

Raspadskaya – Russia's Leader in Coking Coal

Investor Presentation



Renaissance Capital's Metals & Mining Day
Moscow, 14 May 2007

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- Introduction to Raspadskaya
- Market and Industry Overview
- Strategy and Financial Overview



1. Introduction to Raspadskaya



Russian leading coking coal producer

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

Efficiency

- Low cash cost of concentrate production – US\$18.8 per ton in 2006
- Labor productivity on par with global peers
- Modern highly productive equipment
- Compact integrated operating complex

Professional management

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

Strong financial performance

- 2006 Proforma Revenue - US\$469m and EBITDA - US\$259m
- EBITDA margin – c. 62% in 2004, 59% in 2005 and 55% in 2006
- Proforma OpCF/EBITDA – 81% in 2006
- More than 50% of the 2004-2010 CAPEX program has been already completed

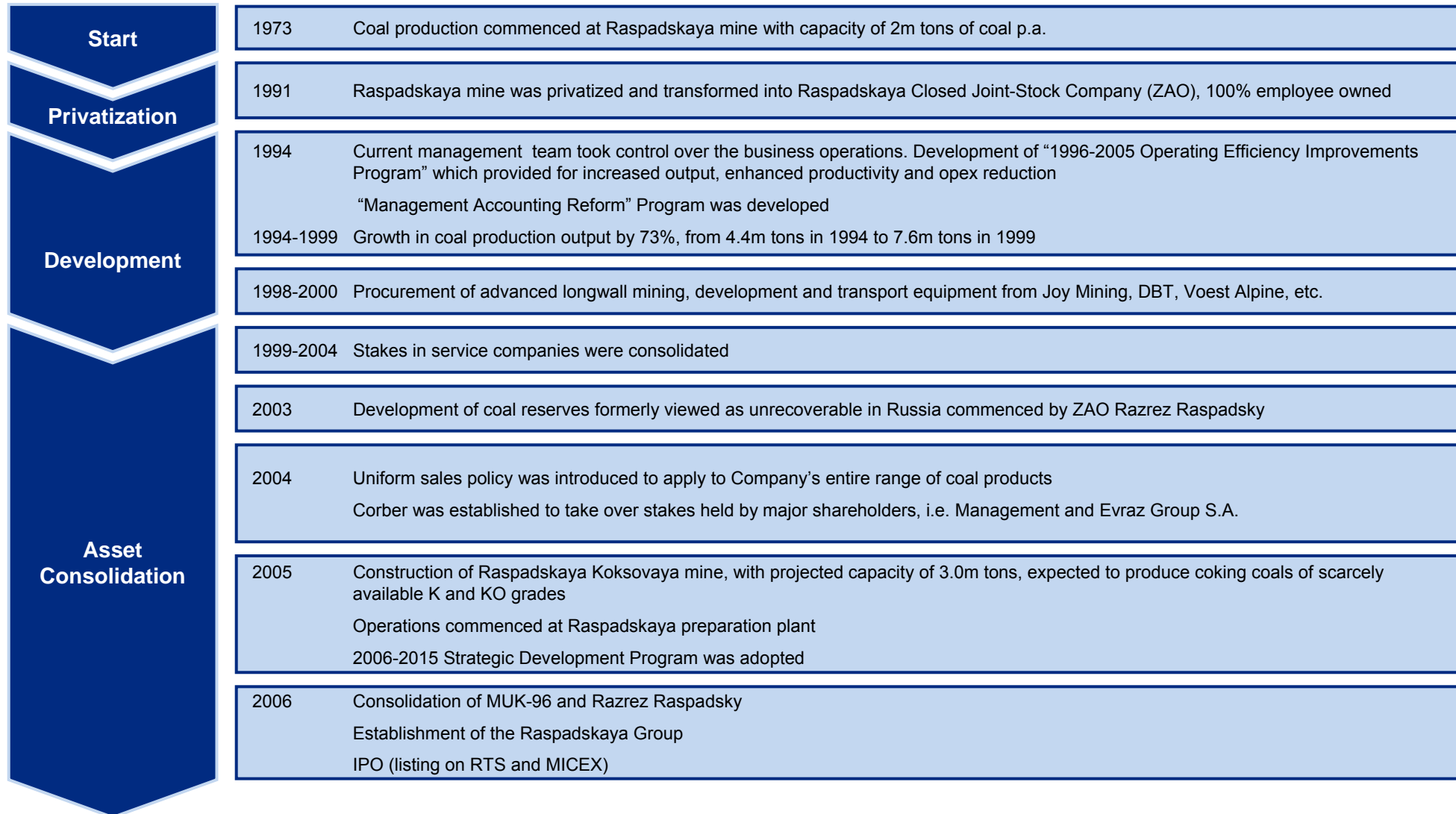
Growth potential

- Target production volume growth: up to 17 mtpa by 2010
- 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

Prudent and creditor friendly financial policies

- Net Debt/EBITDA of 1.5x
- Dividend pay out ratio in the range of 25%-50% of IFRS net income
- Availability of bank facilities or cash and cash equivalents to cover working capital requirements





- Coal production - 100% coking coal
- JORC reserves – 782 million tonnes¹
- Long reserve life – over 70 years²

- Average number of employees – 7 245 in 2006
- Production per underground mining employee – over 16 000 tppy in 2006

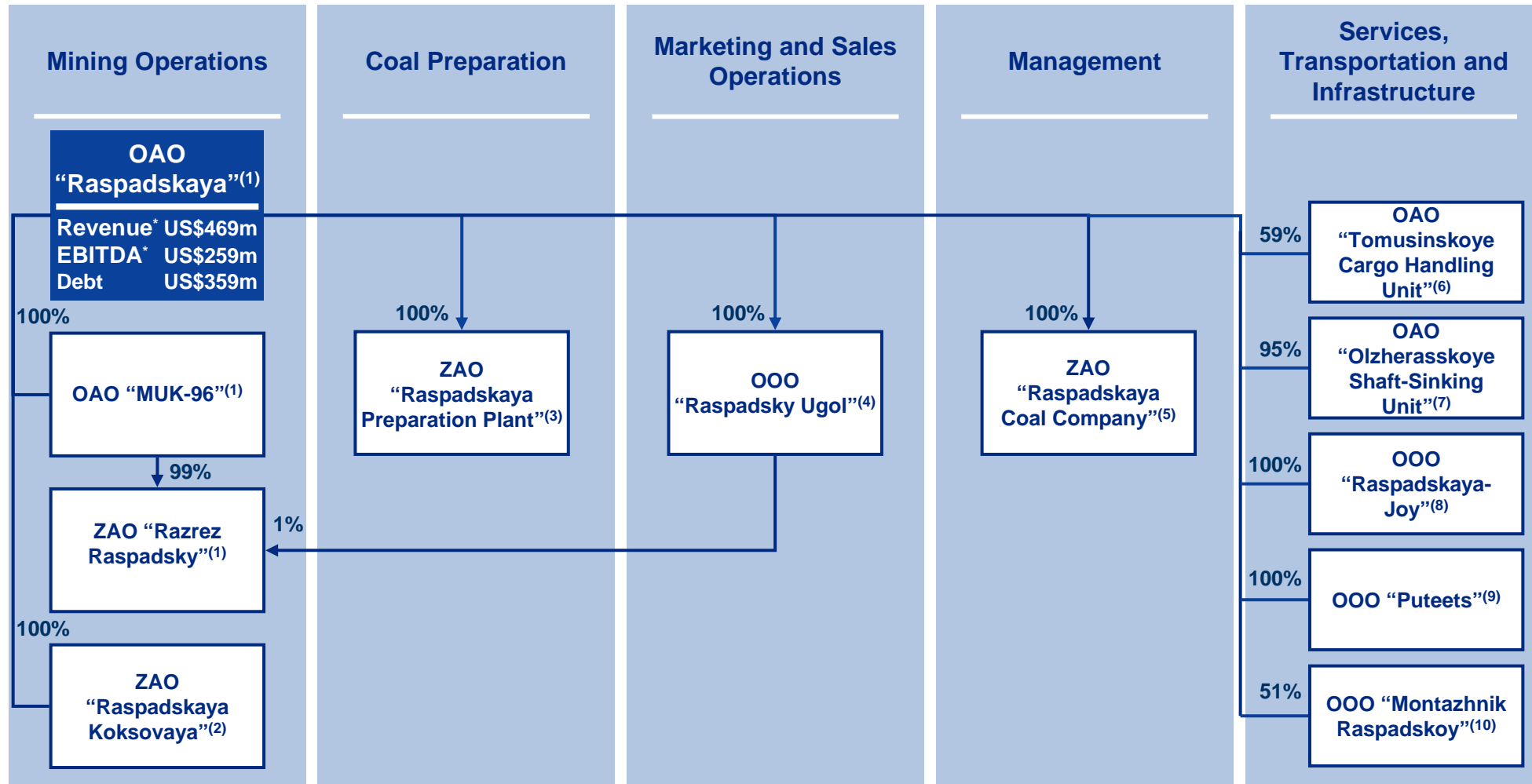
- 3 production sites
 - 2 mines (5 longwall faces)
 - 1 open-pit (2 highwall faces)
 - 1 mine under construction

