

Raspadskaya – Russia's Leader in Coking Coal

Investor Presentation



Moscow, 16 November 2007

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Russian leading coking coal producer

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

Efficiency

- Low cash cost of concentrate production – US\$17.2 per ton in 1H2007
- Labor productivity on par with global peers
- Compact integrated operating complex with modern highly-productive equipment

Professional management

- Optimal and highly efficient production
- Continued focus on safety procedures
- Experienced management as proved by successful operational track record

Strong financial performance

- 2006 Revenue - US\$469m and EBITDA - US\$259m (on pro-forma)
- EBITDA margin – c. 59% in 2005, 55% in 2006 and 59% in 1H2007
- Over 60% of the CAPEX program in 2004-2010 has been already completed

Growth potential

- Target production volume growth: up to 17 mtpa by 2010
- Strengthen domestic market position: 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

- Coal production – 100% coking coal
- Situated in Kuznetsk basin which accounts for ca. 80% of total coking coal produced in Russia
- JORC reserves = 782 million tonnes¹, resources = 1,461 million tonnes
- Long reserve life of over 60 years based on 2007 target production of 13 mtpa

- Average number of employees – 7 390 in 1H2007
- Production per underground mining employee – over 16 000 tppy (2006)

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

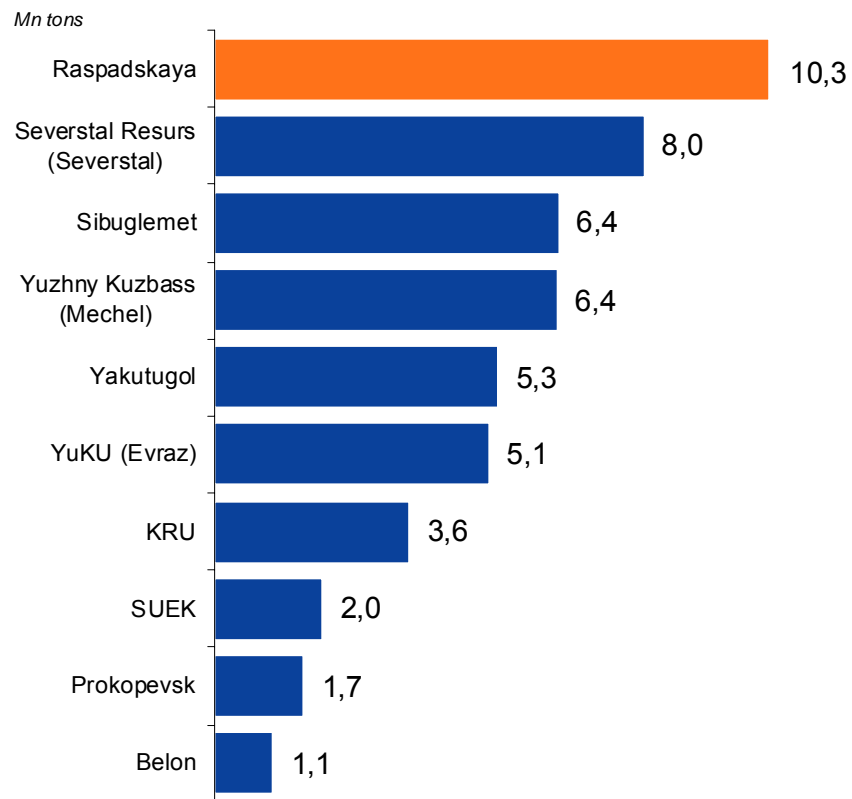
- 70 to 80% of sales to Russian steel producers and coking chemical plants

■ 1H 2007 Sales	US\$339 million	+ 55% half-on-half
■ 1H 2007 EBITDA	US\$199 million	+ 66% half-on-half
■ 1H 2007 EBITDA margin	59%	+ 4%

¹ Proved and probable, calculated on the international basis, IMC report as of 30 June 2006

