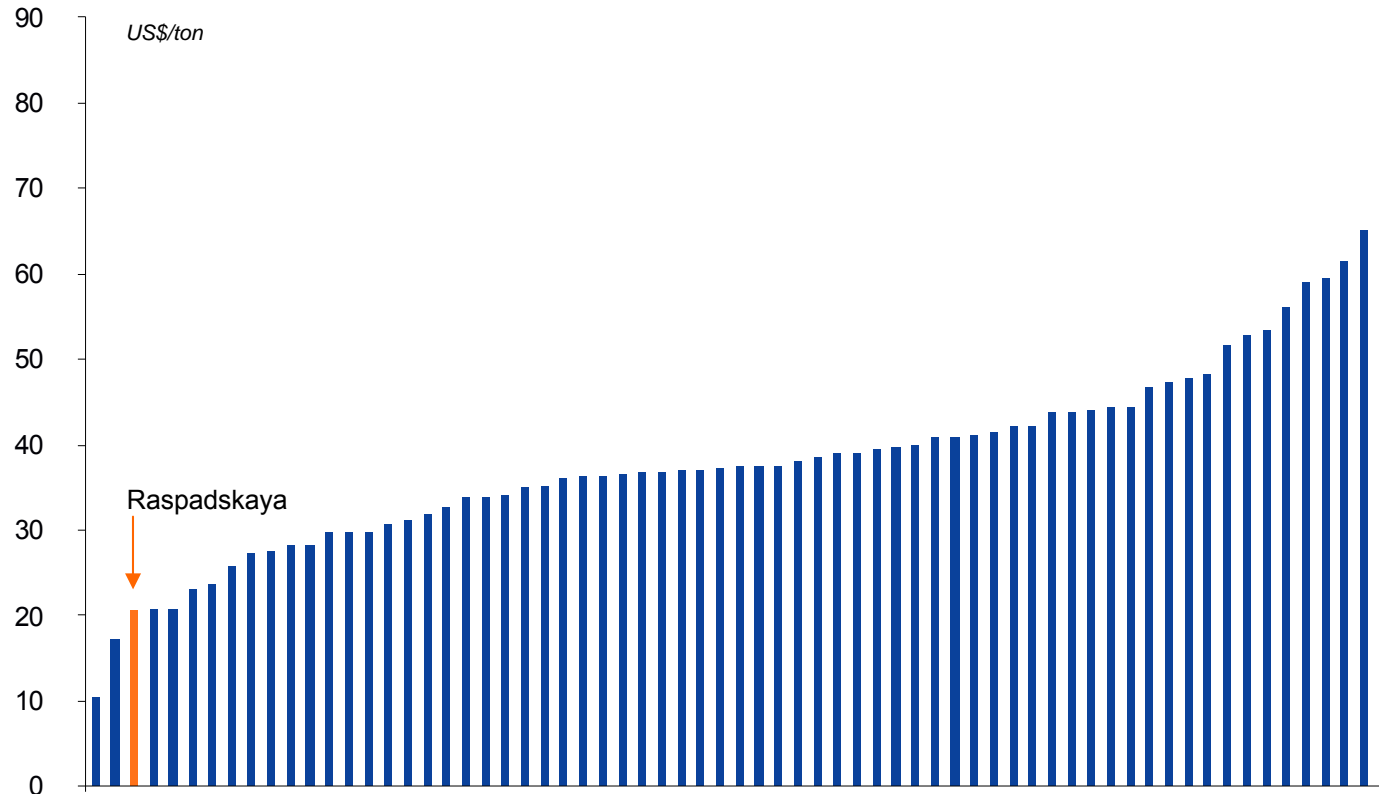


Source: Rosinformugol, Troika-Dialog, Raspadskaya



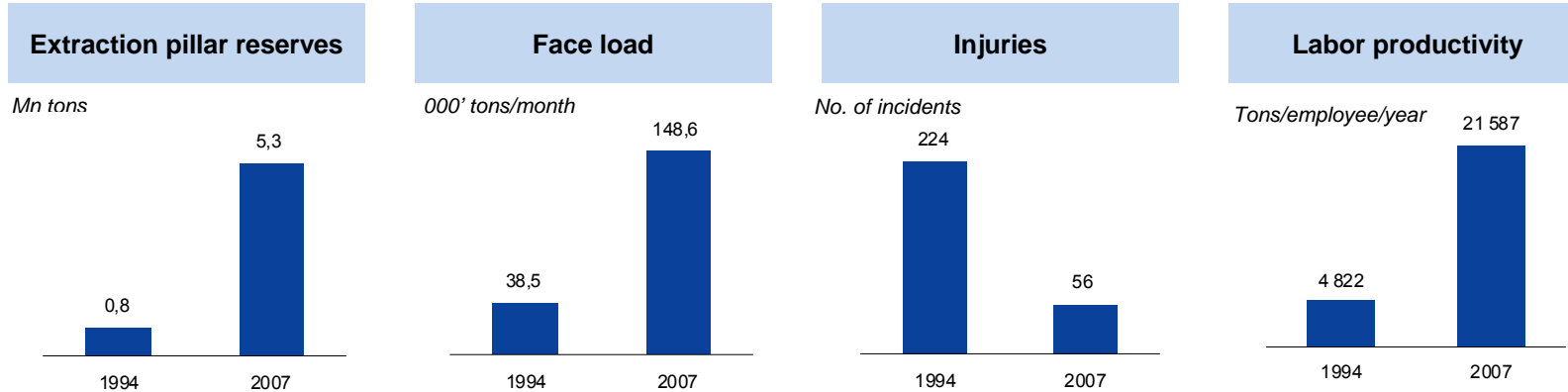
- Further substantial cash cost reduction: from US\$18.8/t in 2006 to \$18,1/t in 2007

