

Future of Coal in Russia

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March 2011

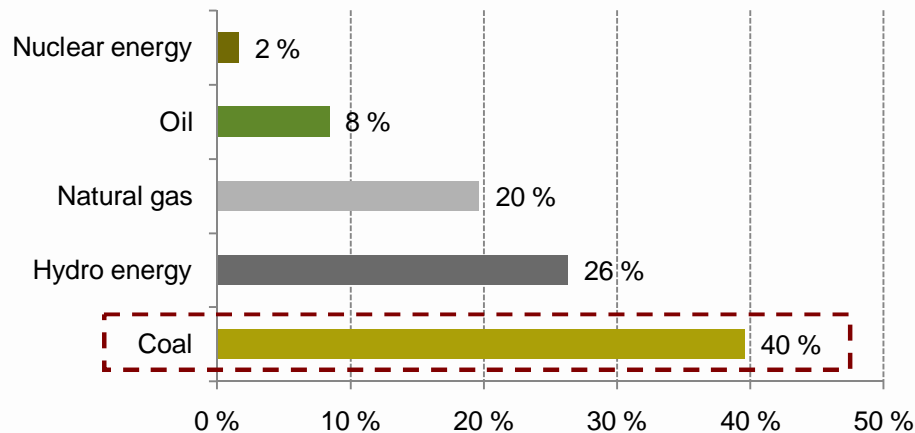


SUEK
SIBERIAN COAL
ENERGY COMPANY

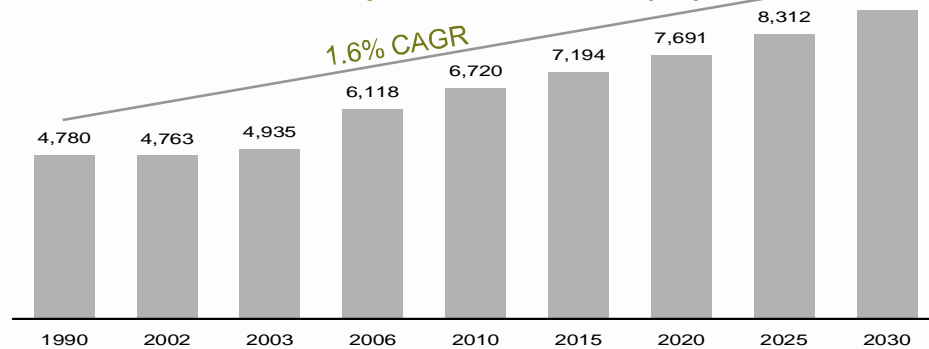
Place of coal in the world energy mix

- Coal is one of the dominating energy sources worldwide and its consumption is most rapidly growing compared to other energy sources
- Coal consumption is increasing as a result of the fast economic growth in China, India and other Asian countries that base their power production primarily on coal as well as the growing demand in USA