- Largest coking coal producer in Russia and among top ten globally by volume

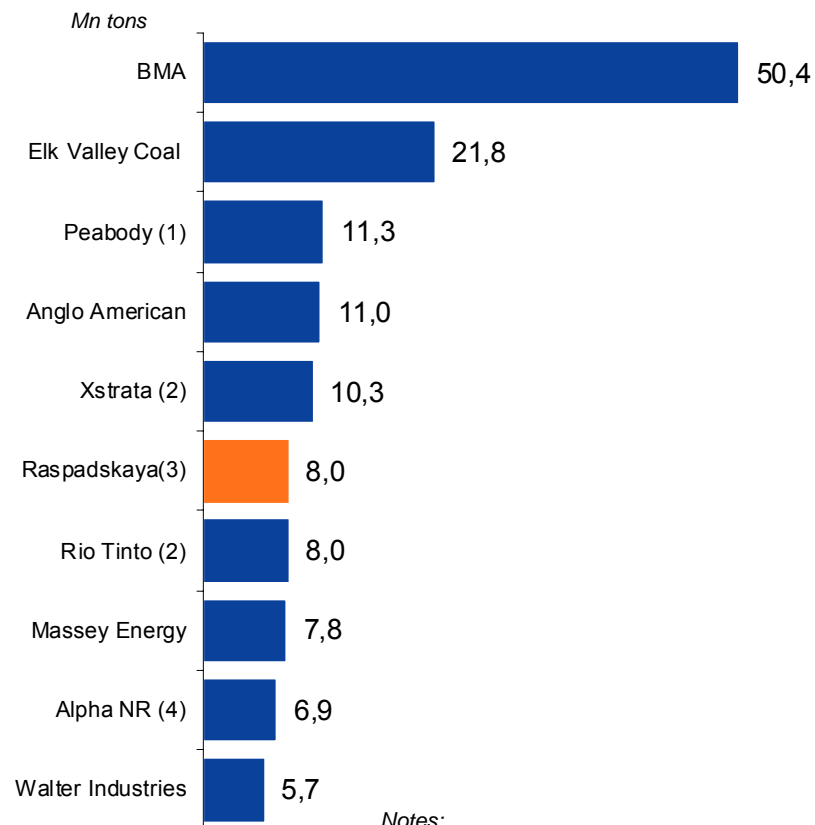
Largest Russian coking coal producers (9m 2007)



Note: In tonnes of raw coal mined

Source: CDU TEK form UDP-3.10

Largest world companies producing coking coal concentrate (2006)



Notes:

(1) Estimated at 5% of total mining sales

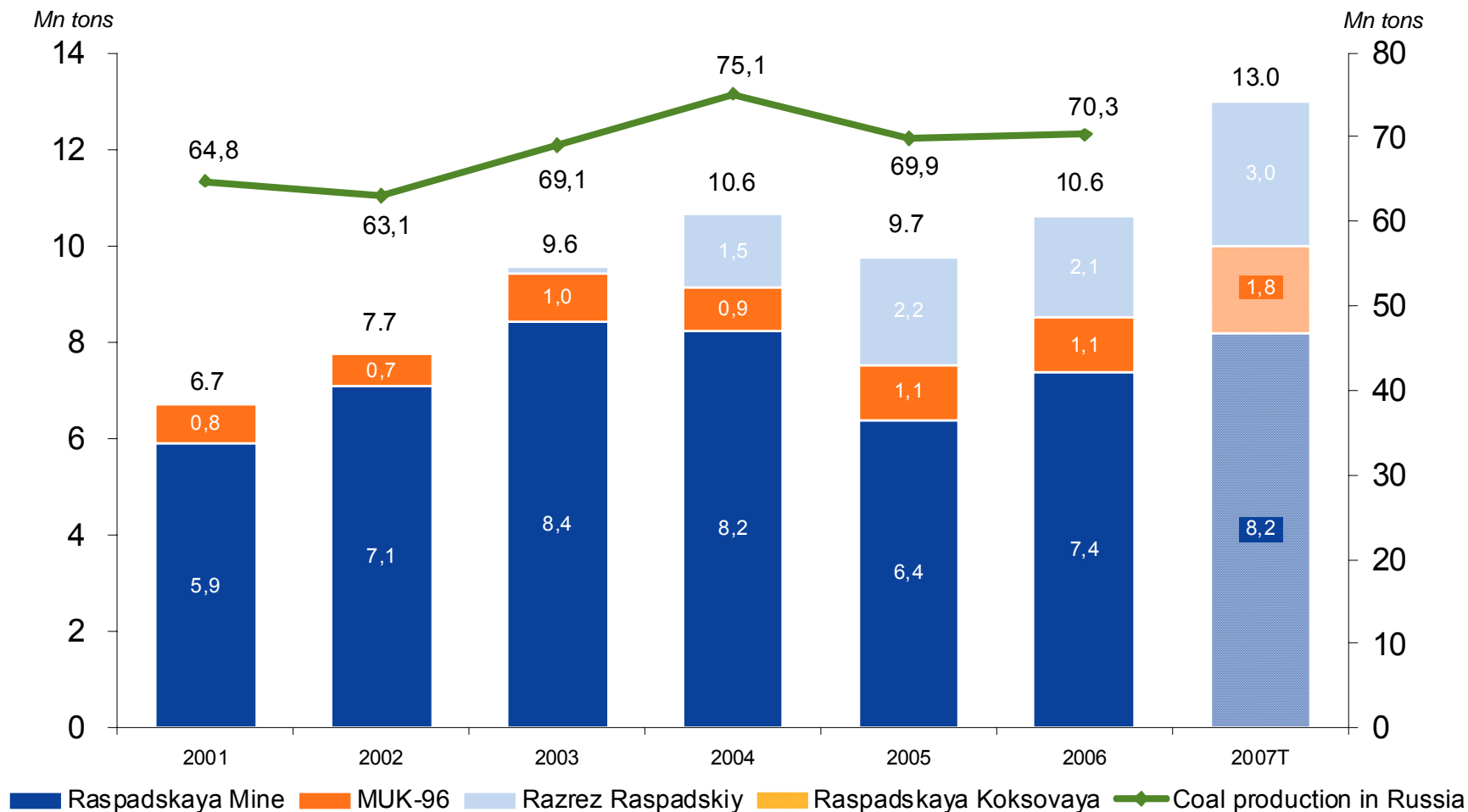
(2) Attributable production

(3) In tonnes of coal concentrate

(4) Estimated at 34% of produced and processed coal only

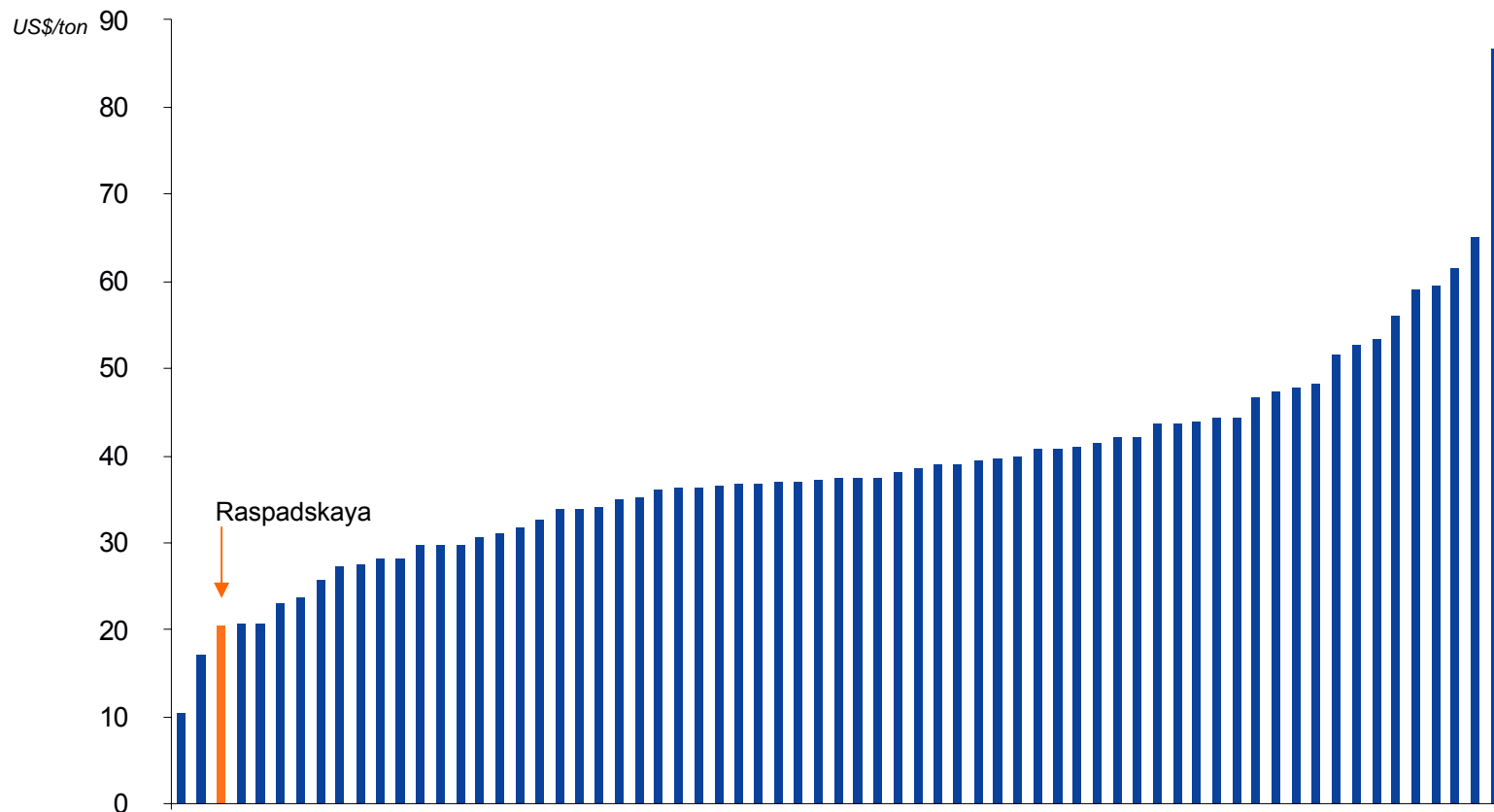
Source: Companies' data

- Favourable mining and geological conditions: Forceful continuous seams (1.5 to 5 m) with flat dip <math><10^\circ</math>
- Average coal output growth at Rospadskaya in 2001-2006 was 10% in comparison with Russia's average of 2.8%
- Rospadskaya's share of total coking coal output in Russia has grown to 19% (9m 2007) from 10% in 2001



- Further substantial cash cost reduction: From US\$18.8/t in 2006 to \$17.2/t in 1H2007