## 2006 Concentrate cash costs by the largest global companies' mines, ex-works <sup>(1)</sup>



<sup>1</sup> Concentrate cash costs, including mine labour, other onsite and royalty, but excluding freight and port loading. 66 mines owned by the following companies: Westfarmers Limited, BHP Billiton, Mitsui, Mitsubishi Development, Anglo American, Peabody Energy, Xstrata, Sumitomo Corporation, Consol Energy, Walter Industries, Teck Cominco, Fording, Massey Energy, Kuzbassrazrezugol, Raspadskaya, Yakutugol, Yuzhkuzbassugol and others.

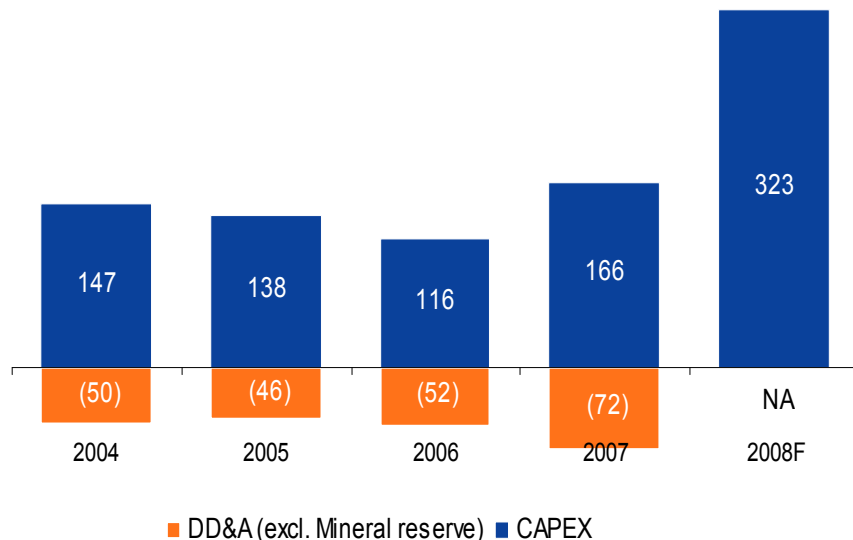
- Optimal and highly efficient operations as evidenced by Raspadskaya Mine example
  - Triple reduction in the number of longwall faces during the period from 1994 through 2007
  - 6-fold increase in extraction pillar reserves in the period from 1994 through 2007
  - Nearly 4-fold growth in face load in the period from 1994 through 2007
  - More than 4-fold increase in labor productivity rates over 1994-2007
- Care for personnel and business sustainability
  - Enhanced labor safety as proven by 4-fold reduction in work related injuries since 1994
  - No strike record



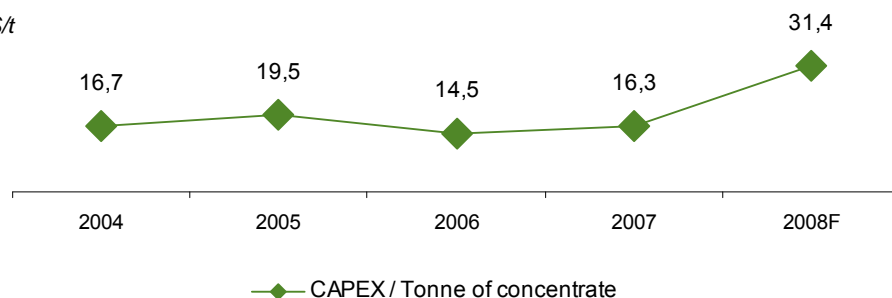
Note: Data only for Raspadskaya Mine for comparison consistency

Source: Raspadskaya

US\$ mn



US\$/t



*Note: 2004-2007 based on IFRS, 2008F based on management accounts and business plan.  
CAPEX per tonne calculated with total RASP production restated in tonnes of concentrate as per MD&A and 76% output ratio for 2007-2008F*

Source: Raspadszkaya

Total 2008 CAPEX programme amounts to US\$323m, of which

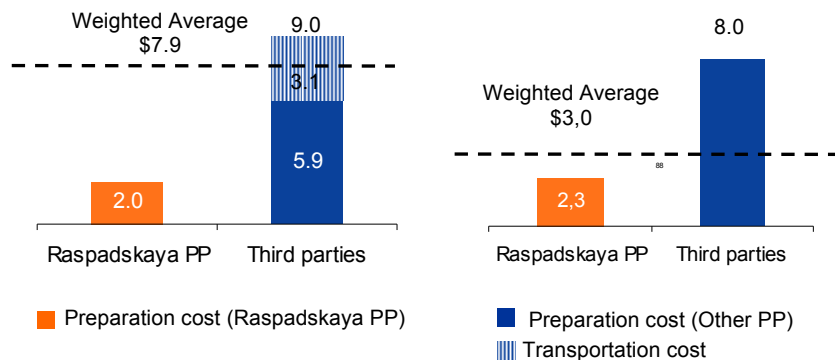
- Ca. 55% to be allocated for technical modernization at Raspadszkaya Mine
  - Purchase of highly productive mechanized mining complexes DBT, JOY, MKT-7
  - Expected benefits include minimization of mining waste, decrease in capital maintenance, increased productivity
- Ca. 25% to be allocated towards completion of Raspadszkaya Koksovaya Mine (with hard-coking coal reserves)
- Ca. 4% to be allocated towards completion of Raspadszkaya Preparation Plant (Stage II to be launched in the end of 2Q08 with additional capacity not less than 3 million tonnes of raw coal per year)