- 80% of sales to Russian steel producers and coking chemical plants in 2006

■ Pro-forma 2006 Sales	US\$469 million
■ Pro-forma 2006 EBITDA	US\$259 million
■ Pro-forma 2006 EBITDA margin	55%

¹ on the international basis, IMC report as of 30 June 2006

² calculated based on 2006 production of 10.6 mt



(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

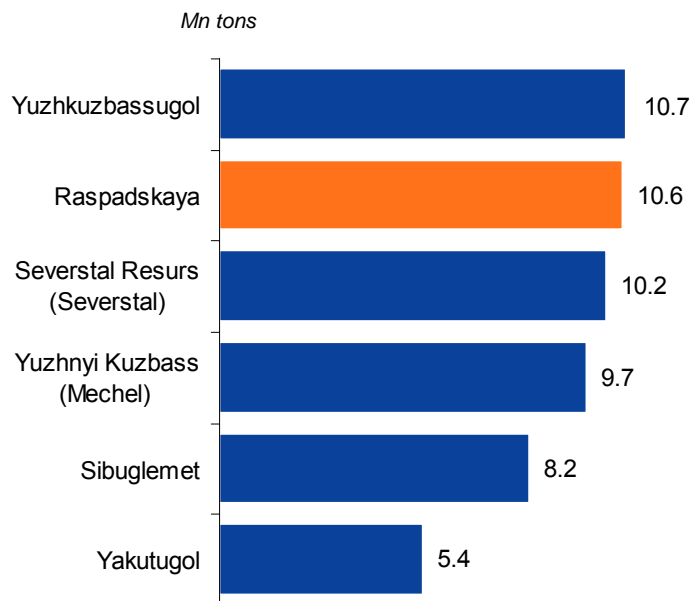
(9) Construction and maintenance of our railway facilities

(10) Production of roof bolting, metal lattice and other spare parts for our mining operations

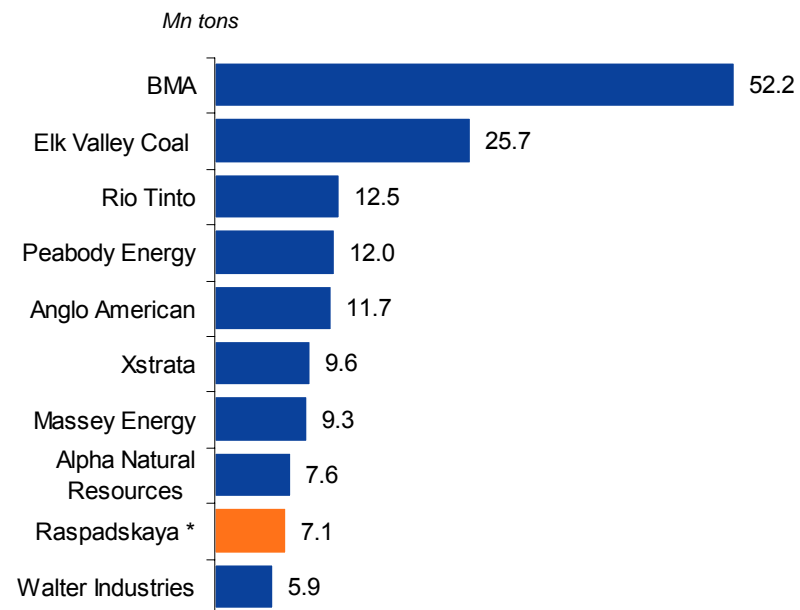
* Pro-forma figures

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

Largest Russian coking coal producers (2006)



Largest world companies producing coking coal concentrate (2005)



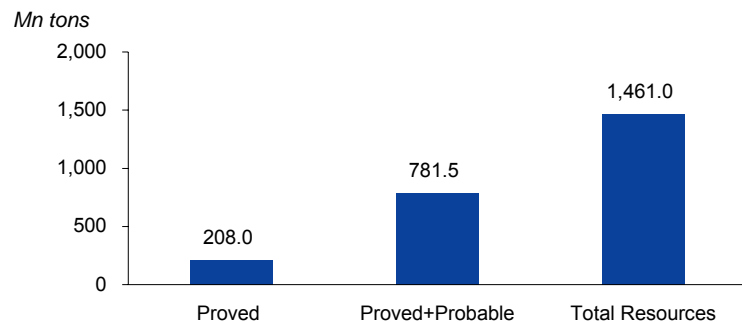
Source: CDU TEK

* Recalculated into concentrate
Source: companies data



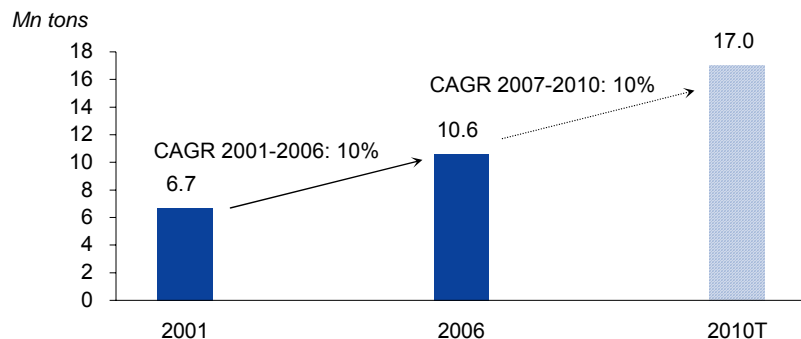
- Favourable mining and geological conditions: Forceful continuous seams (1.5 to 5 m) with flat dip <math><10^\circ</math>

Raspadskaya JORC Reserves and Resources



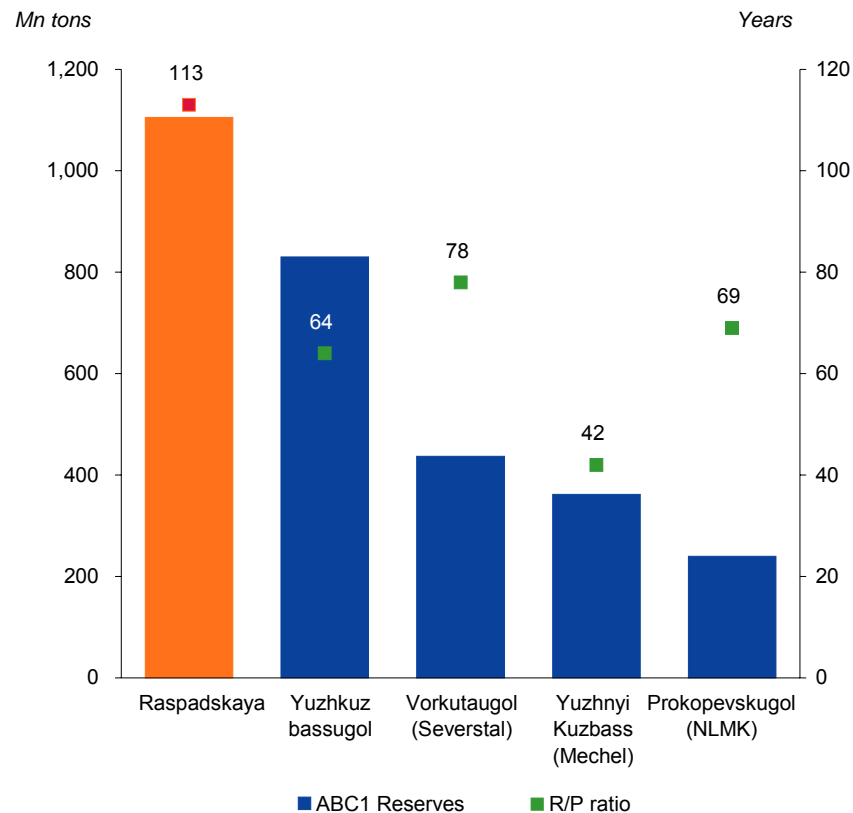
Source: IMC, Raspadskaya

Production Growth



Source: Raspadskaya

ABC1 Reserves and R/P Ratio (2005)



