

# Raspadskaya – Russia's Leader in Coking Coal

## Investor Presentation



*London, 7-9 February 2007*

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## Russian leading coking coal producer

- Largest high quality coking coal reserves in Russia
- Second-largest producer of coking coal in Russia (2005-2006)
- One of the 10 largest producers of coking coal in the world

## Efficiency

- Cash cost of concentrate production in the bottom quartile of the global cash cost curve
- Operational efficiency on par with global peers
- Compact integrated operating complex

## Professional management

- Experienced management – proved by operational track record
- Relentless focus on sustainability (health, safety & environment)

## Strong financial performance

- EBITDA margin (pro-forma) – c. 60% in 2004 and 2005
- ROCE in 2005 (pro-forma) – 31%

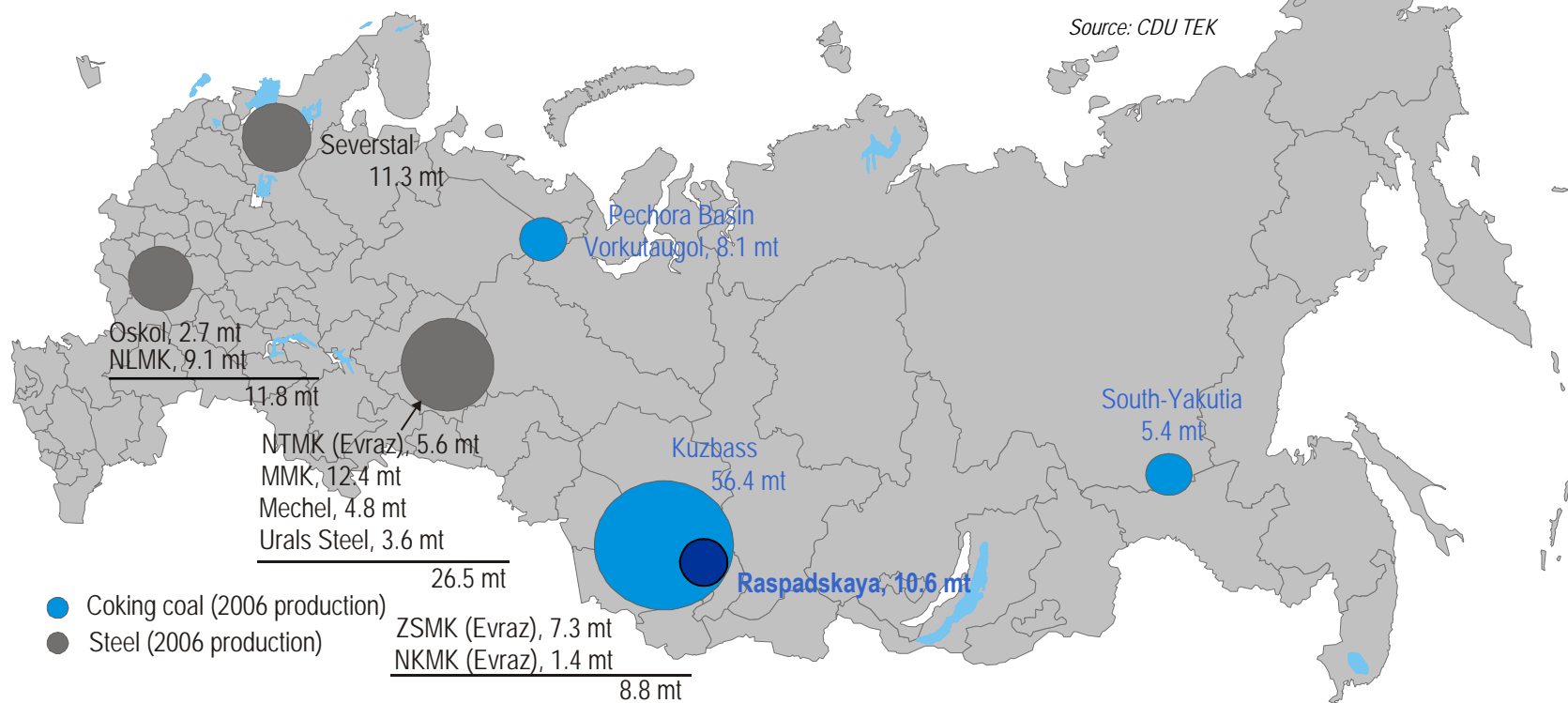
## Growth potential

- Target production volume growth 2007-2010 – 10% CAGR up to 17 mtpa of ROM coal
- Projects under way to further strengthen Raspadskaya's positions in domestic market
- Growth of market share in Ukraine and Eastern Europe and access to rapidly growing markets of South East Asia

- Russia has the second largest coal reserves in the world<sup>(1)</sup>
- Kuznetsky basin (or “Kuzbass”) accounts for c.80% of Russia’s coking coal production<sup>(2)</sup>
- Raspadskaya is a leading producer in Russia with proximity to core customers and easy access to railway transportation system

Largest Russian coking coal producers	Growth %	Production, mtpa 2006	Production, mtpa 2005
Yuzhkuzbassugol	-18%	10.7	13.0
<b>Raspadskaya</b>	<b>9%</b>	<b>10.6</b>	<b>9.7</b>
Severstal Resurs (Severstal)	2%	10.2	10.0
Yuzhnyi Kuzbass (Mechel)	11%	9.7	8.7
Sibuglement	-1%	8.2	8.3
Yakutugol	6%	5.4	5.0
Other	3%	15.5	15.1
<b>Total</b>	<b>1%</b>	<b>70.3</b>	<b>69.9</b>