- Built in 2 years, launched in 4Q 2005
- Current project capacity at 7.5 mtpa of raw coal which allowed to process 10.3mt of raw coal in 2007
  - Potential to expand project capacity to 10.5 mtpa of raw coal after the launch of Stage 2 (+3mtpa), planned for 2Q08
  - 2008 Business Plan provides for 11.8mt of raw coal to be enriched, equal to output of 8.9mt of concentrate
- Weighted average coal preparation costs of concentrate decreased from \$7.9/t in 2005 to \$2.9/t in 2006 and to 3,0/t in 2007
- Increased share of coal concentrate in total sales
- New environmentally friendly technology implemented: closed-loop water-slurry circuit

## Preparation Costs Weighted Average \$2.9

**2005**                      **2007**

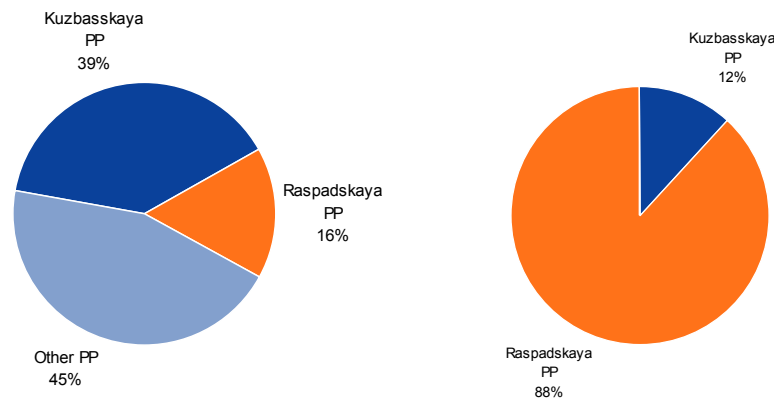
US\$ / ton of concentrate produced



Source: Raspadsкая

## Break down of Raspadsкая coal preparation, by plants

**2005**                      **2007**

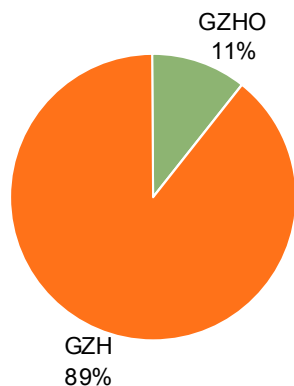


Source: Raspadsкая

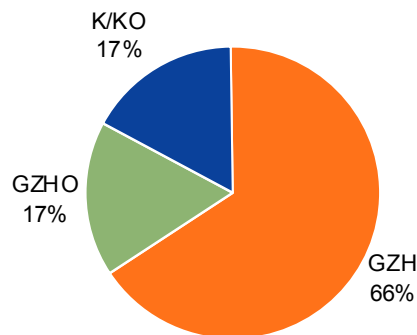


## Quality of Raspadskaya coal concentrate

### Current (2007)



### Target, incl. Koksovaya \*



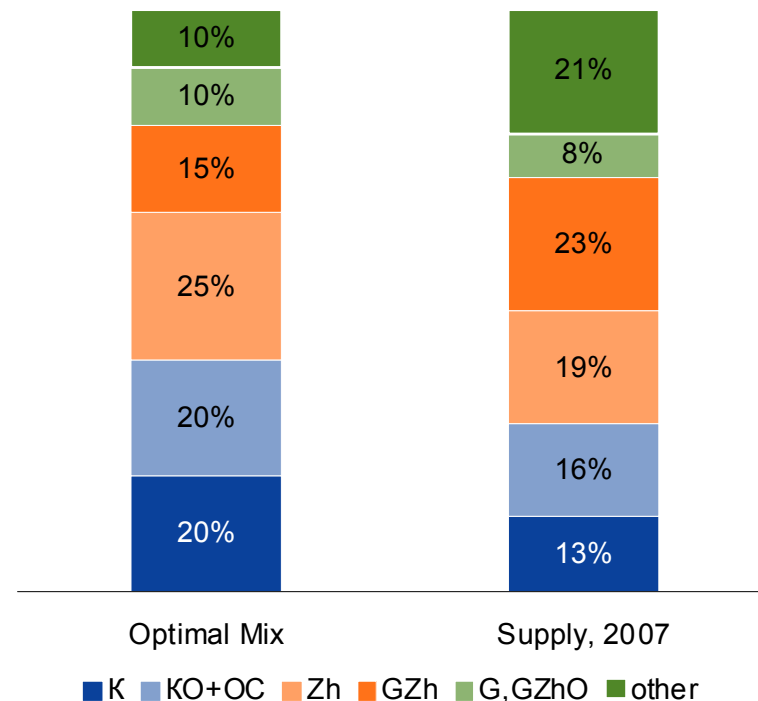
GZh – gas-fat coal	}	Semi-Hard Coking Coal (SHCC)
GZhO – gas-fat semi lean coal		
K – coking coal	}	Hard Coking Coal (HCC)
KO – coking semi lean coal		