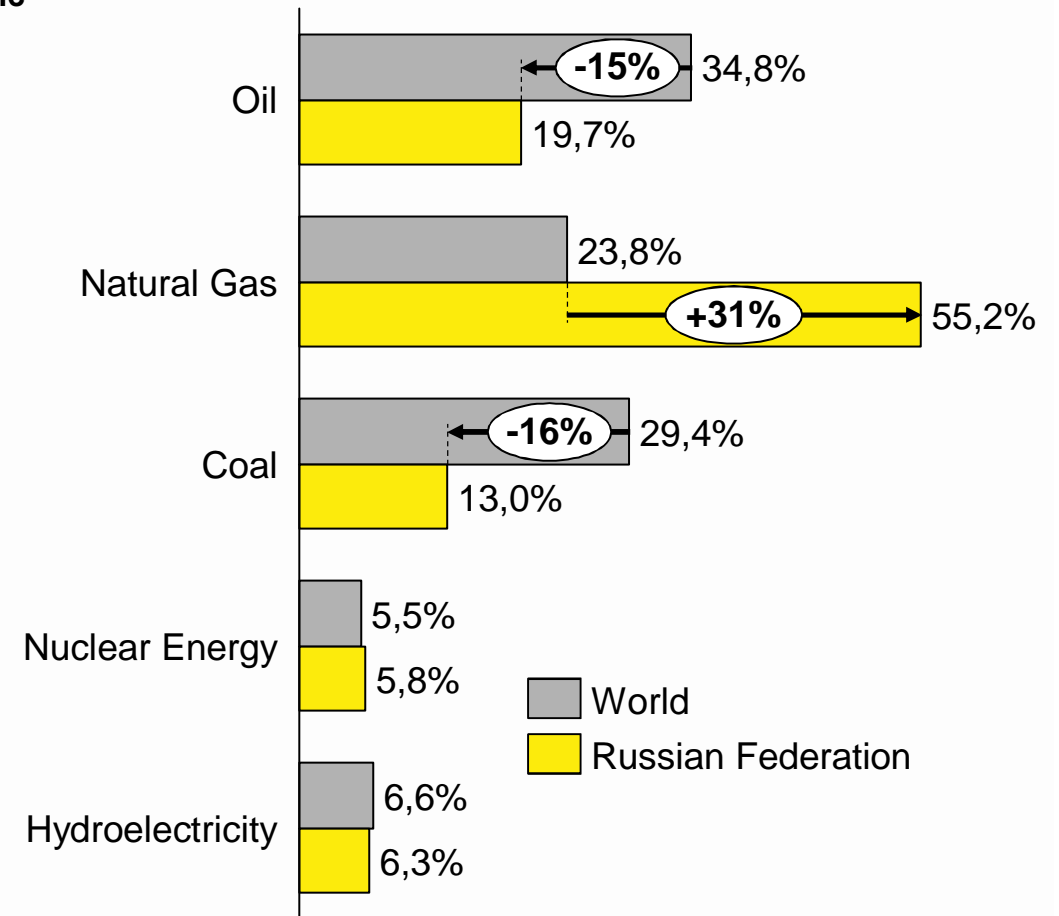
Energy consumption growth, 2001-2009



Global Coal Consumption, 1990-2030F (mt)



Primary Energy use structure in Russia in comparison with the world, 2009



Source: BP statistical review

Russia has unique coal reserves available

➤ Russia has the second largest coal reserves in the world:

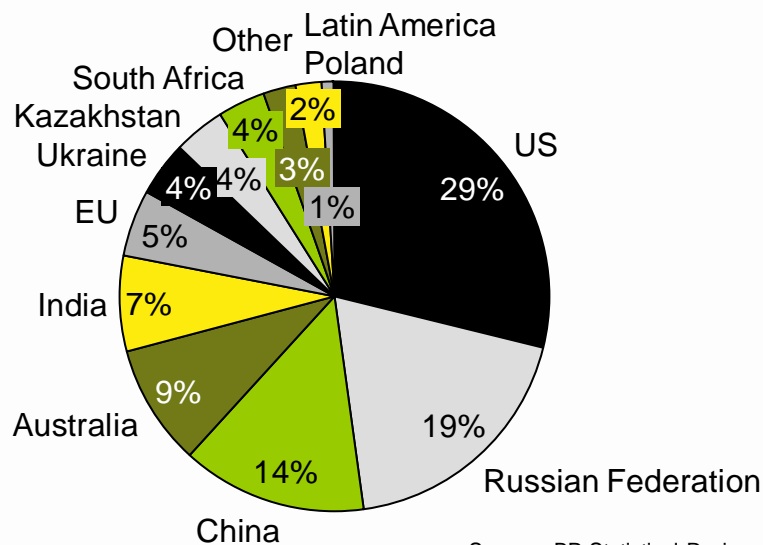
- Largest coal deposits in Russia are in Kuzbass and Krasnoyarsk regions
- Wide variety of different types of hard and brown coal
- Fair environmental characteristics including one of the world lowest sulphur and ash components
- Practically unlimited potential for deposits development using modern technologies