Source: Companies' data, Rosinformugol

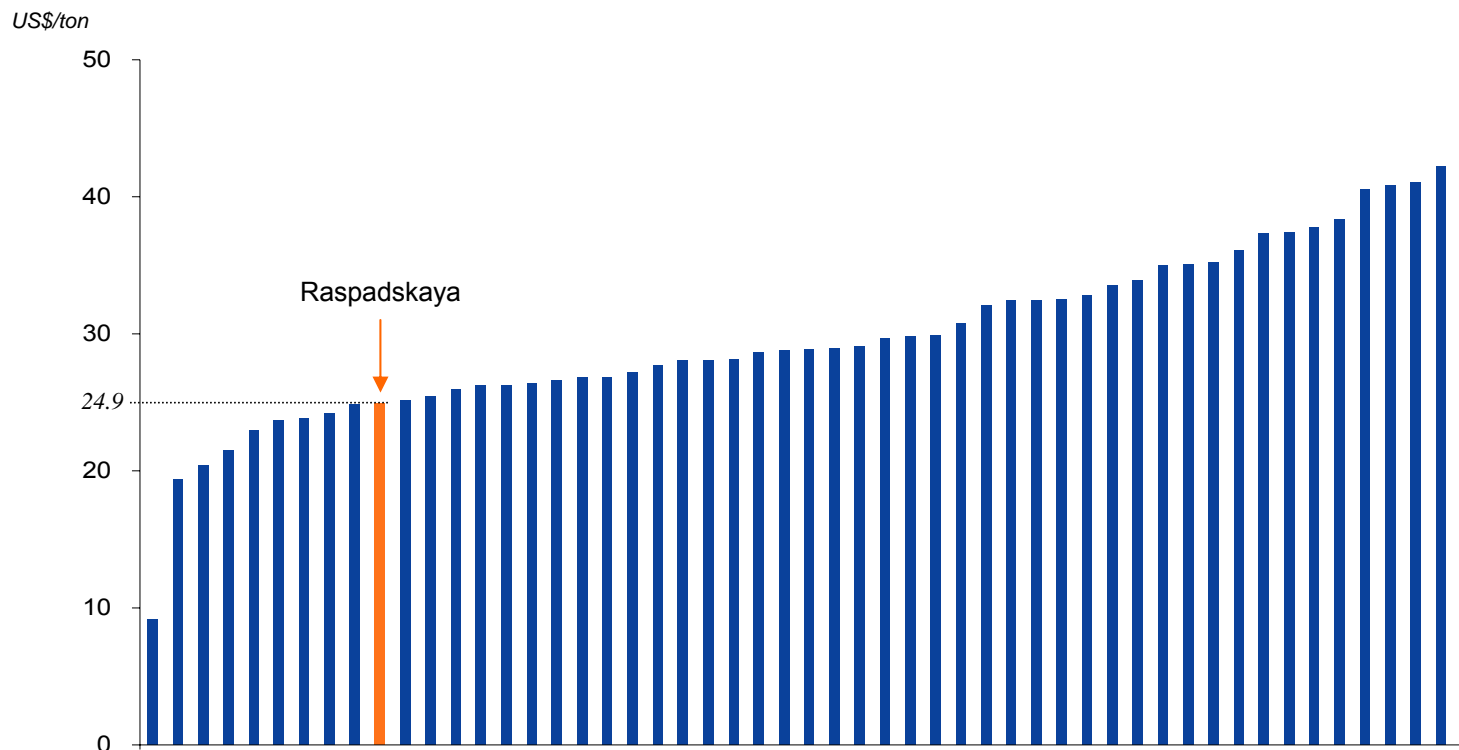
* Recalculated into concentrate

Source: Companies' data



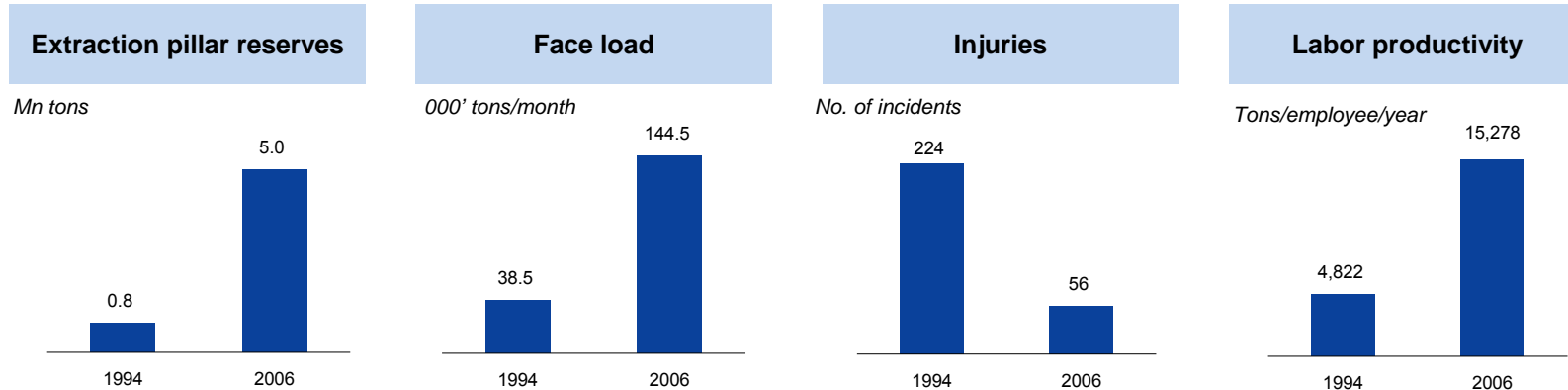
- Further substantial reduction in 2006 down to US\$18.8 per tonne of concentrate produced

Concentrate cash costs, by the largest global companies' mines (2005) ⁽¹⁾



¹ Concentrate cash costs, excluding freight and port loading.
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 и Massey Energy 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 2006
 - 6-fold increase in extraction pillar reserves in the period from 1994 through 2006
 - Nearly 4-fold growth in face load in the period from 1994 through 2006
 - 3-fold increase in labor productivity rates over 1994-2006
- Care for personnel and business sustainability
 - Enhanced labor safety as proven by 4-fold reduction in work related injuries since 1994
 - No strike record

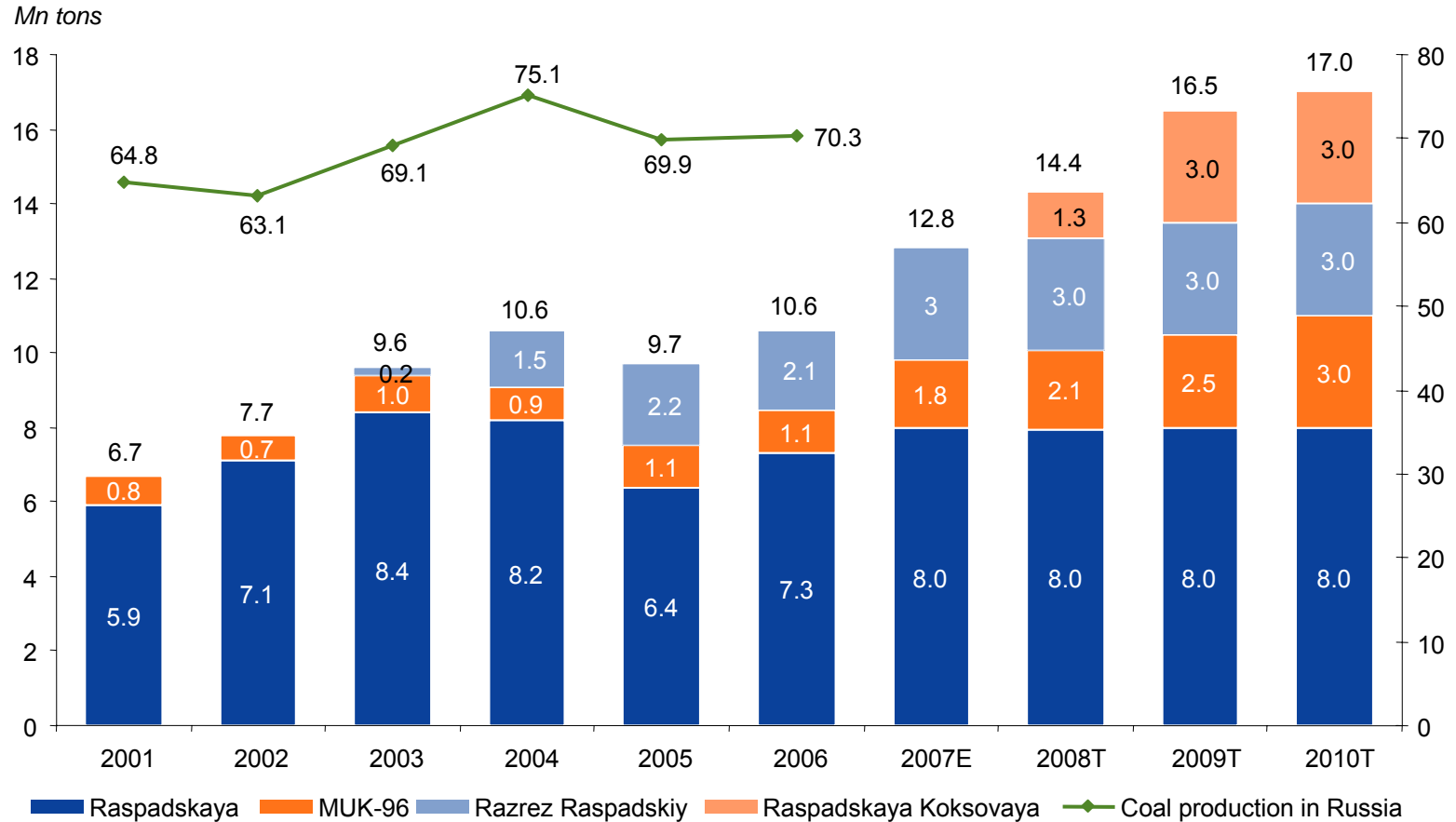


Note: Data only for Raspadskaya Mine for comparison consistency
Source: Raspadskaya