\* Estimated breakdown in mid-term with Koksovaya assumed at full output of 3mtpa

Source: Raspadskaya




- K and KO grades production to allow to add coal concentrate of scarcely available hard grades
- K and KO grades to provide “pulling effect” for our existing core SHCC grades GZh and GZhO due to production of more optimal mix
- Customers to benefit from “one-stop shop” for all key metallurgical grades

## Supply/Demand mismatch on the Russian coking coal market



Source: Rosinformugol

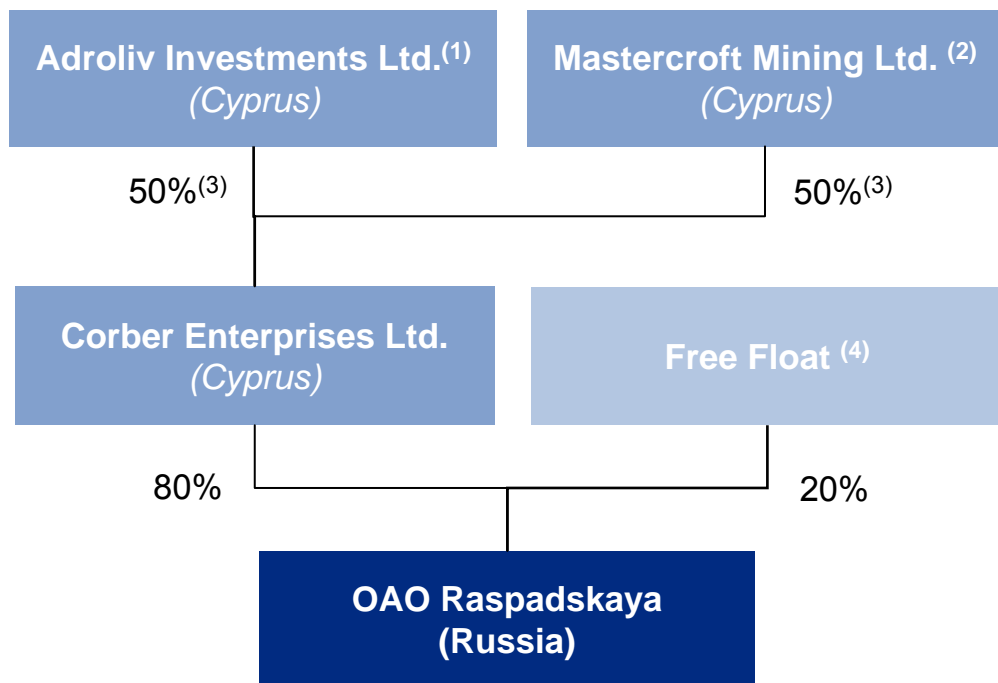
- Historically, focused on Russian market which accounts for 70 to 80% of our sales by volume (80% in 2006 and 74% in 2007)
- Marketing strategy towards long-term supply contracts with the key customers
- MMK, Evraz Group and NLMK accounted together for 53% of our sales by volume in 2007
- Raspadskaia’s market position in Ukraine is historically strong and Ukraine is considered to be the most important export market
- ArcelorMittal (Romania) was the largest non-CIS customer with 6.8% of total sales in 2007. From 1Q 2008 Raspadskaia also supplies to ArcelorMittal’ asset in Ukraine (Kryvyi Rig)

				 EVRAZ GROUP						UKRAINE		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Steel Production Volume, mn tonnes	11.4	12.4	13.2	13.9	14.4	14.1	8.5	9.1	9.0	39.3	40.9	42.8
Raspadskaia Sales, mn tonnes	1.59	2.13	2.18	1.81	1.32	1.65	0.37	1.00	1.50	1.49	1.17	1.47
as a % of Total	23%	27%	21%	28%	17%	16%	4%	13%	15%	21%	15%	14%
Share of RASP in overall consumption of concentrate / in Russian exports to Ukraine	21%	30%	30%	19%	13%	19%	6%	10%	15%	24%	18%	23%

Note:

- 1) Rounded and calculated for the coal concentrate, raw coal sales restated into concentrate
- 2) Sales to NLMK in 2006 and 2007 include supplies to Altai-Koks

Source: Raspadskaia, Companies’ data, Rasmin, Metal-Kurier (Ukraine)