➤ Russia is in top 7 world coal production leaders

- Export volume is about 100 mln. tonnes and growing as a result of timely transport infrastructure expansion

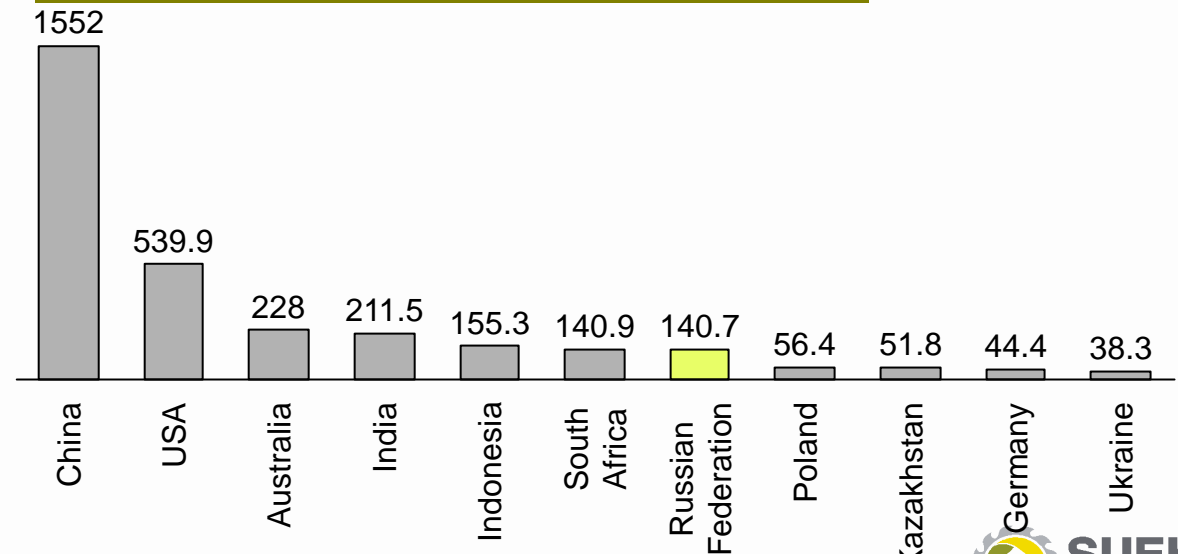
With current production volume the reserves in Russia are sufficient for nearly 500 years