Source: CDU TEK

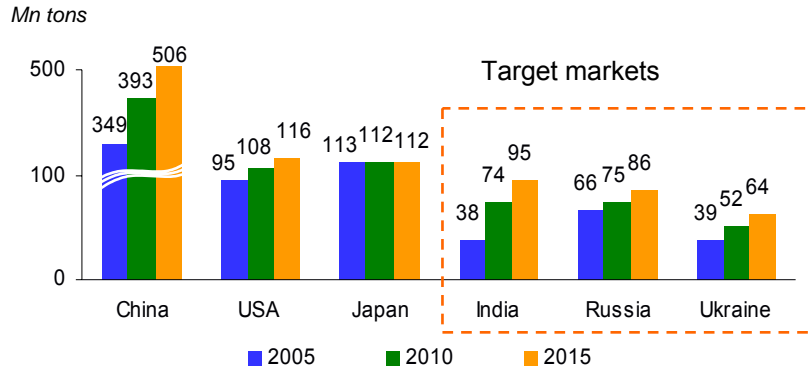


Source: Company Data

(1) BP Statistical Review of World Energy June 2006

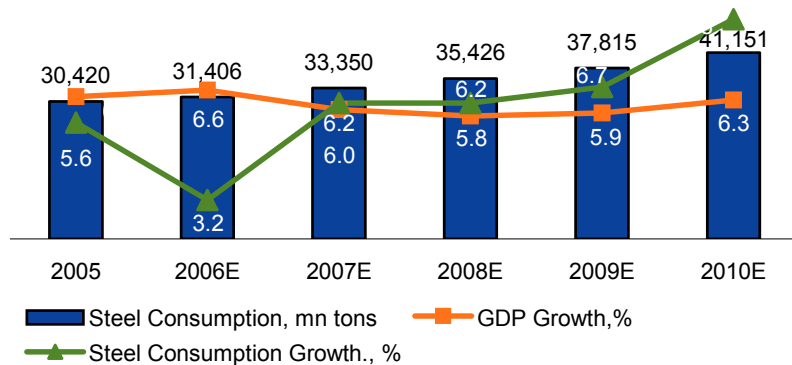
(2) Rosinformugol

## Crude Steel Production



Source: IISI, McCloskey's Metallurgical Coal Quarterly

## Russian Steel Consumption (Trend-based)

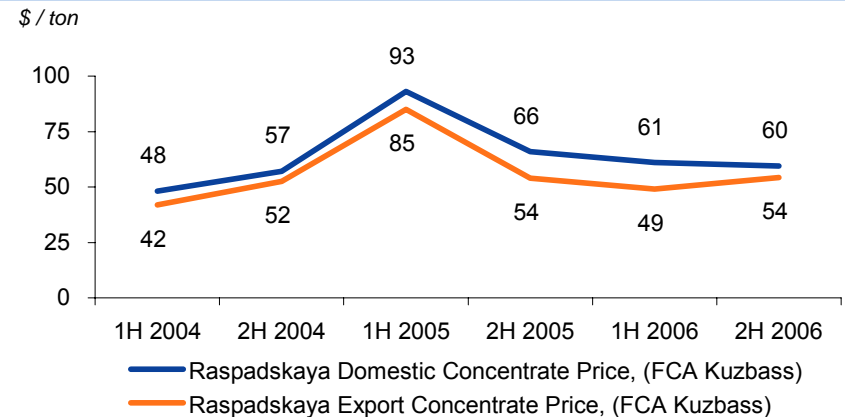


Source: Ministry of Economic Development and Trade of the Russian Federation, IISI

## Outlook

- Russian GDP and steel consumption are expected to grow on average 6% annually; current outlook for coking coal demand in Russia is robust
- Coal prices achieved by Russian miners domestically have traditionally been higher than export prices
- Generally, 0.75 tonne of coking coal yields approximately 1 tonne of steel
- Based on forecast this implies an increase of c.40% of coking coal consumption in Russia

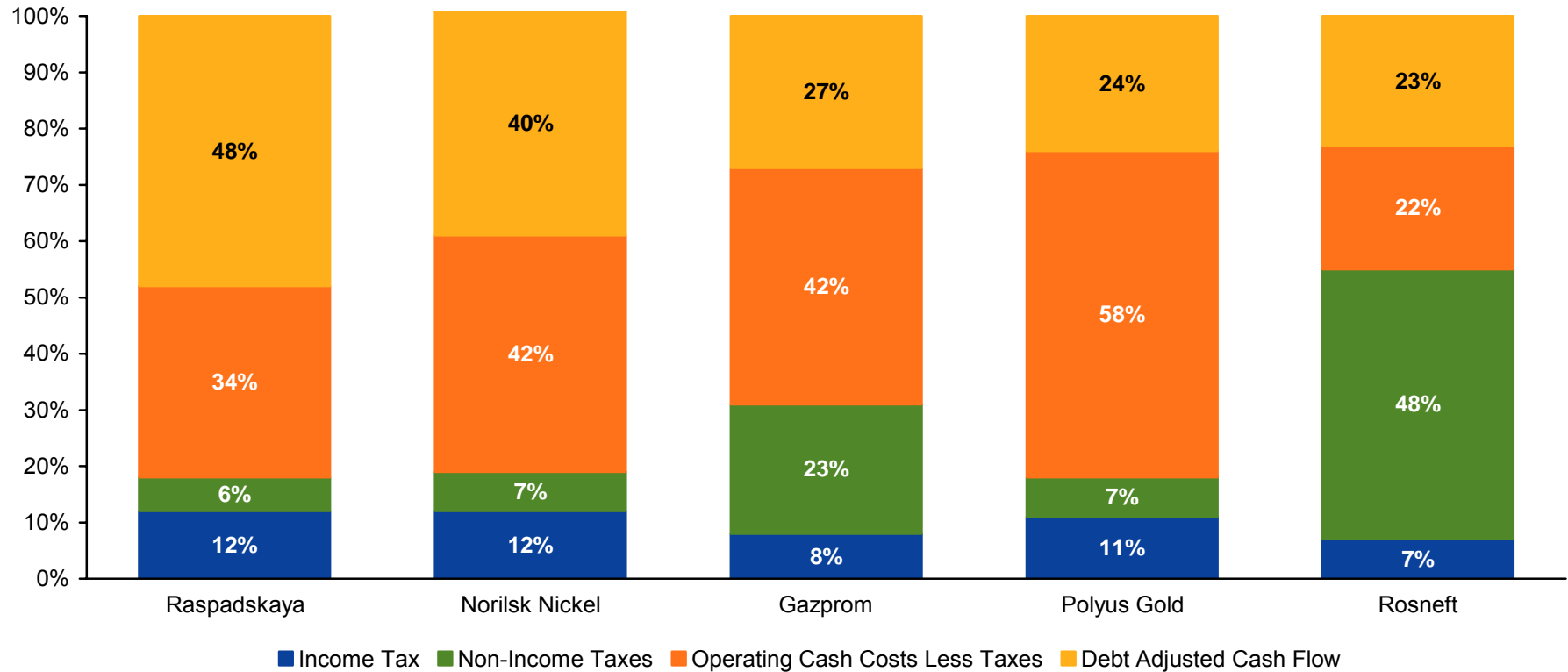
## Coking Coal Price Performance



Source: Raspadskaya, Metaltorg

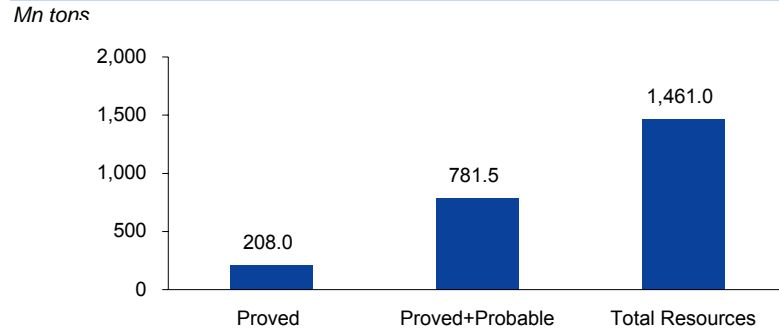
**Raspadskaya is advantageously positioned in the markets with the most dynamic steel production growth**