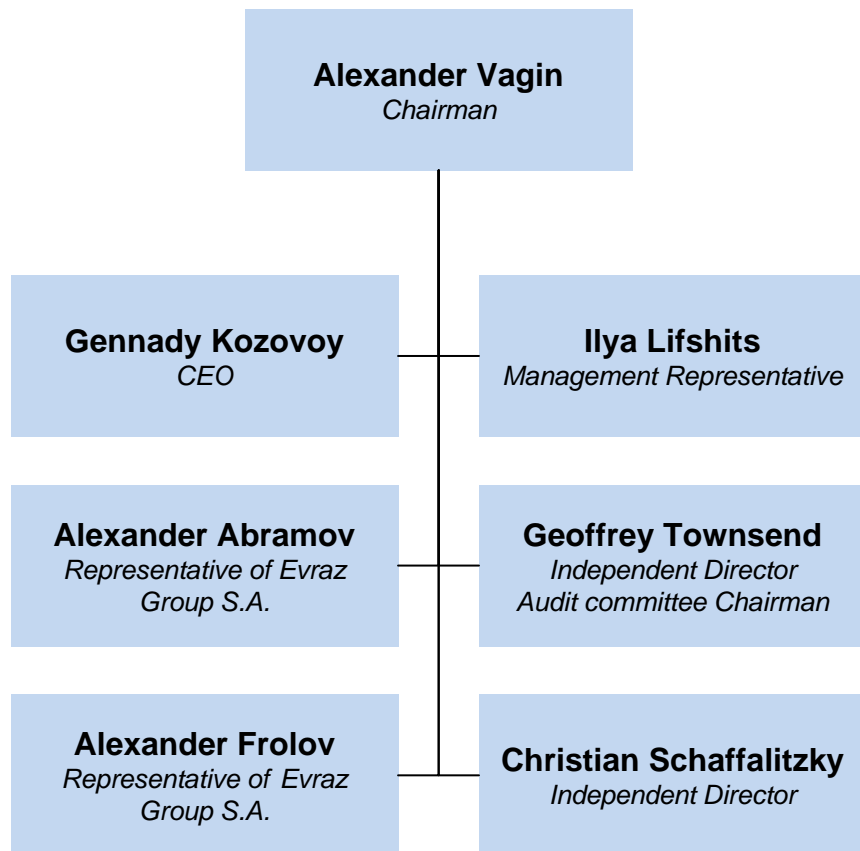
**Notes:**

- (1) Adroliv Investments Ltd. is beneficially owned by G. Kozovoy and A. Vagin
- (2) Mastercroft Mining Ltd. is beneficially owned by Evraz Group S.A.
- (3) % of voting shares
- (4) Include 18% placed during IPO in Nov. 2006 and 2% owned by employees, former employees and their families

- Shareholders' agreement at Corber provides for the following:
  - Unanimous adoption of resolutions on major strategic issues
  - Adroliv appoints CEO and First Deputy CEO
  - Transactions effected at arm's length basis
- Long-term partnership
  - Evraz Group accounted for 16.3% of Rospadskaya's total sales volumes in 2007
  - Rospadskaya accounted for 18.5% of total coal concentrate procurement of by Evraz Group in 2007 (for 32% of by the Urals plant NTMK, for 29% of by the Siberian plant NKMK)
  - Long-term 5-year supply contract for the period of 2007-2011 and supply to new assets in Ukraine from 1Q 2008

Source: Rospadskaya

## Board of Directors



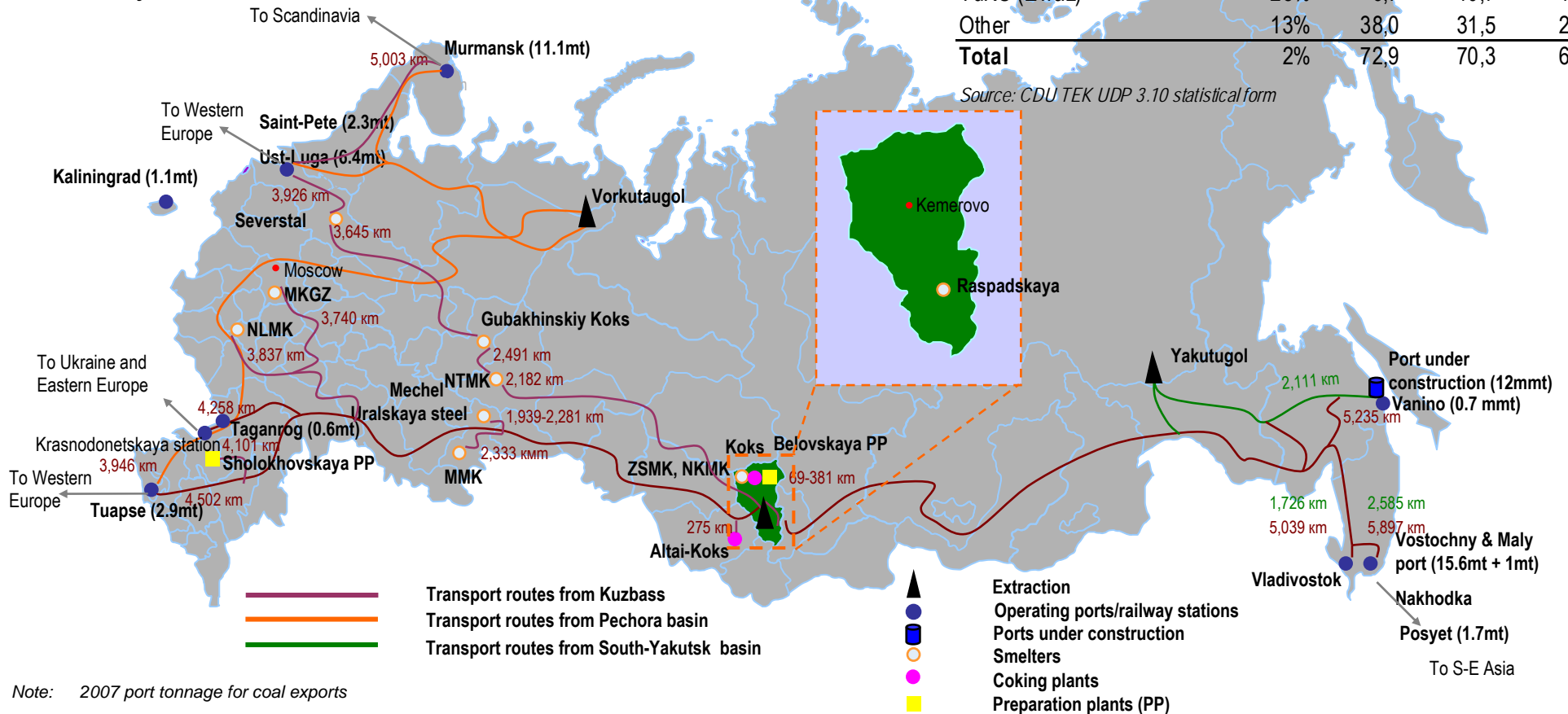
- Sound corporate governance at Raspadskaya
  - Transparent ownership and shareholding structure
  - Full disclosure of corporate information in accordance with the Russian legislation
  - Transactions with related parties effected at arm's length basis
  - Audited IFRS financials since 2003 (Ernst & Young)
- Transition to global corporate governance standards
  - Audit of coal reserves in accordance with JORC Code by IMC Montan as of 30 June 2006
  - Board of Directors' Audit committee
  - Two independent directors present on the Board
  - Internal Control Committee being formed