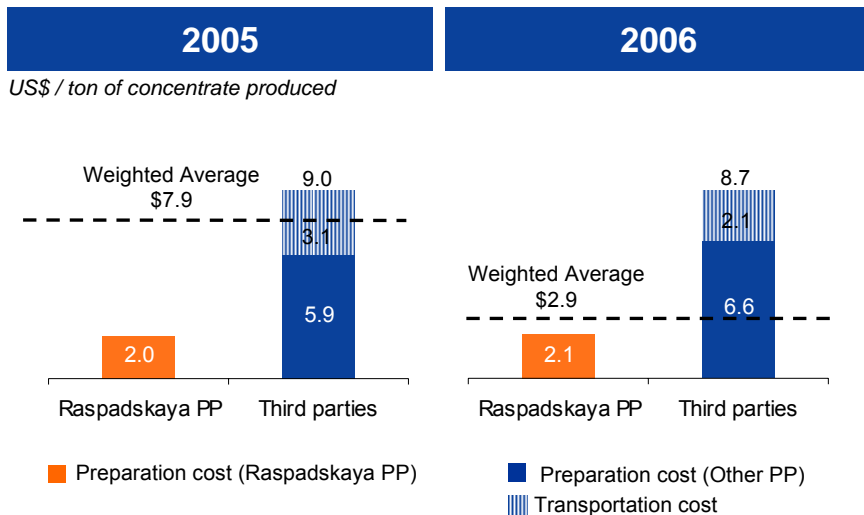
2006 Concentrate cash costs by the largest global companies' mines, ex-works ⁽¹⁾



¹ Concentrate cash costs, including mine labour, other onsite and royalty, but excluding freight and port loading for 66 U/G and O/C operations owned by 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.

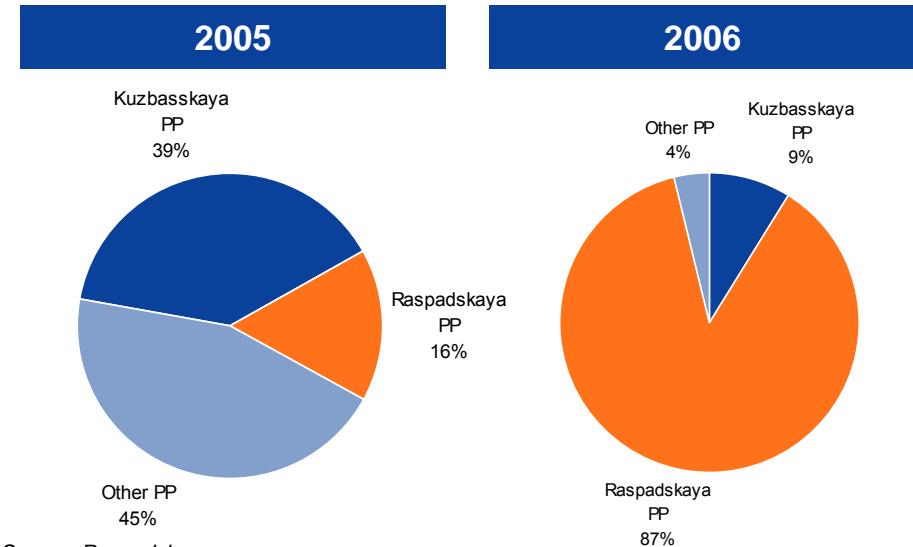
- Built in 2 years, launched in Q4 2005 – to lower costs and Increase share of coal concentrate in total sales
- Project capacity 7.5 mtpa translating into effective capacity of ca.8.75 mtpa based on 350 days of work
 - Potential to expand to 10.5 mtpa project (or ca.12.5-13.0 mtpa effective) after the launch of Stage 2, planned for 2008
 - Construction of Stage 2 started in Q4 2006
- Weighted average coal preparation costs of concentrate decreased from \$7.9/t in 2005 to \$2.9/t in 2006
- New environmentally friendly technology implemented: closed-loop water-slurry circuit