## 2005 Gross Revenue Breakdown in Russian Resource Industries



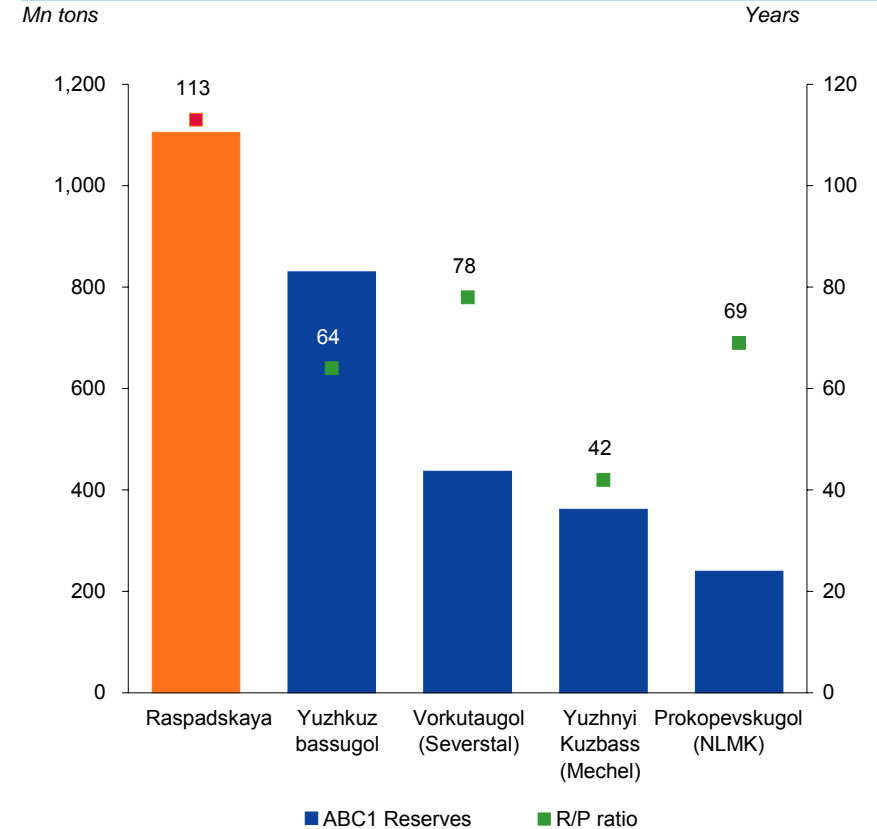
Source: Companies' disclosure, Raspadskaya pro-forma financial statements

## Raspadszkaya JORC Reserves and Resources



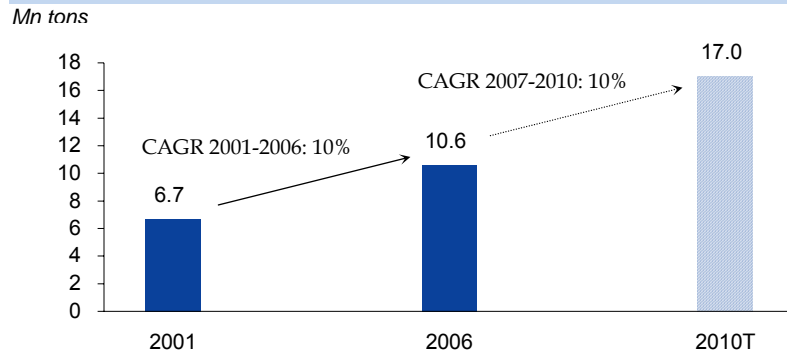
Source: IMC, Raspadszkaya

## ABC1 Reserves and R/P Ratio (2005)



Source: Companies' data, Rosinformugol

## Production Growth

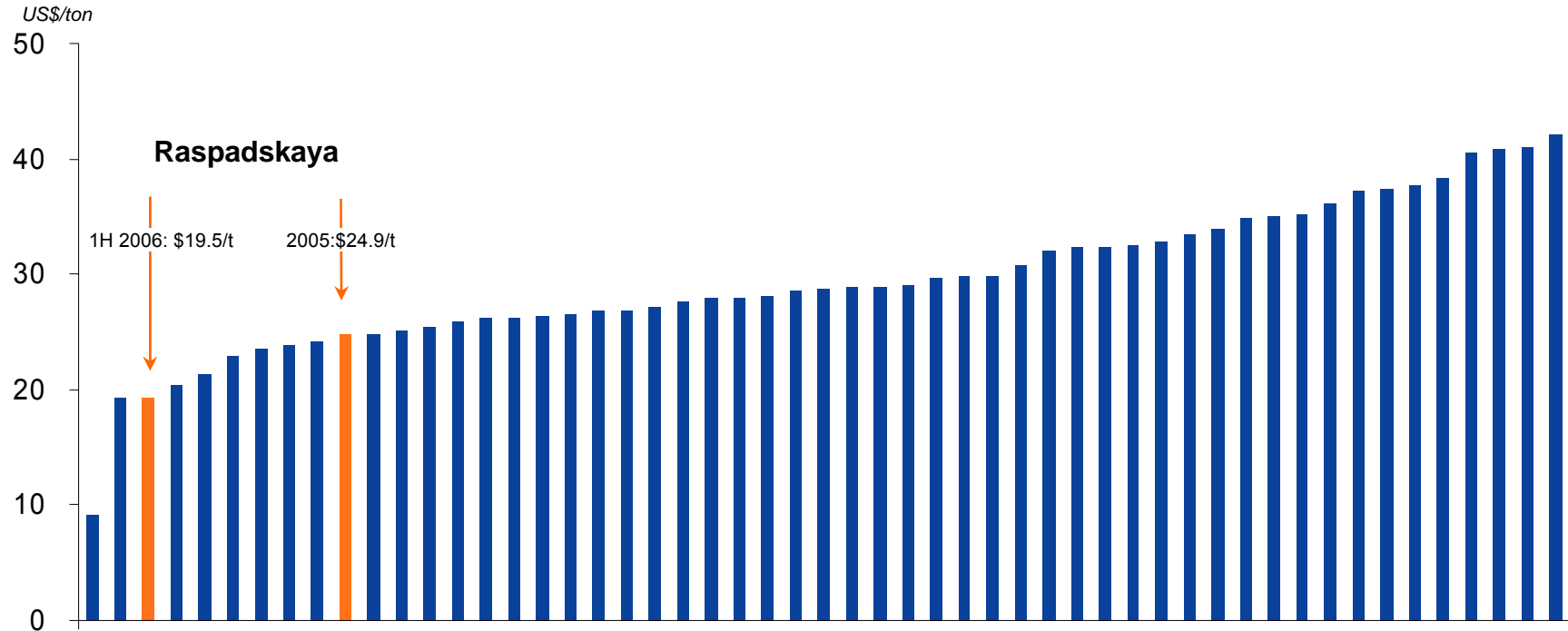


Source: Raspadszkaya



- Raspadskaya is in the lowest quartile of the global cash cost curve for coking coal producers

## Concentrate cash costs, excluding freight and port loading (2005)



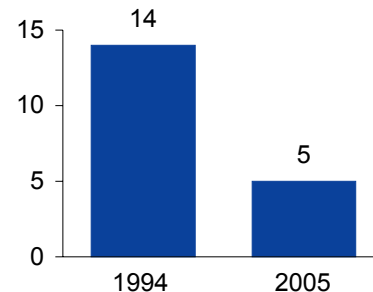
52 mines owned by the following companies: Westfarmers Limited, BHP Billiton, Mitsui, Mitsubishi Development, Anglo American, Peabody Energy, Xstrata, Sumitomo Corporation, Consol Energy, Walter Industries, Teck Cominco, Fording, Massey Energy and others.