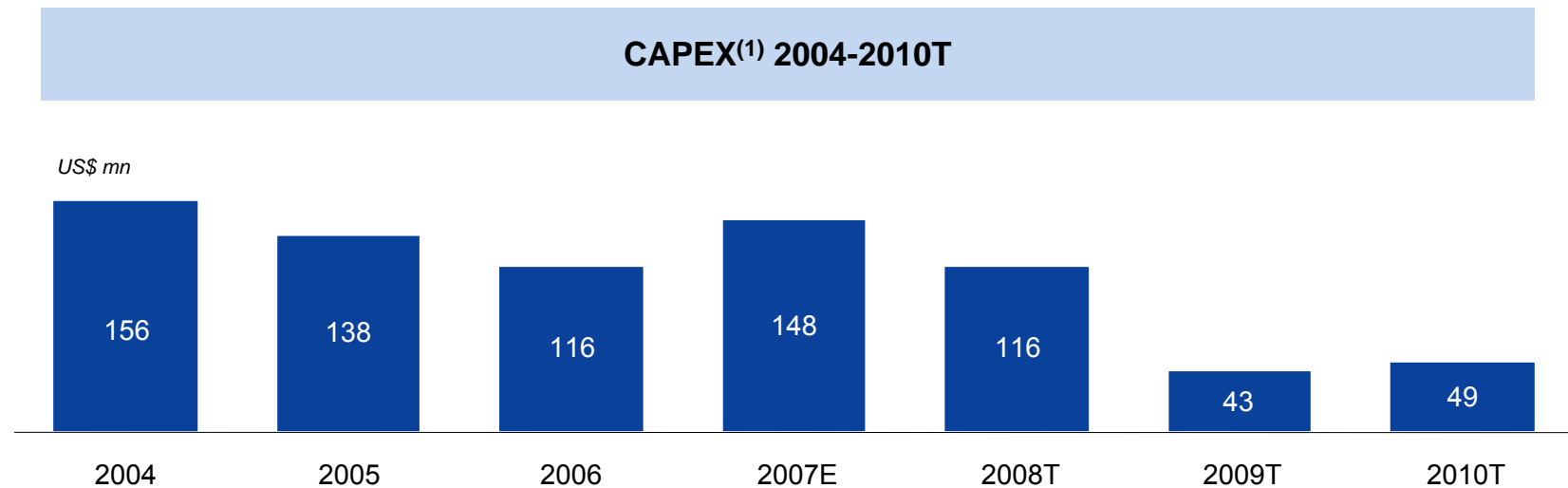
Management balances high profitability and return on capital with the minimization of operational risk

- Average coal output growth at Raspadskaya in 2001-2006 was 10% in comparison with Russia's average of 2.8%
- Raspadskaya's share of total coking coal output in Russia has grown to 15% in 2006 from 10% in 2001
- Track record of continuous organic growth validates limited execution risk of the current production plan



Source: Rosinformugol, Raspadskaya

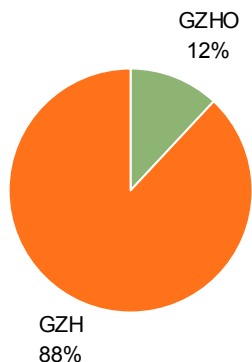
- 2004-2010 target capex programme in the amount \$766m is already over 50% complete
- Within 1.5 years the growth component of capex will be invested and it is expected to flatten at the maintenance level of \$40-50m per year from 2009 onwards



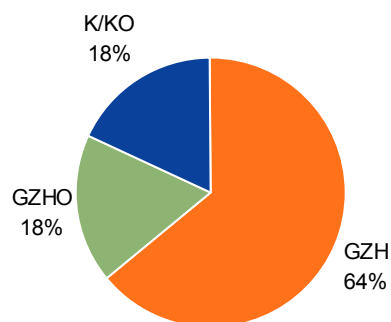
(1) – historical data based on management accounts
Source: Raspadskaya