World coal reserves distribution



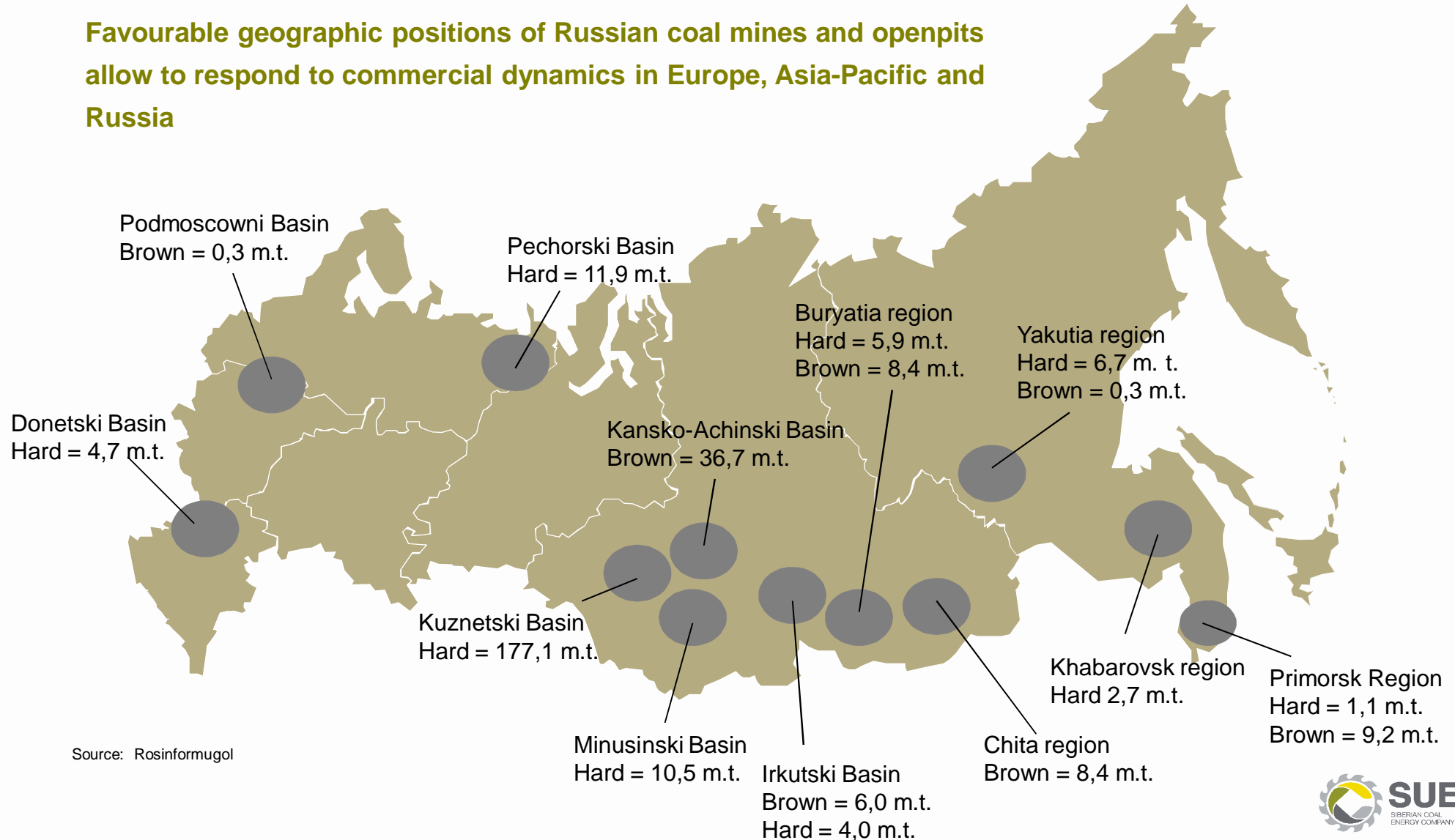
Source: BP Statistical Review of World Energy, 2010,