Source: AME Mineral Economics, Raspadskaya (on a pro-forma basis)



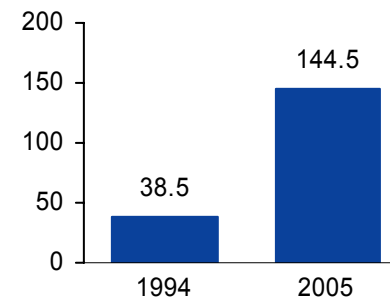
- Highly efficient operations
  - 64% reduction in the number of longwall faces during the period from 1994 through 2005
  - 275% growth in face load during 1994 through 2005
  
- Care for personnel and business sustainability
  - Enhanced labour safety and 80% reduction in work related injuries at Raspadskaya Mine since 1994
  - 215% increase in labour productivity rates on Raspadskaya Mine over 1994-2005
  - No strikes in the last 15 years

**Number of Faces**



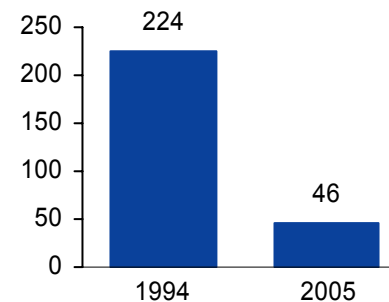
**Face Load**

000' tons/month



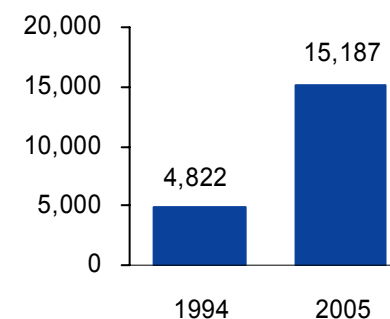
**Injuries**

No. of accidents



**Labour Productivity**

Tons/employee/year



Source: Raspadskaya

**Proven ability to deliver operational excellence**



- \$362mn invested in total in 2004-2006, among other into the state-of-the-art mining equipment from Joy Global Inc, Voestalpine and DBT
- Enhanced efficiency of coal production and significant reduction in personnel involved in the mining operations
  
- Russia's pioneer application of the advanced unmanned method of coal recovery utilising the deep seam development system
- State of the art equipment manufactured by Superior Highwall Miners, USA
- Only four workers are required to operate the system in the open-pit area

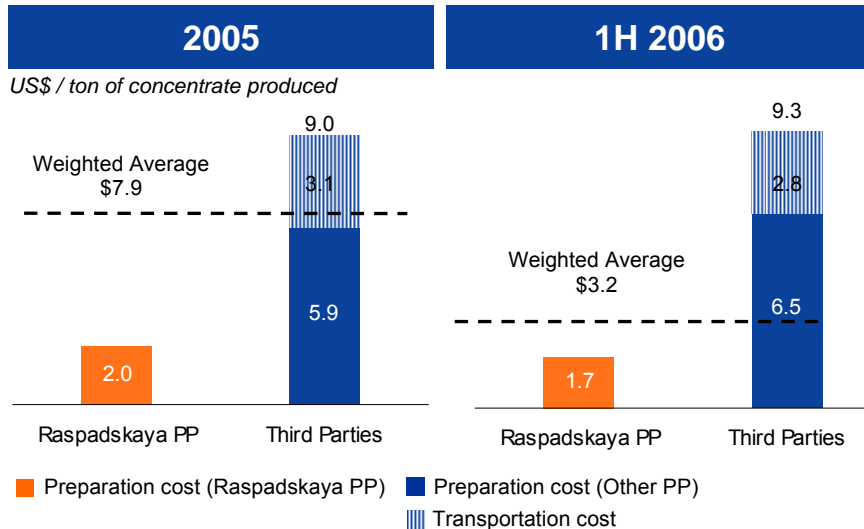


***Leadership in Russian coal industry in the application of state of the art equipment***

- Built in 2 years, launched in Q4 2005
- Current nameplate capacity at 7.5 mtpa
  - Effective capacity at ca. 8.75 mtpa based on 350 days of work
  - Potential to expand to 10.5 mtpa nameplate after the launch of Stage 2, planned for 2008 (construction started in Q4 2006)
- Weighted average coal preparation costs of concentrate decreased from \$7.9/t in 2005 to \$3.2/t in 1H 2006
- Increased share of coal concentrate in total sales
- New environmentally friendly technology implemented: closed-loop water-slurry circuit