Quality of Raspadskaya coal concentrate

2006



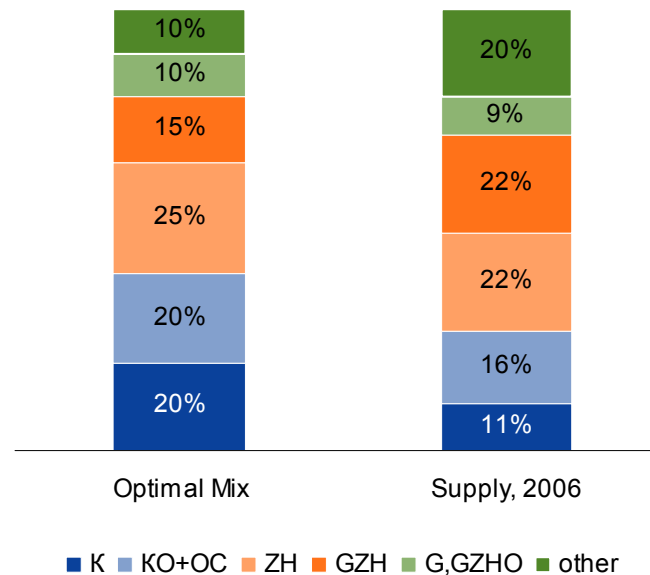
2010T



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

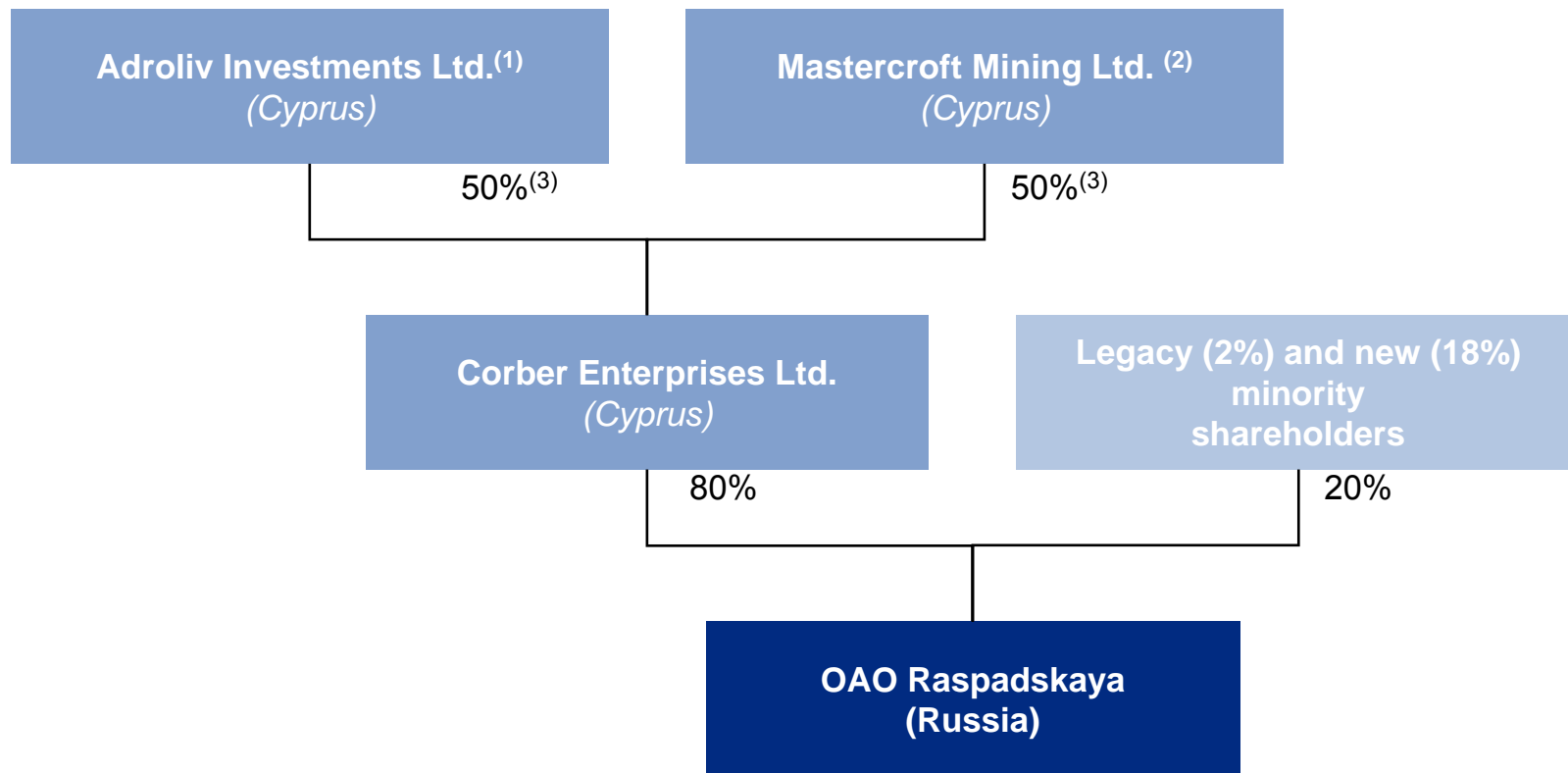
- Historically, Raspadskaya has been focused on domestic markets (Russia) – ca. 80% of total sales by volume in 2006, up from 75% in 2005
- Coal concentrate sales focused on Russia’s largest steel producers - MMK, Evraz Group and NLMK accounted for ca. 57% of total sales by volume in 2006
- Marketing 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 ⁽¹⁾	1.59	2.13	1.81	1.32	0.37	1.00 ⁽²⁾	1.49	1.17
as a % of Total ⁽¹⁾	23%	27%	28%	17%	4%	13% ⁽²⁾	21%	15%
Share of Raspadskaya in overall consumption of concentrate	21%	30%	19%	13%	6%	10% ⁽²⁾	-	-

(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



Source: Rospadskaya

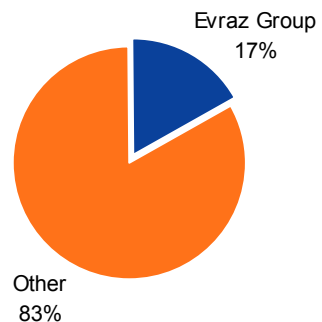
(1) Adroliv Investments Ltd. is beneficially owned by G. Kozovoy and A. Vagin

(2) Mastercroft Mining Ltd. is beneficially owned by Evraz Group S.A.

(3) % of voting shares

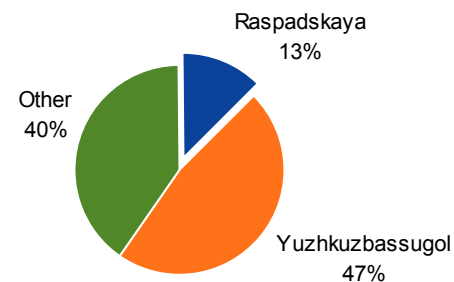
- Shareholders agreement between key shareholders provides for the following:
 - Unanimous adoption of resolutions on major issues
 - Adroliv appoints CEO and First Deputy CEO
 - Transactions effected at arm's length basis
- Key shareholders have approved the Company's Strategic development program for 2006-2015
- Long-term partnership
 - Evraz Group accounted for 17% of Raspadskaya total sales volumes in 2006
 - Raspadskaya accounted for 13% total procurement of coal by Evraz Group in 2006
 - Long-term contract for coal products supply

Breakdown of Raspadskaya coal product sales by consumers (2006)



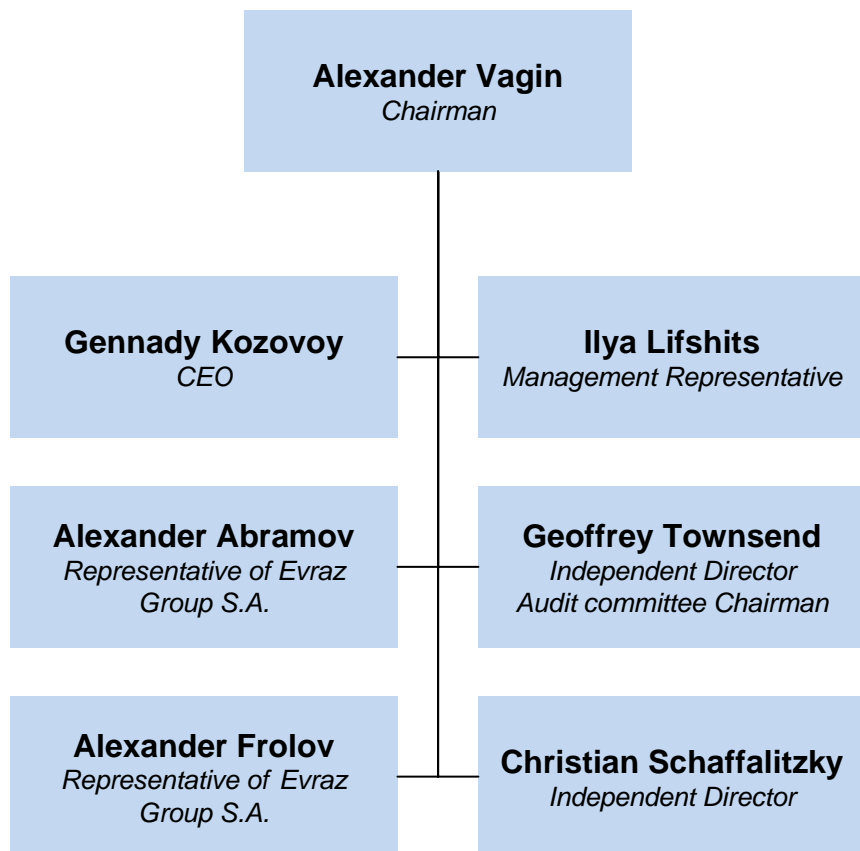
Source: Raspadskaya

Evraz Group S.A. coal concentrate procurement structure (2006)



Source: Evraz Group S.A.

Board of Directors

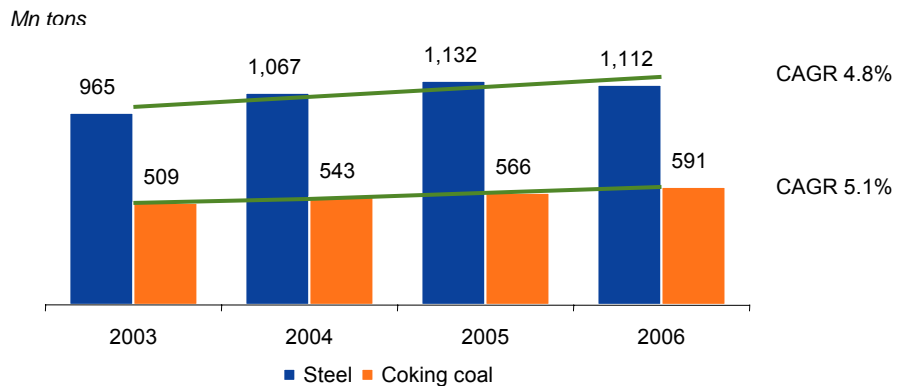


- Sound corporate governance at Raspadskaya
 - Transparent ownership and shareholding structure
 - Full disclosure of corporate information in accordance with the Russian legislation
 - Transactions with related parties effected at arm's length basis
 - Audited IFRS financials since 2003 (Ernst & Young)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