Preparation Costs



Source: Raspadsкая

Raspadsкая coal preparation, by plants

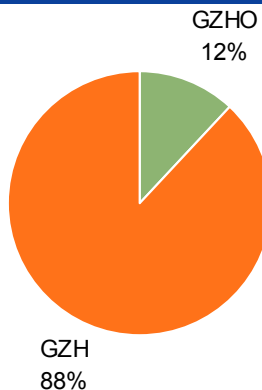


Source: Raspadsкая

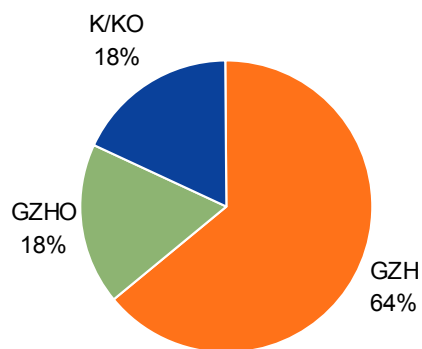


Quality of Raspadskaya coal concentrate

2006



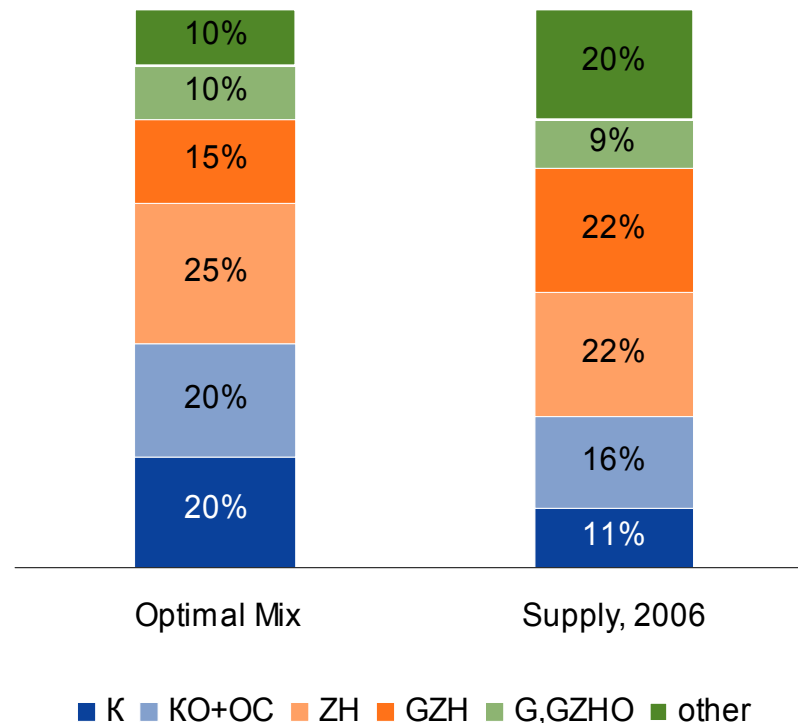
2010T



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		

Source: Raspadskaya

Supply/Demand mismatch on the Russian coking coal market

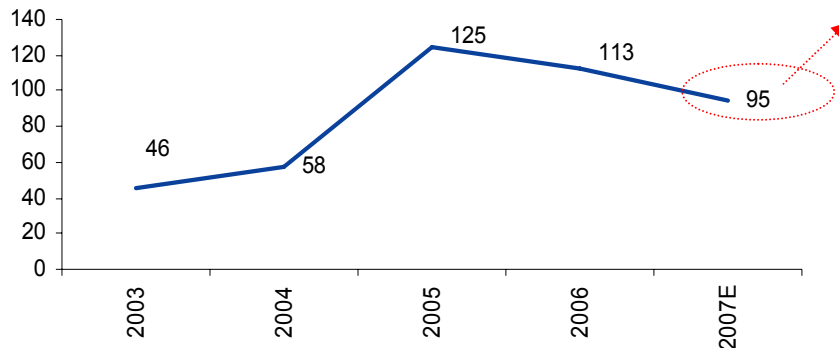


Source: Rosinformugol

- K and KO grades production will allow to add coal concentrate of scarcely available hard grades
- K and KO grades will provide “pulling effect” for our existing core SHCC grades GZh and GZho due to production of more optimal mix