Leading coal producers



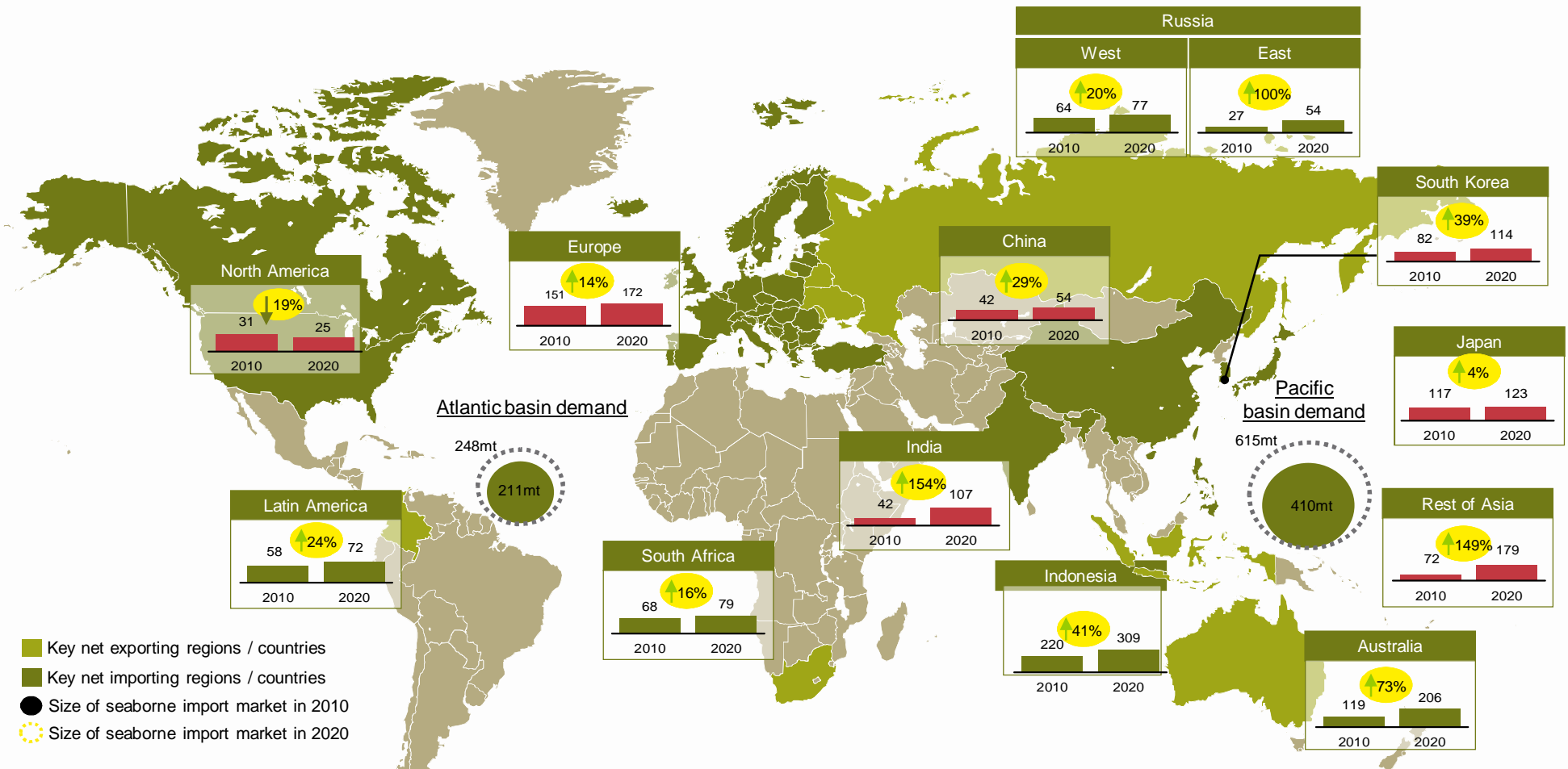
Main Russian Coal Regions: Production

Favourable geographic positions of Russian coal mines and openpits allow to respond to commercial dynamics in Europe, Asia-Pacific and Russia



Source: Rosinformugol

Global thermal coal market



Russian exports to benefit from growing tightness in the Asia-Pacific seaborne market