2. Market and Industry Overview

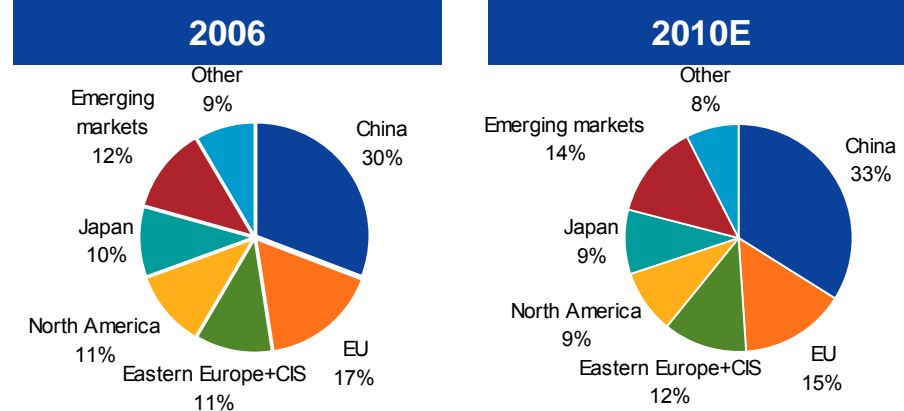


Global steel and coking coal production dynamics



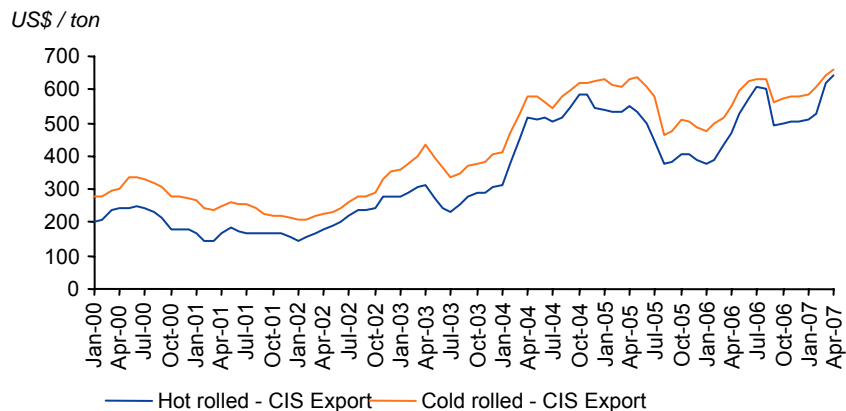
Source: IISI, Rosinformugol, Abare

Changing steel production geography



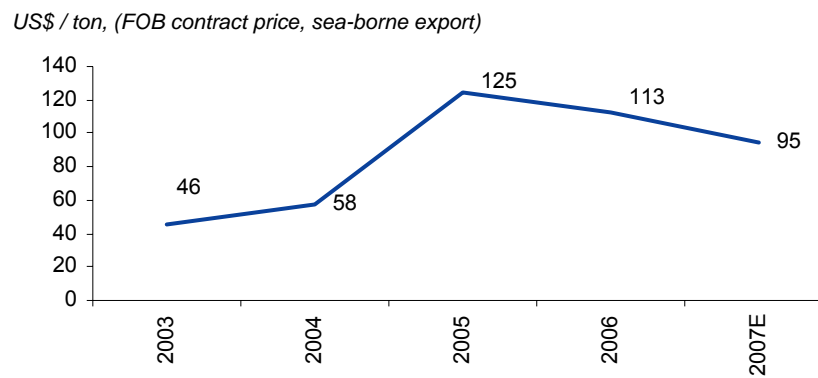
Source: Abare

Steel Price Performance



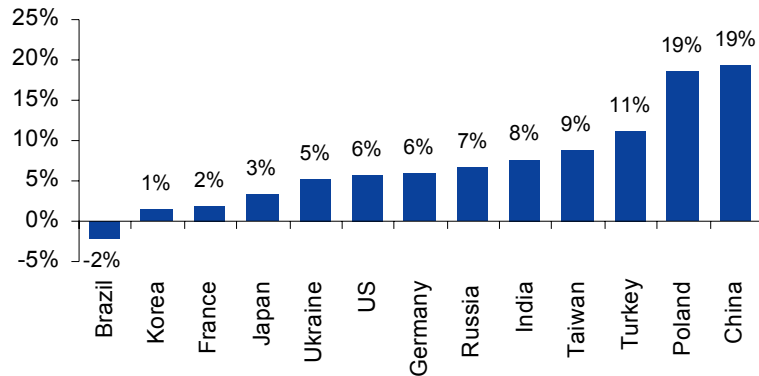
Source: Metal Bulletin

Hard Coking Coal Price Performance



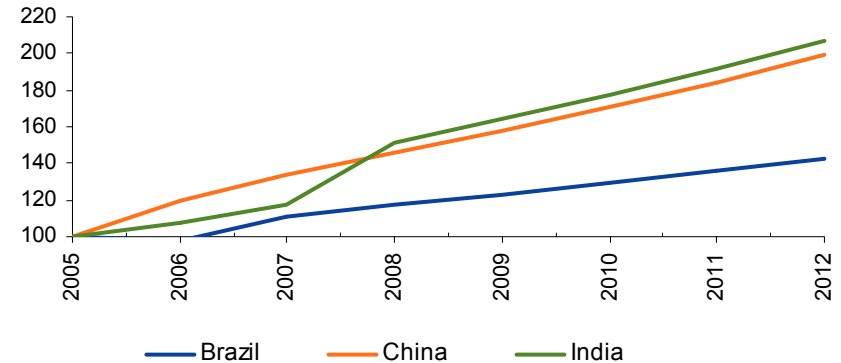
Source: AME, McCloskey's

2006 steel production growth



Source: IISI

Crude steel production growth forecast (rebased)



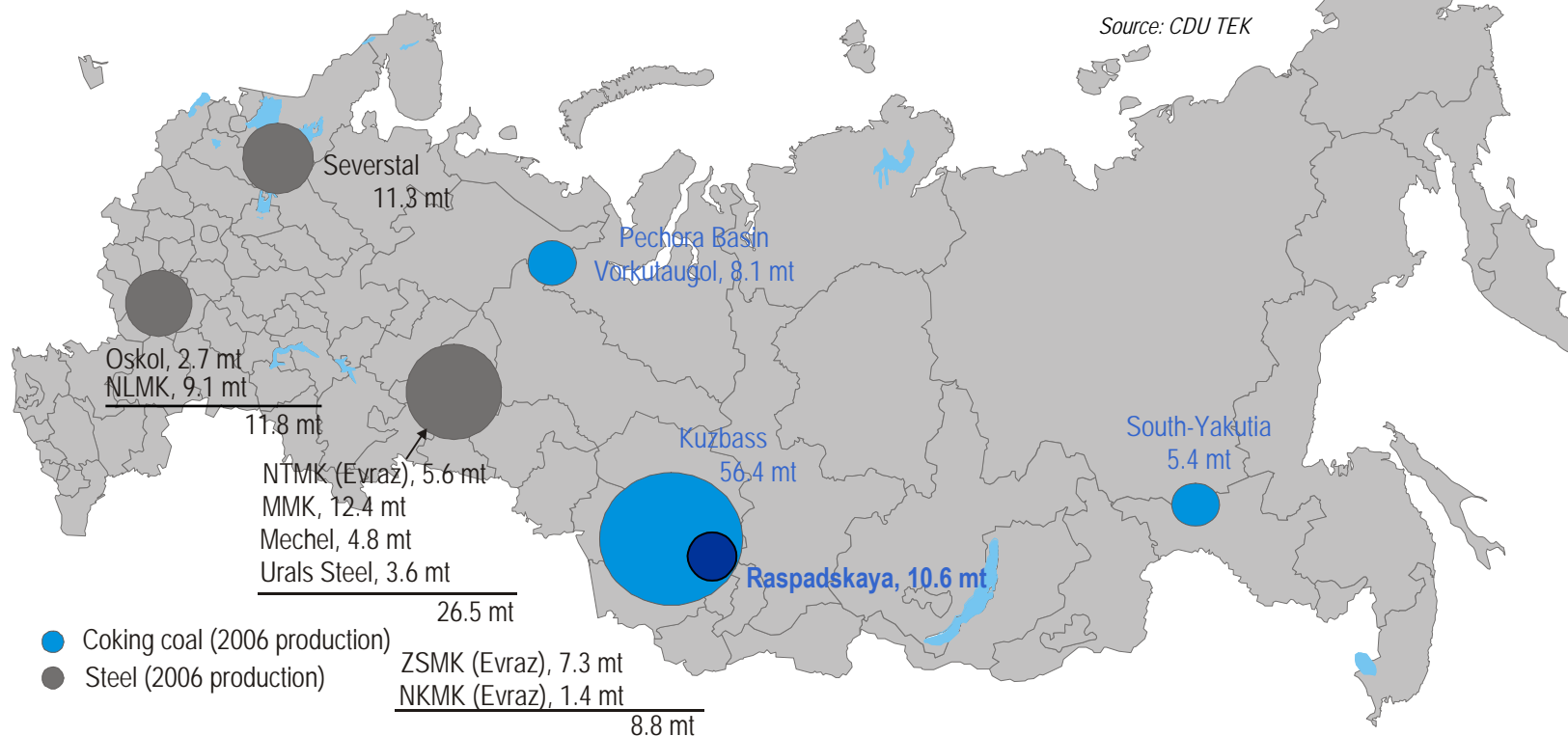
Source: IISI, UBS estimates

- Demand for coking coal is driven mainly by demand from the blast furnace steel production which still accounts for almost 70% of the global steel industry
 - Global steel production growth should be bolstered by continued strong investment in China, with support from India and Brazil, and renewed growth in the U.S. Global steel production is projected to grow to 1.41 billion tons in 2011, 17% growth compared to 2006
- Global coking coal contract prices peaked in 2005 at US\$125 per ton (FOB, hard coking coal) and then saw a 10% decline in 2006. The recently resolved contract levels are US\$95 per ton in 2007
- Slow supply response to high prices from Australia and Canada driven by constraints on skilled labour, engineering lead time combined with ongoing strong demand should keep prices up in 2008. However, weakening prices in 2009 followed by some longer-term resilience are expected for global coking coal market