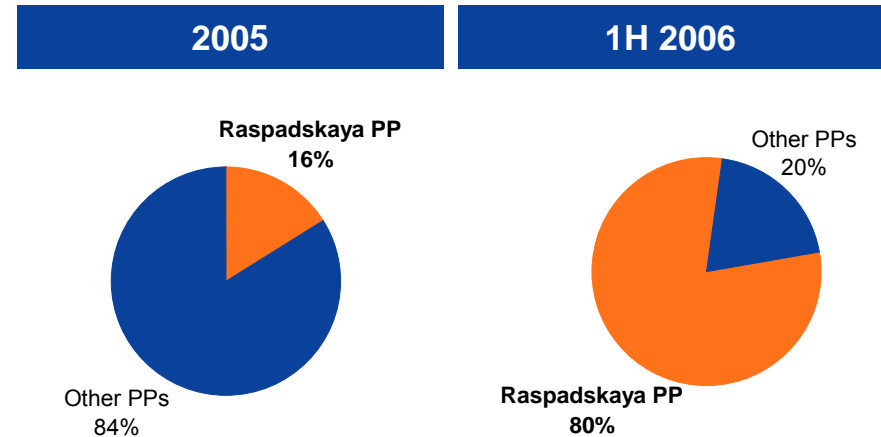


## Preparation Costs



Source: Raspadskaya

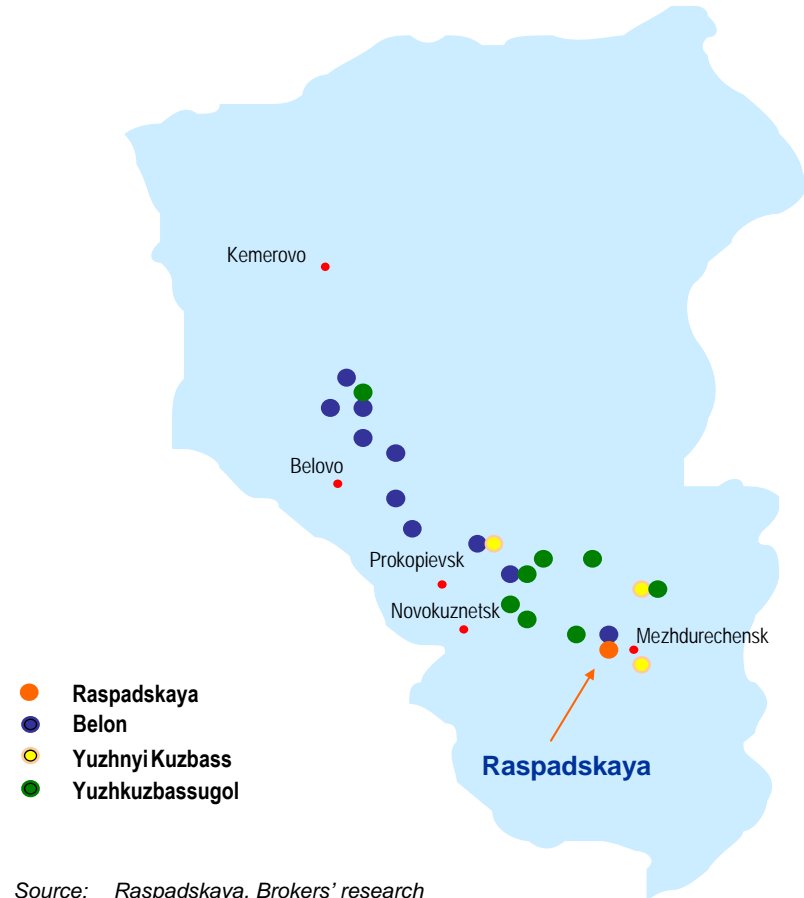
## Breakdown of Raspadskaya coal preparation



Source: Raspadskaya

- Compact single site operations
- Low logistics costs due to efficient transportation means and in-house transportation subsidiary
- Single site location provides significant advantages by eliminating the need for third-party transportation service of in-process product between the mines and preparation plant

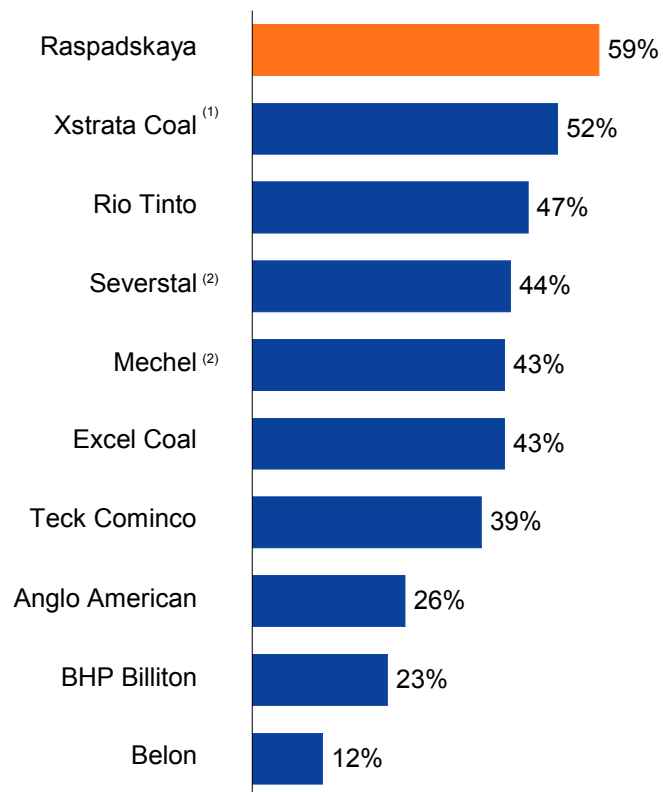
## Location of Mining Operations



Source: RASPADSKAYA, Brokers' research

***RASPADSKAYA's competitive advantages include integrated and compact operating complex, transportation infrastructure and preparation plant***

## EBITDA Margin (2005)



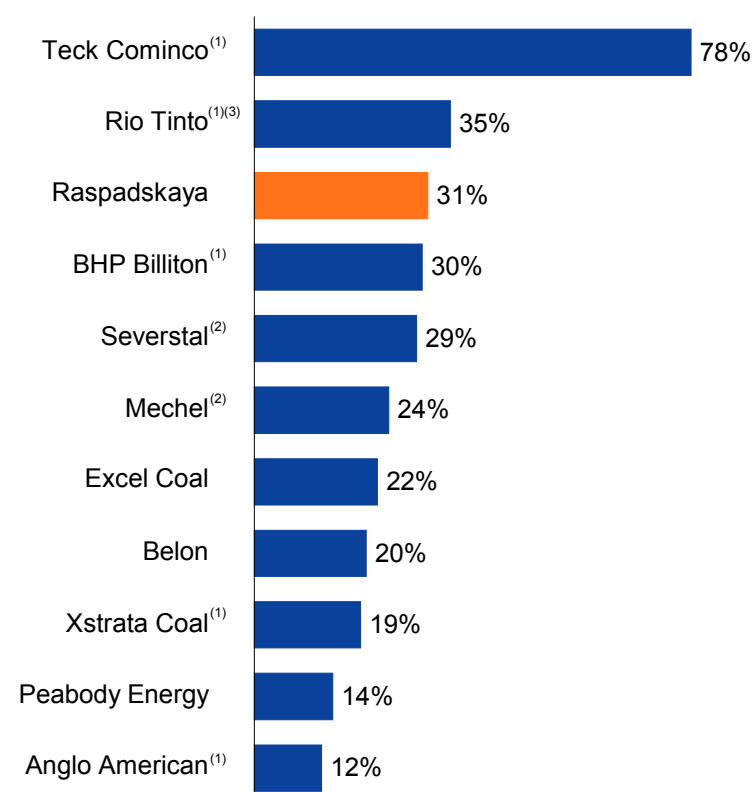
Source: *Raspadskaya (pro-forma), Companies' data*

(1) Data for coal mining segment

(2) Data for mining segment

(3) Including uranium dioxide mining segment

## Return on Capital Employed (2005)



Source: *Raspadskaya (pro-forma), Companies' data*

## Increase scale

- Grow production volumes
- Increase market share in Ukraine and Eastern Europe, enter Southeast Asian markets
- Grow reserves through new licenses and resource reclassification
- Explore growth opportunities through selective, value-enhancing acquisitions

## Strengthen domestic market position

- Continue to be a supplier of choice through reliability and product consistency
- Secure long-term contracts with existing customers
- Capitalise on scarcity of K-grade coal (hard coking coal), increase quality of coal concentrate