Global Hard Coking Coal Price Performance

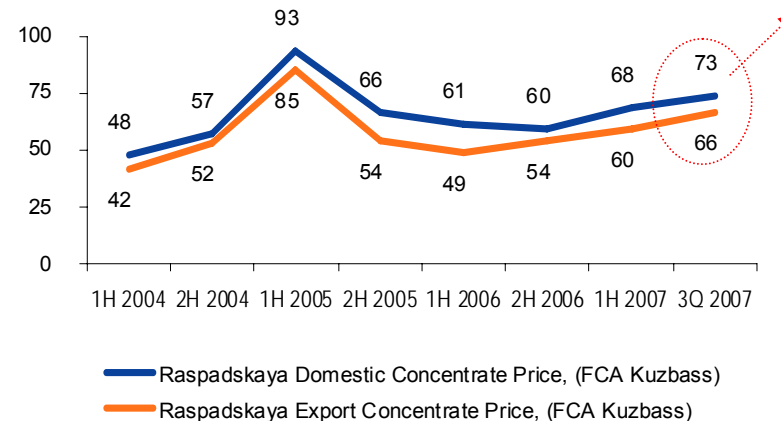
US\$ / ton, (FOB contract price, sea-borne export)



Source: AME, McCloskey's, brokers' research

Russian Coking Coal Price Performance

\$ / ton



Source: Raspadskaya, Metaltorg

- Demand for coking coal is driven by demand from the blast furnace steel production – almost 70% of the global steel industry
- Global coking coal contract prices peaked in 2005 at US\$125/t (FOB, hard coking coal). 2007 contract levels are US\$95-98/t but current spot prices of \$160-200/t point to an increase in 2008 up to 45%
- Slow supply response to high prices from Australia and Canada driven by constraints on skilled labour, infrastructure and equipment. Material carry-over shipments at current prices shall increase exporters' desire to maximise 2008 price increases
- Major expansion projects announced in Russia for the next few years are unlikely to be fulfilled on time and in-budget keeping domestic supply tight

Largest Russian coking coal producers	Growth	Share	Production, mtpa	
	%	%	9m 2007	9m 2006
Raspadsckaya	34%	19%	10,3	7,7
Severstal Resurs (Severstal)	4%	15%	8,0	7,7
Yuzhnyi Kuzbass (Mechel)	-8%	12%	6,4	6,9
Sibuglement	9%	12%	6,4	5,9
Yakutugol	33%	10%	5,3	3,9
YuKU (Evraz)	-34%	9%	5,1	7,7
KRU	19%	7%	3,6	3,0
SUEK	-8%	3%	1,7	1,8
Prokopyevskugol	-1%	4%	2,0	2,0
Belon	11%	2%	1,1	1,0
Other	20%	8%	4,5	3,7
Total	5%	100%	54,2	51,3

Raspadsckaya's market share has been constantly increasing as result of stable, continuous development

- Continued shortage in hard coals – coking K and coking semi-lean (KO+OS) grades
- Significant investments required both to maintain existing production and to build new capacity
- Significant lead times to a production launch at green field projects
 - 3-4 years to construct a 3 mtpa underground mine or associated infrastructure to open pits
- High disparity in costs and efficiency throughout the industry
- Trend to go to deeper levels as result of depletion and difficult geological and mining conditions

Increase scale

- Grow production volumes
- Grow reserves through new licenses and resource reclassification
- Explore growth opportunities through selective, value-enhancing acquisitions

Strengthen market position

- Secure “supplier of choice” position through reliability and product consistency
- Increase market share in Ukraine and Eastern Europe, enter Asian markets
- Secure long-term contracts with existing customers
- Capitalise on scarcity of K-grade hard coking coal by increasing quality of coal concentrate

Maintain financial discipline

- Maintain cost leadership position through growth and tight cost controls
- Focus on high rate of return projects
- Adhere to prudent capital structure
- Consistently pay dividends to shareholders

Corporate governance and social responsibility

- Maintain strong corporate governance standards
- Recruit and retain highly qualified staff
- Keep focus on sustainability (health, safety and environment)

Thank you!

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