- Kuznetsk basin accounts for ca. 80% of total coking coal production in Russia which itself has 2nd largest coal reserves in the world
- 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	2005
Yuzhkuzbassugol	-18%	10.7	13.0
Raspadskaya	9%	10.6	9.7
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
Total	1%	70.3	69.9

Source: CDU TEK



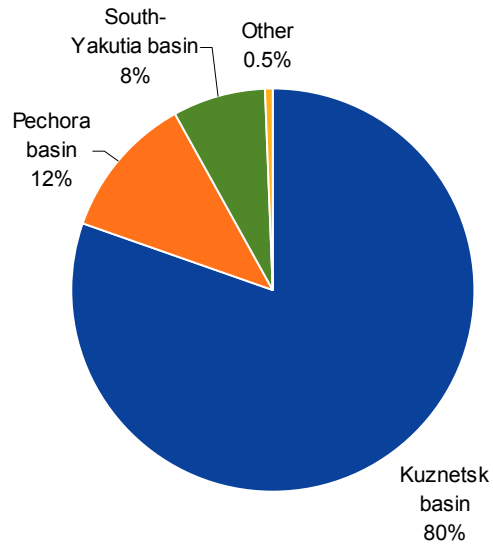
Source: Company Data

(1) BP Statistical Review of World Energy June 2006

(2) Rosinformugol

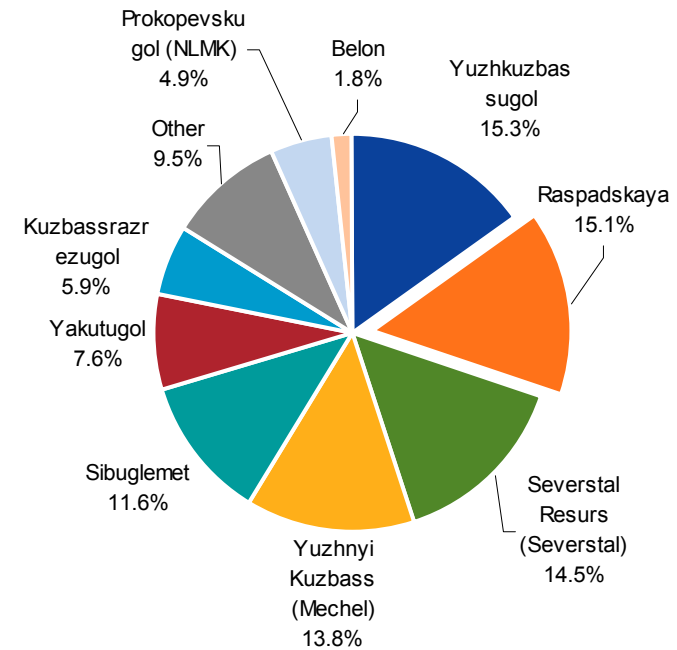
- Top 5 coking coal producers have 70% of the market
- Russian steel groups control over 30% of total coking coal production (Severstal Resurs, Yuzhnyi Kuzbass)
 - ProkopyevskUgol has been recently divested by NLMK for \$1 to the local administration

Russian coking coal production, by location (2006)



Source: Rosinformugol

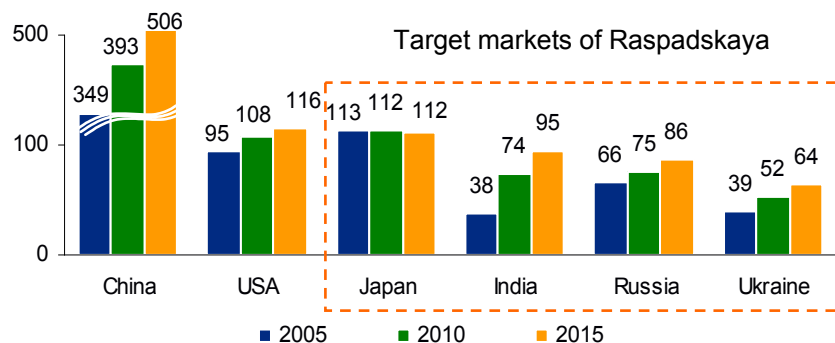
Russian coking coal production, by company (2006)



Source: Rosinformugol

Crude Steel Production

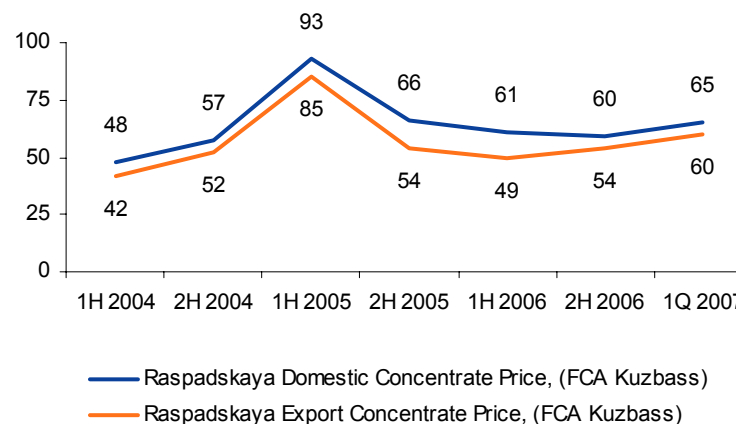
Mn tons



Source: IISI, McCloskey's Metallurgical Coal Quarterly

Coking Coal Price Performance

\$/ ton



Source: Raspadskaya, Metaltorg

- Russian crude steel production is expected to increase by 20% in 2010 compared to 2006, with increase coming both from construction of new electric-arc furnaces (EAF) and new blast furnace (BF) capacity
 - NLMK plans over the course of 2007-2011 to modernize and expand its BF and BOF shops by investing US\$2.4 billion, which should result in 3.4 million tonnes of new capacity, and create demand for additional 2.55 million tonnes of coking coal
- Russian steel producers announced major expansion projects in the next few years (Zhernovskoye-1, Zhernovskoe-3, Denisovskoe)
 - Unlikely to be fulfilled on time/in-budget keeping domestic demand/supply situation balanced against the backdrop of rising exports
- Russian coking coal prices are expected to stay at around US\$65/t in the medium to long term

- Key drivers of the development of the coking coal market include:
 - Continued shortage in hard coals – coking K and coking semi-lean (KO+OS) grades
 - Significant volume of investment required both to maintain existing production and to build new capacity
 - Significant lead times to a production launch at green field underground mines (3-4 years to construct a 3 mtpa mine)
 - High disparity in costs and efficiency throughout the industry
 - Trend to go to deeper levels as a result of depletion as well as difficult geological and mining conditions
- Russia's export potential is expected to increase by 10 million tonnes by 2010 – roughly 2.5% of forecast world trade of 250 million–260 million tonnes
- Raskadskaya plans to profit on shortages of hard coking coal and expects to produce 3m tonnes (out of 17m tonnes) of K-KO grades by 2010 as it sees strong demand for these grades from Russian steel producers
- Raskadskaya also plans to increase supplies to Ukraine, Eastern Europe and Asia