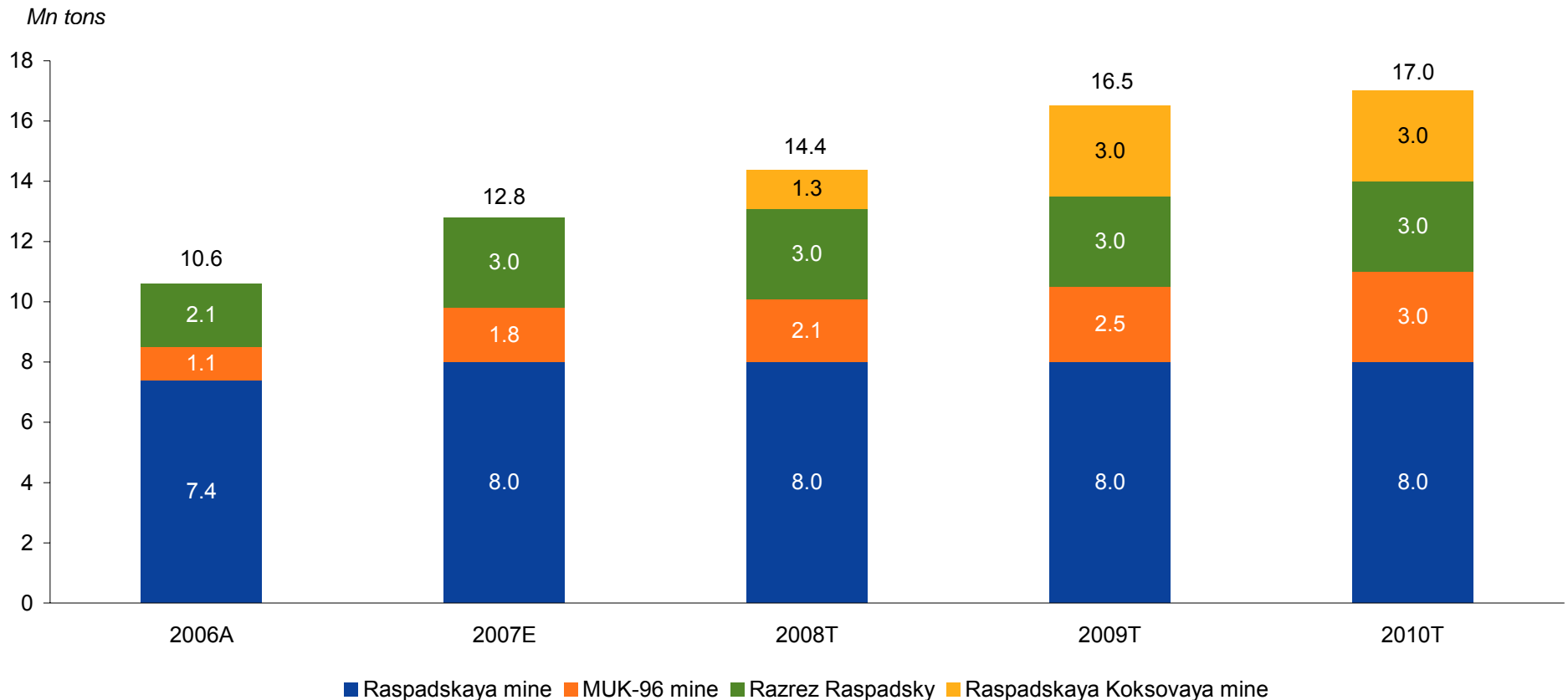
## Maintain financial discipline

- Maintain cost leadership
- Focus on high rate of return projects
- Adhere to prudent capital structure
- Consistently pay dividends to shareholders aiming for reasonable dividend yield

## Corporate governance and social responsibility

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

- Average coal output growth at Raspadskaya in 2001-2006 was 10% in comparison with Russia's average of 1.6%
- Raspadskaya's share of total coking coal output in Russia has grown from 10% in 2001 to 14% in 2005
- A defined and visible growth plan targets 10% CAGR in 2007-2010

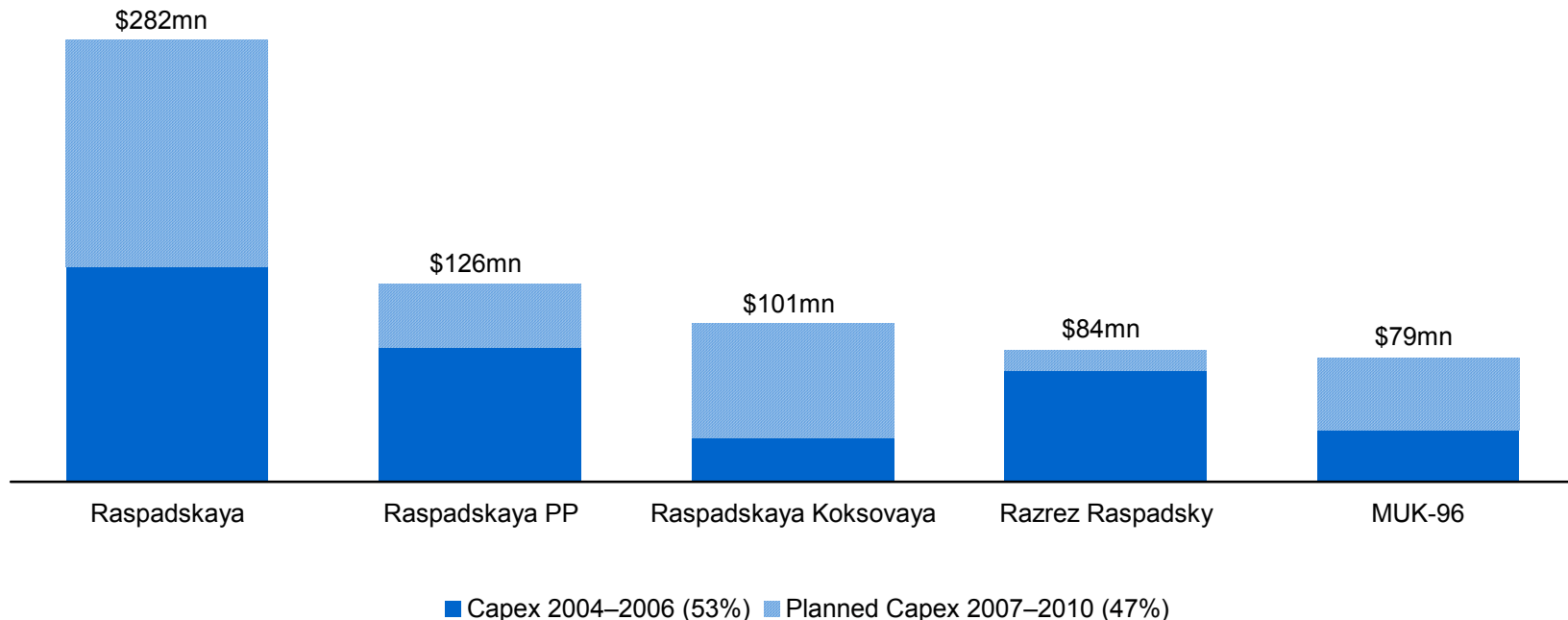


Source: Rapsdskaya

■ **Raspadskaya main investment focus 2007-2010:**

- Upgrade of Raspadskaya Mine production capacity
- Construction of Raspadskaya Koksovaya to acquire valuable K and KO coal grades (Hard Coking Coal)
- Expansion of MUK-96's production facility to capitalise on the lowest cash costs advantage within the group
- Expansion of Raspadskaya's Preparation Plant's nameplate capacity from 7.5 mtpa to 10.5 mtpa