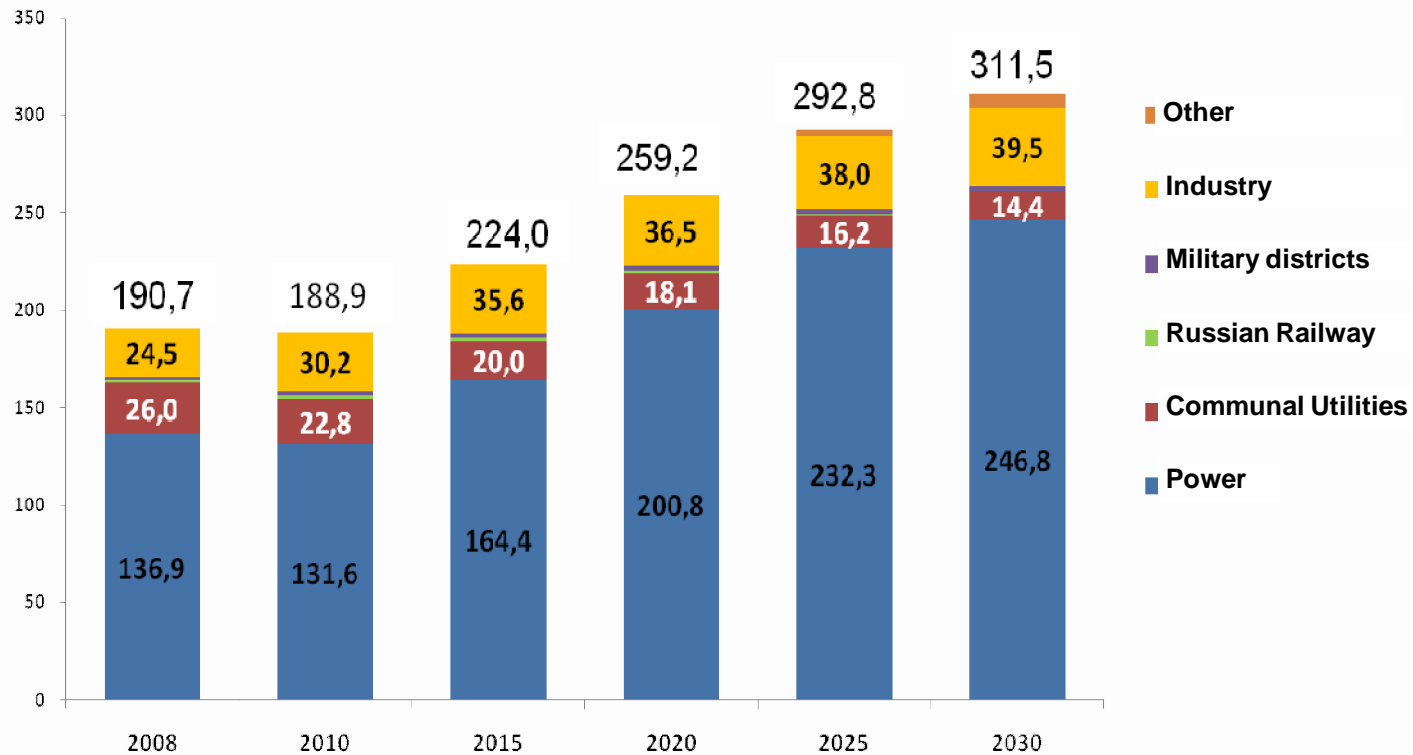
Source: Wood Mackenzie, April 2010.

Note 1: Values for each country / region represent the net export / import figures in given years. All values are in metric tonnes in millions (unless stated otherwise). Figures for China include Hong Kong.

Note 2: Calculation of imported volumes for each given country / region in given years includes both seaborne and landborne trade.

Russian Coal Market Structure

Thermal Coal Consumption in Russia
(In Millions Metric Tonnes)



Source: INKRU

Russian domestic coal producers

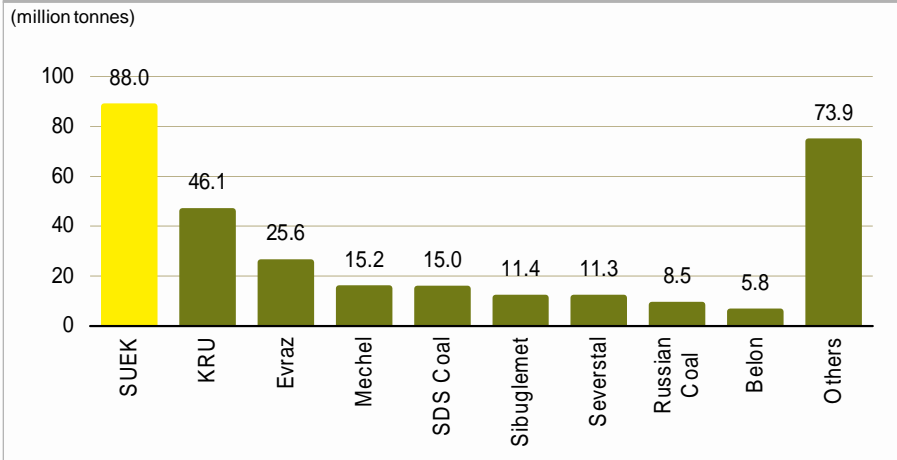
SUEK – leading position in domestic market in 2009

- #1 Russian coal producer (30% share of production), biggest domestic supplier of thermal coal (33% market share) ⁽¹⁾
- Largest Russian exporter of thermal coal (28% market share) ⁽¹⁾
- Power companies account for 74% of SUEK's total domestic sales volumes

Source: SUEK estimates based on CDU-TEK data from December 2009.