- Russia has 2nd largest coal reserves globally and Kuznetsk basin accounts for ca. 80% of total Russian coking coal output
- Rospadskaya relies on railways rather than on sea-borne transportation (98% vs. 2% of sales by volume in 2007)
- Supplies are mostly on FCA terms, i.e. customers absorb railway tariff

Largest Russian coking coal producers	'05-'07 % CAGR	Production, mtpa		
		2007	2006	2005
Raspadskaya	18%	13,6	10,6	9,7
Yakutugol	18%	7,0	5,4	5,0
Severstal Resurs (Severstal)	4%	10,8	10,2	10,0
Sibuglement	3%	8,7	8,2	8,3
Yuzhnyi Kuzbass (Mechel)	0%	8,7	9,7	8,7
YuKU (Evraz)	-28%	6,7	10,7	13,0
Other	13%	38,0	31,5	29,9
<b>Total</b>	<b>2%</b>	<b>72,9</b>	<b>70,3</b>	<b>69,9</b>

Source: CDU TEK UDP 3.10 statistical form

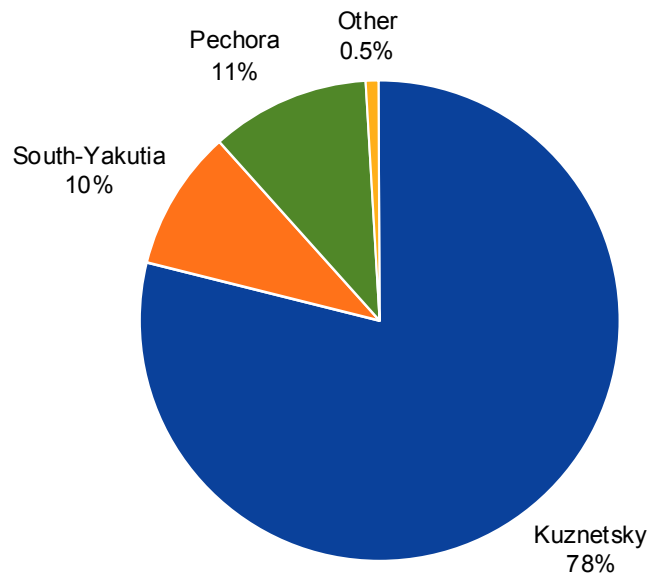


Note: 2007 port tonnage for coal exports

Source: Raspadskaya, System «Railway tariff», Argus Russian Coal, The McCloskey Group

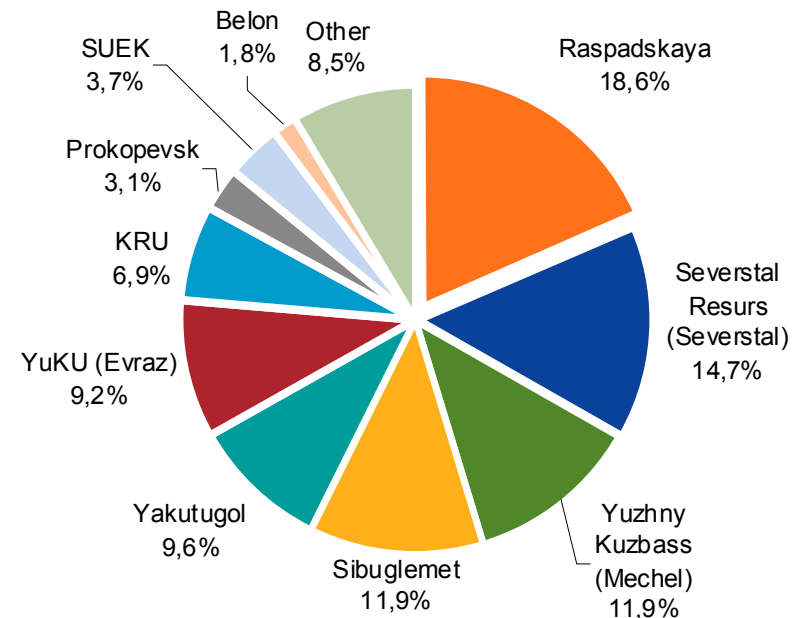
- Top 5-6 coking coal producers have 70-75% of the market.
- Steel makers' track record in coking coal remains mixed:
  - ✓ MMK bought 41.3% stake in Belon according to its shareholder' option
  - ✓ Evraz acquired remaining 50% in YuKU and 100% in Ukrainian coke assets
  - ✓ Mechel bought remaining 75% of Yakut-Ugol and plans IPO for it's mining assets in 2008
- ✗ Prokopyevsk-Ugol sold by NLMK
- ✗ Neryungri-Ugol (Denisovskaya mine) sold by Evraz Group
- ✗ Kuzbass-Ugol sold by Severstal