## Capital Investment Programme for 2004-2010



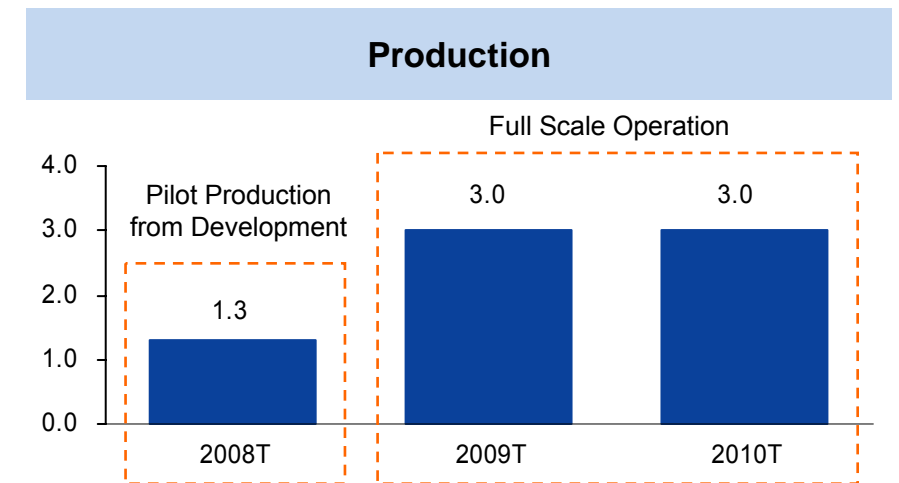
Source: Raspadskaya

Note: Other investments are expected to be US\$17mn for the period of 2004-2010, of which US\$7mn already invested

**Capex programme of \$689mn, of which about 50% already invested**






- Coal production expected to commence in 2008, full scale annual production of 3mtpa expected in 2009
- Expected to provide over 40% of target growth in production between 2006 and 2010
- High quality blend for domestic and export market - scarcely available hard coking coal (K and KO grades)
- Current share of hard coking coal in Q1 2006 supply on the Russian market is 28% vs. 40% in model composition by Rosinformugol
- Location within core production area allows for logistic costs optimisation



Source: IMC, Raspadskaya

- Strengthen domestic market position:
  - Maintain relationships with key customers - MMK, Evraz and NLMK
  - Leverage long-standing customer relationships to enter into long term supply contracts
    - Transition from 1 to 5 year contracts
  - Further enhance reputation as a supplier of choice due to:
    - On time deliveries
    - Consistent quality and mix of coal concentrate
  - Continue to improve quality of coal concentrate
- Target new growing markets and further develop customer base
  - Increase market share in the Ukrainian and Eastern European markets
    - Romania, Hungary and Bulgaria
    - Recently signed a MoU with Steel Galati S.A. (“Mittal Steel”) with the intent to extend current supply contract for the five year period from April 2007 to March 2012
  - Access dynamic South Asian markets, specifically India
    - A 3 year Indian contract has already been concluded
  - Enter into new long term supply contracts

- Historically, Raspadskaya has been focused on domestic markets – ca. 80% of total sales by volume in 2006, up from 75% in 2005
- Coal concentrate sales focused on Russia’s largest steel producers - MMK, Evraz Group and NLMK accounted for ca. 53% of total sales by volume in 2006
- Marketing strategy towards long-term supply contracts with the key customers
- Raspadskaya’s market share in Ukraine has been historically strong

			 EVRAZ GROUP				UKRAINE	
	2005	2006	2005	2006	2005	2006	2005	2006
Steel Production Volume, mn tons	11.4	12.4	13.9	14.4	8.5	9.1	-	-
Raspadskaya Sales, mn tons <sup>(1)</sup>	1.59	2.13	1.81	1.32	0.37	1.00 <sup>(2)</sup>	1.49	1.17
as a % of Total <sup>(1)</sup>	23%	27%	28%	17%	4%	13% <sup>(2)</sup>	21%	15%
Share of Raspadskaya in overall consumption of concentrate	21%	30%	19%	13%	6%	10% <sup>(2)</sup>	-	-

(1) Rounded and calculated for the coal concentrate, raw coal sales converted into concentrate

(2) Sales to NLMK in 2006 include supplies to Altai-koks

Source: Raspadskaya, Companies' data

- **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 (IMC)
  - Board of Directors' Audit committee established
  - Two independent directors present on the Board
  - Internal Control Committee being formed
- **Dividend Policy**
  - Minimum payout ratio of at least 25% of IFRS annual net income
- **Relationship with Evraz**
  - Long-term contract for coal products supply, transactions effected at arm's length basis
  - Unanimous adoption of resolutions on major issues
  - Adroliv (holding company of management shareholders) appoints CEO and First Deputy CEO

\$ '000	2004	1H 2005	2005	1H 2006
Revenue	420,734	313,681	541,174	218,317
Cost of goods sold ex. depreciation	(131,972)	(83,654)	(165,103)	(70,612)
Selling and distribution costs	(5,476)	(3,534)	(5,255)	(5,915)
General and administrative expenses ex. depreciation	(19,870)	(13,968)	(29,822)	(18,479)
Other income/expenses	(4,594)	(9,259)	(19,081)	(3,509)
<b>EBITDA</b>	<b>258,822</b>	<b>203,354</b>	<b>321,913</b>	<b>120,236</b>
<i>Margin</i>	61%	65%	59%	55%
Depreciation, Depletion and amortisation <sup>(1)</sup>	(79,500)	(44,508)	(87,229)	(43,979)
<b>EBIT</b>	<b>179,322</b>	<b>158,758</b>	<b>234,684</b>	<b>75,823</b>
<b>Profit before income taxes</b>	<b>173,568</b>	<b>156,073</b>	<b>229,225</b>	<b>71,076</b>
<b>Net income (to equity holders of the parent entity)</b>	<b>127,336</b>	<b>116,178</b>	<b>164,952</b>	<b>50,822</b>
<i>Margin</i>	30%	37%	31%	23%

(1) The depreciation, depletion and amortisation include charges relating to cost of sales and general and administrative expenses