(1) Excludes sales of 3rd party coal.

Total coal production in Russia ⁽²⁾ – 2009

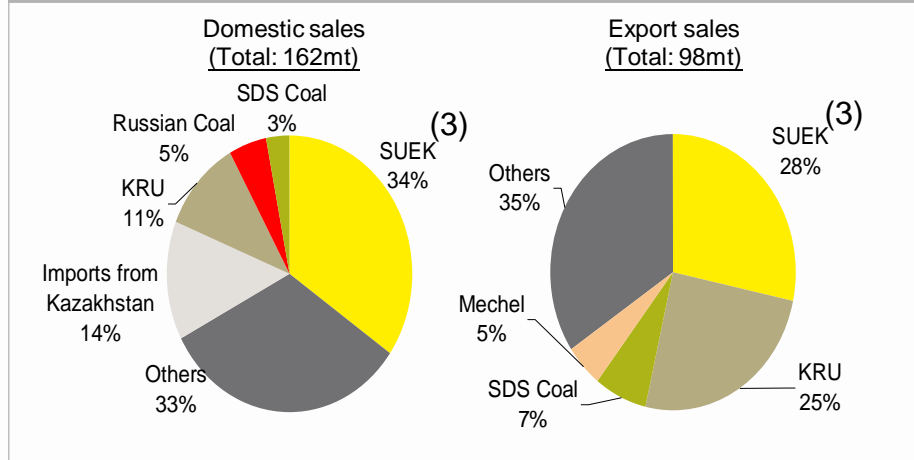


Source: SUEK estimates based on CDU-TEK data from December 2009.

Note: "Others" include small (total production < 5.0mtpa) privately owned Russian coal producers.

(2) Includes production of both thermal and coking coal.

Russian thermal coal market by share – 2009



Source: SUEK estimates based on CDU-TEK data from December 2009.

(3) Excludes sales of 3rd party coal.

SUEK is Russia's largest thermal coal producer, exporter and supplier to the Russian coal-fired power market

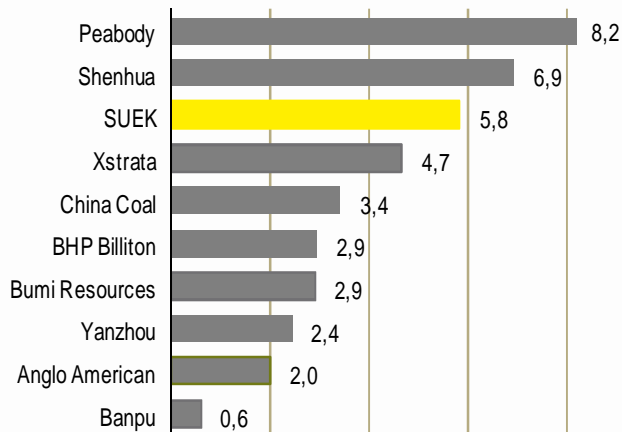


SUEK - world class coal miner

- Favourable geographic position – maximising revenues by redirecting coal sales volumes between the Atlantic and Pacific basins
- Developed infrastructure in place – captive rolling stock and own port terminal (Vanino)
- World class, large-scale mining operations – 17 opencast and 13 underground mines in 7 regions of Russia
 - Largest reserve base in Russia, Russia’s leading producer and exporter

Global coal reserves by company– 2009

(billion tonnes)



Strategic asset location in Southern Siberia facilitates access to both European and Asian markets – a competitive advantage

Source: SUEK.