3. Strategy and Financial Overview



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

Corporate governance and social responsibility

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

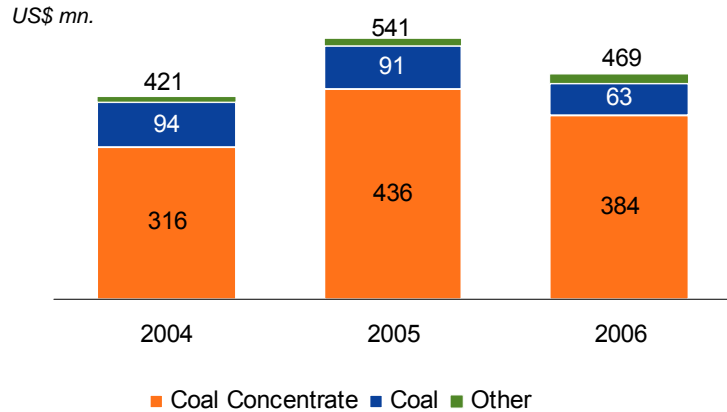
	Raspadskaya consolidated financials (US\$ m)				Pro-forma ¹ (US\$ m)		
	2003A	2004A	2005A	2006A	2004A	2005A	2006A
Revenue	131	392	549	472	421	541	469
<i>Growth, %</i>		198%	40%	-14%	na	29%	-13%
EBITDA	48	188	216	219	259	322	260
<i>Margin, %</i>	36%	48%	39%	46%	62%	59%	55%
EBIT	4	150	185	150	179	235	167
<i>Margin, %</i>	3%	38%	34%	32%	43%	43%	35%
Net Income	2	106	133	103	128	165	112
<i>Margin, %</i>	2%	27%	24%	22%	30%	31%	24%
Balance sheet							
Total assets	221	354	421	1,502	1,355	1,362	
Total debt	10	44	64	358	72	88	
Net debt	(5)	(4)	37	259	20	56	
Shareholders' equity	(77)	(45)	(9)	858	698	708	
Cash flow statement							
Cash flow from operating activities	39	139	155	179	Not compiled		
Cash flow from investment activities	(28)	(98)	(92)	(376)			
Cash flow from financing activities	(4)	(11)	(82)	215			

Same as consolidated financials

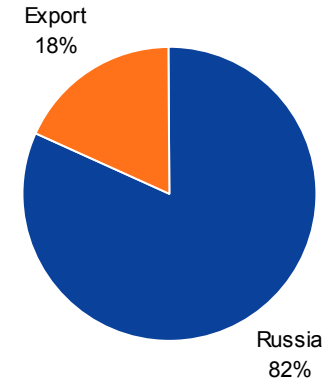
Note: ¹ Pro-forma financials include financial results of OAO "MUK-96" and full-year ZAO "Razrez Raspadskiy", while consolidated include those starting from 1 June 2006, when the assets were acquired

Source: Raspadskaya

Revenue structure, by product (pro-forma, 2004-2006)

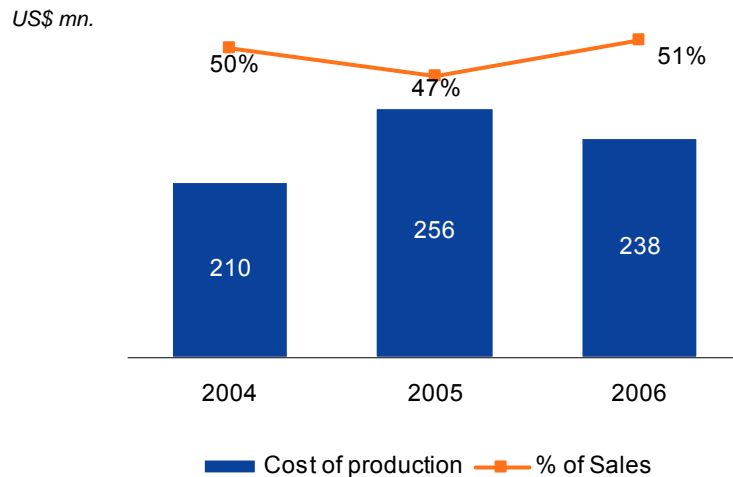


Sale of goods structure, by geography (raw coal and concentrate, 2006*)



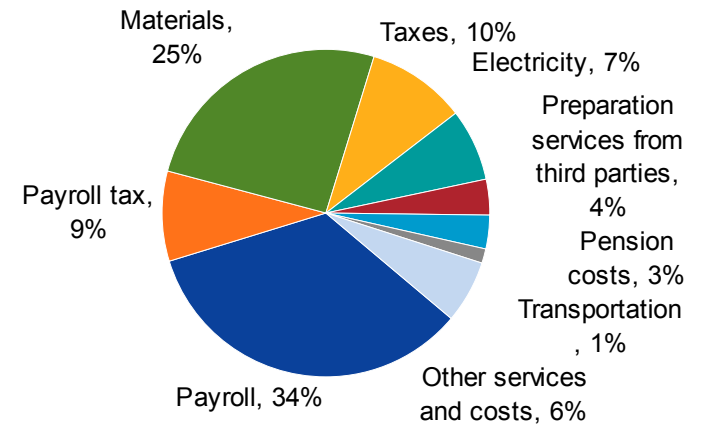
Note: * Excluding railway tariff

Costs dynamics (2004-2006)



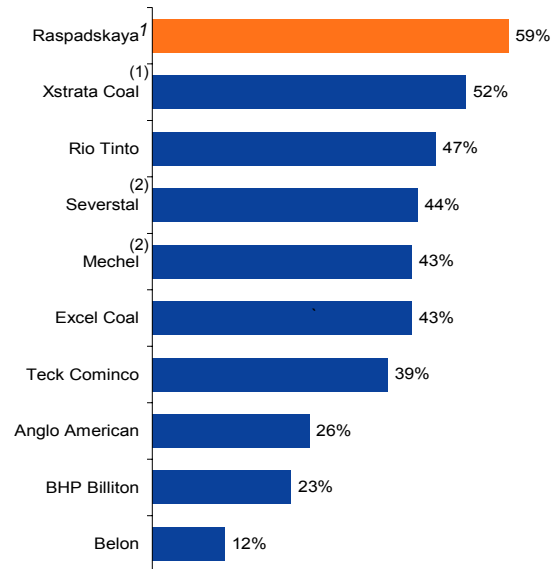
Source: Rospadskaya

Cash cost structure (2006)

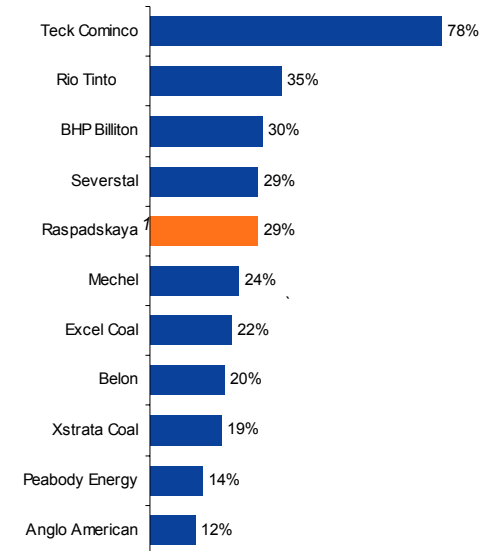


Source: Rospadskaya

EBITDA Margin (2005)



ROCE (2005)



Source: Raspadskaya, companies' data

(1) Data for coal mining segment

(2) Data for mining segment

(3) Including uranium dioxide mining segment

Note: ¹ Pro Forma 2005

Source: Raspadskaya, companies' data

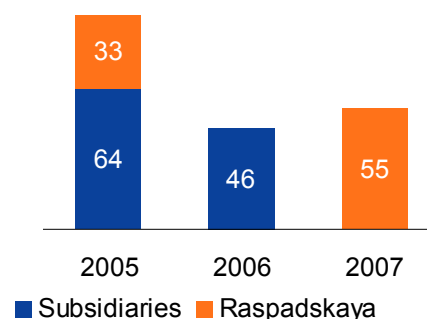
- Company's internal financial policies are as follows:
 - a) Net Debt/EBITDA of 1.5x
 - b) Dividend pay out ratio in the range of 25% - 50% of IFRS net income
 - c) We will maintain bank facilities or cash balance that cover our working capital requirements

- Total dividend payments in 2005-2006 amounted to US\$143mn

- Board of Directors approved target payout ratio of at least 25% of IFRS net income, subject to future cash flows and investments

- Board of Directors recommended a dividend payout of 1.94 RUR per share for 2006 (ca. US\$55m in total) – yet to be approved by the AGM on 15 June 2007

Dividend payments (US\$ million)



- On the upside, a significant percentage of our CAPEX program has now been completed giving us a significant advantage in the operationally leveraged business
- As downside risk, we recognize our exposure to coking coal prices and will pursue a conservative financial policy to compensate

Issuer	Raspadskaya Securities Limited
Borrower	OJSC "Raspadskaya"
Ratings	Corporate and Issue: Moody's Ba3 / Fitch B+
Format	Reg S only Loan Participation Notes
Amount	\$300 million
Maturity	5 years
Coupon	7.5% p.a., semi-annual
Key covenants	Negative pledge; limitation on mergers and disposals, transactions with affiliates; net debt to EBITDA threshold 3:1; limitation on restrictions on distributions from subsidiaries
Use of proceeds	Refinancing of existing \$300m bridge facility maturing 30 June 2007
Listing	London Stock Exchange
Joint bookrunners and joint lead managers	Citigroup and UBS

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