**Russian coking coal production, by location (2007)**



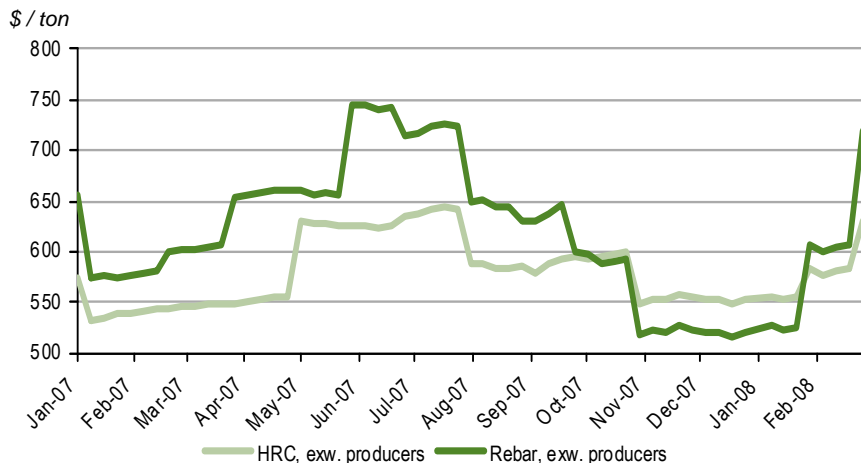
Source: Rosinformugol

**Russian coking coal production, by company (2007)**



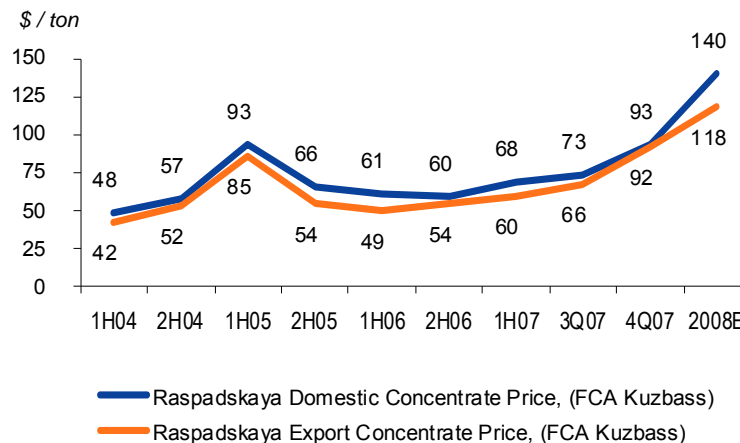
Source: Rosinformugol

## Russian Steel Producers Ex-Works Prices



Source: Metal Expert

## Coking Coal Price Performance



Source: Raspadskaya, Metallorg

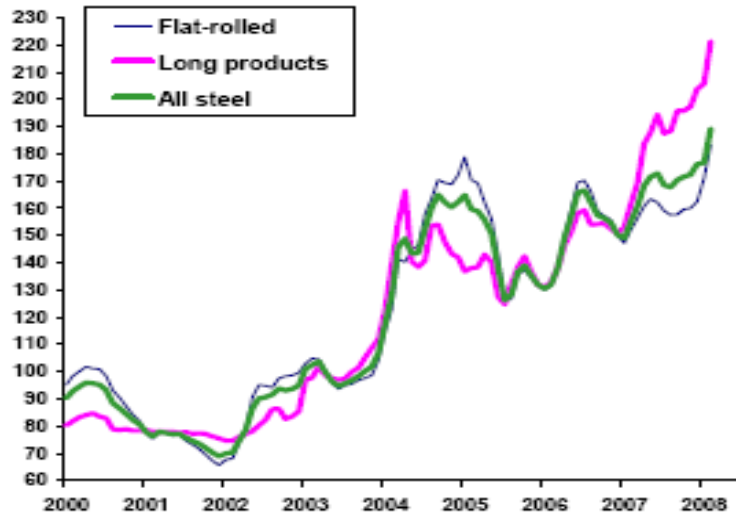
- Increase in international steel prices has positively impacted Russian export and domestic steel prices
- Steel spot prices in February-April have put the risk of 2008 on upside and provide support to stronger coal prices
- Russian coal prices – while supported by rising price of global seaborne export – remain primarily a function of domestic supply/demand balance which points at a continued supply tightness in the short- to mid-term

Key drivers of the development of the coking coal sector include:

- Strong involvement in Russian/CIS industry activity – coke, steel, construction, transport, infrastructure, national projects
- LT-development programs of main Russian public coal and steel companies and continuing consolidation
- Continued shortage in hard coals – coking K, coking semi-lean (KO+OS) and fat (Zh) grades
- Significant volume of investments required both to maintain existing production and to build new capacities especially in green-fields
- Significant lead times to a production launch at green field underground mines (3-4 years to construct a 3 mtpa mine)
- Trend to go to deeper levels as a result of depletion as well as difficult geological and mining conditions
- Shortage of mining specialists in sinking and drilling processes
- High disparity in costs and efficiency throughout the industry
- Major Russian expansion projects announced in the past (Zhernovskoye-1 by NLMK, Zhernovskoe-3 by Severstal or ArcelorMittal) are unlikely to be fulfilled on time and in-budget
- Elga (by Mechel) and Elegest (by United Industrial Company) have recently moved into the spotlight but there remain question marks over infrastructure, would-be mining conditions as well as all-in project costs

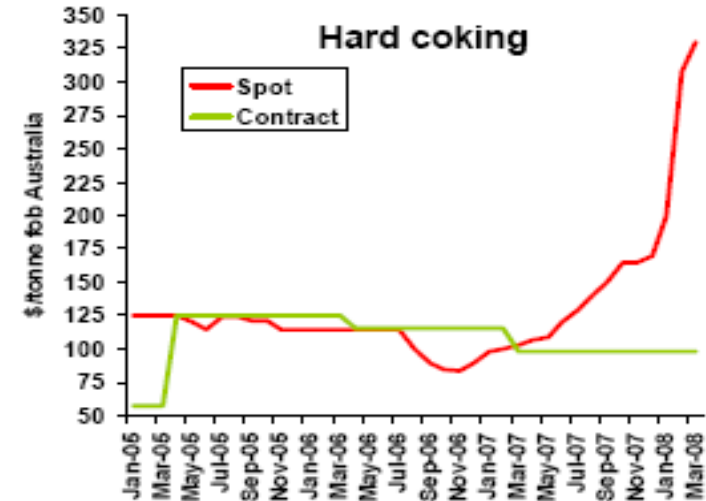
- Privatization in Russian coal industry generally has finished after an auction of Yakut-Ugol
- Global foreign investor ArselorMittal has acquired an acting coal company Kuzbass-Ugol with a few green-fields and will built a strong «bridge» between it's CIS steel and coal assets
- On the whole some of Russian steel plants such as NLMK, UralSteel, MMK haven't a own coal base
- Some of steel producers (Russian NLMK and Ukrainian Industrial Unit of Donbass) declared plans to export of seaborne coking coal in 2008
- Major Russian coal and steel makers used import-export parity in their pricing conversations for 2008FY and signed hedge contracts for 1-year price for coal concentrate
- Coking coal isn't a stock commodity but prices have correlations with steel, coke, thermal coal and with CIS and seaborne balance supply/demand
- Ukrainian coking coal industry is likely to further decline due to a number of structural issues
- Ukrainian demand may increase by ca. 8mt of concentrate by 2010 up from 27mt in 2007. As result, Ukrainian imports may increase by over 10mt of concentrate up from 7.8mt in 2007 (according to Troika-Dialog estimate)
- Russia' export potential in future will depends on many factors – balances of input/disposal of capacities, an exploration of coal green-fields, CIS demands, price environment, infrastructure and tariffs (railways, ports, shipping)

## CRU Monthly Index of Global Price to February



Source: CRU, February 2008

## Spot vs. Contract Prices for Hard Coking Coal



Source: GlobalCoal, CRU, Tex, Macquarie Research, February 2008

- Demand for coking coal driven mainly by the blast furnace steel production – almost 70% of the global steel
  - Steel producers have been so far successfully rising prices thus passing on high iron ore and coking coal costs to end-customers
  - Severe coking coal supply-side problems out of Australia (infrastructure, floods) coincided with continuingly strong steel demand outlook and supply expected more tight in 2008 than in 2007
- Spot HCC prices were in March-April \$300-330/t out of Australia and \$270-280/t out of USA. HCC consensus contract price expectations were in the range of US\$200-250/t of concentrate (FOB Australia)\* but in April contract price increase to \$300/t out of Australia for main Japanese and Korean steel companies (POSCO, JFE Holding, Nippon Steel)

Source: Platts, McCloskey

<p><b>Increase scale</b></p>	<ul style="list-style-type: none"> <li>■ Grow production Grow production volumes at above-market rate</li> <li>■ Grow reserves through new licenses and resource reclassification</li> <li>■ Selective bolt-on acquisitions in Russia</li> </ul>
<p><b>Strengthen market position</b></p>	<ul style="list-style-type: none"> <li>■ Continue to be a supplier of choice through reliability and product consistency</li> <li>■ Increase market share in Ukraine and Eastern Europe, enter Asian markets</li> <li>■ Secure long-term contracts with existing customers</li> <li>■ Capitalise on scarcity of K-grade (hard coking coal) increasing quality of coal concentrate</li> </ul>
<p><b>Maintain financial discipline</b></p>	<ul style="list-style-type: none"> <li>■ Maintain cost leadership</li> <li>■ Focus on high rate of return projects</li> <li>■ Adhere to prudent capital structure</li> <li>■ Consistently pay dividends to shareholders</li> </ul>
<p><b>Corporate governance and social responsibility</b></p>	<ul style="list-style-type: none"> <li>■ Maintain strong corporate governance standards</li> <li>■ Recruit and retain highly qualified staff</li> <li>■ Keep focus on sustainability (health, safety and environment)</li> </ul>

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