Developed infrastructure in Europe

Access to a broad range of export ports

Russian coal companies benefit from:

- Access to wider set of ports
 - Flexible terms and conditions of service (size of shipments, timing, blend) due to close geographic proximity
 - Almost 1/3 of total volume of coal shipped in 2009 to UK / Cont & N Europe / Baltic was delivered to ports with < 35kt handling capacity
- Russian coal companies competitive edge as competition from other seaborne suppliers is limited and trans-loading at intermediary ports adds cost
 - Suppliers from South Africa and Colombia can only access major hubs
 - Average shipping distance of 4,500-5,250 miles means only large vessels (Capesize, Panamax) are used

South Africa: 5,250 miles
Colombia: 4,500 miles

South Africa and Colombia are panamax / capesize only



--- Major Railways ↪ Shipment routes ⚓ Russian ports ⚓ Ports with > 35kt handling capacity ● Ports with < 35kt handling capacity

Favourable geographic position and close proximity to European market (flexibility in shipments) provides Russian coal companies with a competitive advantage over exporters from South Africa and Colombia (large vessels only)

Source: SUEK.

Significant investment program – transforming SUEK into a world class mining company



Safety

- Ventilation system, degassing
- Complex automation of technological processes and air-gas control (Davis Derby, Mikon, Grunch)
- Environmental impact reduction



Improve infrastructure

- Construction of own terminal in Vanino port
- Reconstruction of rail stations in Kuzbass and other investments
- Rail cars, locomotives



Increase export sales

- Improvement of the quality of export coal in Kuzbass, Khakasiya, Tugnuï
- Increase of production at Kuzbass mines
- Further development of Urgal



Maintenance and modernisation of existing washing facilities

- Modernisation of processing and washing facilities in Kuzbass
- Modernisation of Khakasiya washing plant
- Construction of Tugnuï washing plant



Improvement of the efficiency of mine rock transportation

- Acquisition of heavy-duty dump trucks (220 tonnes)
- Acquisitions of excavators with higher dipper weights (Bucyrus, PH)
- Modernisation of conveyor belts



Other investments

- Various other investments in SUEK's coal business

Source: SUEK.

SUEK's charitable activities

In 2007, SUEK launched the non-profit organisation known as the "Regional social and economic support fund" aka. "**SUEK FOR REGIONS**".

The Fund serves to help to create new opportunities for launching modern territorial development mechanisms in partnership with the authorities and existing public organisations.

Main directions of SUEK's charitable activities:

- Social infrastructure development
- Support of educational, cultural, health services and sport organisations
- Assistance to the reform of housing and communal services
- Small businesses support
- Youth initiatives support
- Development of working models of public-private partnerships

Main regions of SUEK's charitable activities:

- Khakasia region
- Krasnoyarsk region
- Khabarovsk region
- Kemerovo region
- Buryatia region

Environmental security, Health and Safety, Social partnership

Environmental security and high safety standards are an integral part of SUEK's business and one of its strategic priorities.

One of the main principles of SUEK's activities is the principle of **social partnership**. Collaboration and social partnership with labor unions allows SUEK to strengthen stable social environment in labor communities, discover optimal decisions of disputable issues, set up rights and liabilities of both parties.

Collaboration with labor unions is established at the following levels:

- industrial (with central authorities of labor unions, acting at SUEK's enterprises)
- territorial (with territorial authorities of labor unions);
- on the level of enterprises (with primary labor unions);

Labor union agreements, Collective Labor contracts

- Regulate social and economical employment relationships between employees and employer
- Systemize social guarantees for employees
- Fix the content of social package
- Strengthen social stability in labor communities
- Determine mechanisms of disputable issues solving
- Establish social partnership environment between parties

Main directions of social benefits implementation

- Payment for round-trip tickets to the vacation areas;
- Payment for tourist vouchers for employees and their families;
- Lump-sum grant to employees after retirement
- Financial support to employees;
- Voluntary medical insurance for employees.
- Financial support to retirees