Source: Raspadskaia pro-forma financial results

Note: Net income net of minority interest

\$ '000	2005 <sup>(1)</sup>	1H 2006 <sup>(2)</sup>
<b>Assets</b>		
Property, plant and equipment	361,511	406,452
Mineral reserves	849,066	881,695
Other non-current assets	2,582	3,080
Inventories	23,948	30,777
Trade and other receivables	20,622	19,311
Taxes recoverable	53,123	27,644
Cash and cash equivalents	32,373	61,511
Other current assets	18,893	8,842
<b>Total assets</b>	<b>1,362,118</b>	<b>1,439,312</b>
<b>Equity and liabilities</b>		
Equity	704,450	770,065
Minority interests	3,684	4,041
Long-term loans	30,231	12,028
Long-term loans from related parties	5,439	5,724
Deferred income tax liabilities	210,975	220,317
Other non-current liabilities	9,799	10,308
Trade and other payables	17,253	26,046
Short-term loans and current portion of long-term loans	58,259	50,586
Payables to related parties	299,682	306,663
Other current liabilities	22,346	33,534
<b>Total equity and liabilities</b>	<b>1,362,118</b>	<b>1,439,312</b>
<b>Net Debt</b>	<b>61,556</b>	<b>6,827</b>

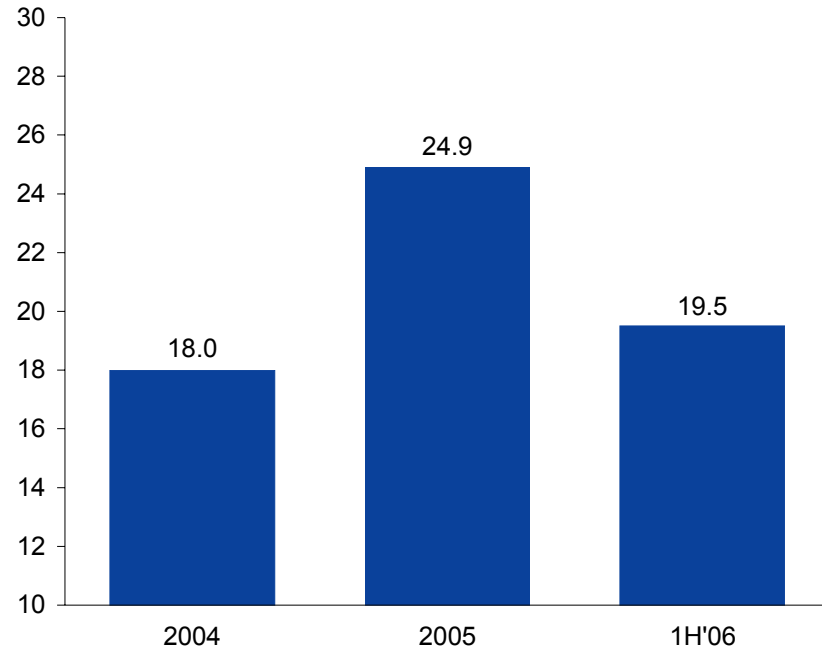
(1) Pro-forma consolidated Balance Sheet as of 31 of December 2005

(2) Unaudited Condensed Consolidated Balance Sheet for OAO Raspadsкая

Note: Net Debt as of 31 December 2006 was US\$305 million (per management accounts)

## Cash Cost Dynamics

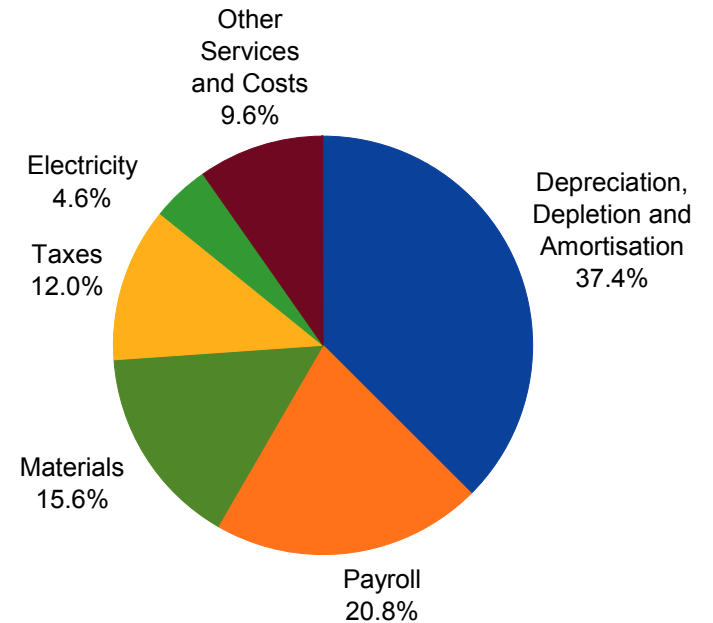
US\$ per ton



■ Total cash cost per tonne of concentrate produced

Source: Raspadskaya (pro-forma)

## Production Cost Structure (1H2006)



Source: Raspadskaya (pro-forma)

		2005	2006	± % to 2005	Jan-June 2006	July-Dec 2006	± %
<b>ROM</b>							
Raspadskaya Mine	' 000 t	6,395	7,368	15%	3,446	3,922	14%
Razrez Rapsadsky	' 000 t	2,211	2,104	-5%	1,056	1,048	-1%
MUK-96	' 000 t	1,111	1,141	3%	633	507	-20%
<b>ROM total</b>	<b>' 000 t</b>	<b>9,716</b>	<b>10,612</b>	<b>9%</b>	<b>5,135</b>	<b>5,478</b>	<b>7%</b>
<b>SALES</b>							
Concentrate - Domestic	' 000 t	4,706	5,125	9%	2,681	2,444	-9%
Concentrate - Export	' 000 t	925	1,423	54%	494	929	88%
<b>Total sales of concentrate</b>	<b>' 000 t</b>	<b>5,631</b>	<b>6,548</b>	<b>16%</b>	<b>3,176</b>	<b>3,373</b>	<b>6%</b>
Raw coal - Domestic	' 000 t	842	1,694	101%	620	1,075	73%
Raw coal - Export	' 000 t	1,106	250	-77%	30	219	624%
<b>Total sales of raw coal</b>	<b>' 000 t</b>	<b>1,948</b>	<b>1,944</b>	<b>0%</b>	<b>650</b>	<b>1,294</b>	<b>99%</b>
<b>Weighted-average prices *</b>							
Concentrate - Domestic	US\$ / t	79.9	60.3	-25%	60.9	59.5	-2%
Concentrate - Export	US\$ / t	65.2	52.2	-20%	49.2	54.3	10%
<b>Weighted-average price of concentrate</b>	<b>US\$ / t</b>	<b>77.5</b>	<b>58.6</b>	<b>-24%</b>	<b>59.1</b>	<b>58.1</b>	<b>-2%</b>
Raw coal - Domestic	US\$ / t	48.8	32.7	-33%	35.1	31.5	-10%
Raw coal - Export	US\$ / t	44.7	32.6	-27%	32.7	33.1	1%
<b>Weighted-average price of raw coal</b>	<b>US\$ / t</b>	<b>46.5</b>	<b>32.7</b>	<b>-30%</b>	<b>35.0</b>	<b>31.7</b>	<b>-9%</b>

\* FCA Mezhdurechensk

Note: Results in accordance with the Russian accounting standards may differ from the IFRS results.



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