

OAO Raspadskaya – Update on Technical Measures, Production, Sales and Investments



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- Two explosions occurred at Raspadskaya mine on the night on 8/9 May 2010, as a result of which 67 people died, 23 miners are still underground
- Currently the Company is performing the following works: localization of fire, pumpdown of water, examination of the mine workings
- Priority objectives: the soonest performance of the search operations for the miners that are still underground, the gradual reconstruction of the production facilities of the mine
- The cause of the accident at Raspadskaya mine on 8 May 2010 that led to the deaths of the miners and mine rescuers will be determined by the state committee. The Company is providing the state authorities with all the required information
- Total investments in all enterprises of the Company since 2005 amounted to RUB 23.6 bn, including RUB 5.2 bn in FY 2009. This amount comprises investments in production safety
- Investments in Raspadskaya mine for the same period totaled RUB 12.8 bn from the total amount of the production investments
- It includes: purchases of aerogas control equipment, equipment for the degassing of coal seams, construction and equipment of ventilation shafts and degassing holes, an automated system of control of technological processes and systems of underground radio communication
- Investments in purchases of new equipment and construction of new facilities at Raspadskaya mine always provide for technical development directed to the improvement of production safety. Thus, in fact all the investments are directed to the provision of enhanced safety and efficiency of production and the improvement of working conditions
- As of mid of June 2010, the Company drafted a plan of elimination of the accident and gradual reconstruction of production facilities. This plan is being discussed with participation of the core federal ministries and agencies, Kemerovo Region Administration and industry experts
- Since the mid of June 2010, the Company took part in series of meetings at industrial, regional and federal level, including cooperation with labor unions regarding social and salaries issues
- **On 22-24 June 2010, Mr. Gennady Kozovoy, Raspadskaya's CEO, reported at the government level the Company's latest production and technical measures, including plans on the mine reconstruction**
- Raspadskaya is considering borrowing alternatives and discussing government financing of the part of the costs according to the stipulated state regulations with further control of application of allocated funds
- Currently, the Company is specifying the amount of reconstruction works, timing and ways of financing
- Priority sources of financing these works will be own funds of the Company and borrowings at financial markets
- More detailed data on the production and investment plans for Raspadskaya mine recommission will be announced by the mid of July 2010

- In May 2010, Raspadskaya denounced force-majeure to its counterparties, including Russian and foreign metallurgical and coke-chemical enterprises, transportation companies and ports, according to the terms and conditions of the contracts
- In 2010, the average production volumes of semi-hard coking coal at the Company's three enterprises (Raspadskaya mine, MUK-96 mine, Raspadsky open-pit) before the accident at Raspadskaya mine through the night on 9 May 2010 amounted to about 950 kt of raw coal per month and coal concentrate sales volumes amounted to about 760 kt per month, with around 65% of sales to the Russian clients and 35% of export sales
- In May 2010, sales volumes to the clients amounted to more than 400 kt of coal concentrate
- In the mid of May 2010, the Company announced that in the nearest 3-4 months semi-hard coking coal production at the Company's two enterprises (MUK-96 mine, Raspadsky open-pit) would amount to 350 kt of raw coal per month and coal concentrate sales would amount to around 255 kt per month
- Raspadskaya delivers its production to the following coke-chemical and metallurgical plants in Russia:
 - OAO "Koks" (Kemerovo Region), 
 - OAO "Gubakhinsky Koks" (Perm Region), 
 - OAO "Nizhnetagilsky metallurgical plant" (Sverdlovsk Region), 
 - OAO "Novokuznetsky metallurgical plant" (Kemerovo Region), 
 - OAO "Chelyabinsky metallurgical plant" (Chelyabinsk Region), 
 - OJSC "Magnitogorsk Iron and Steel Works" (Chelyabinsk Region) 
- Together with the gradual increase of production volumes the Company will seek opportunities to deliver its coal concentrate to other traditional customers of Raspadskaya in Russia

- The main debt is represented by Eurobonds for US\$300m with maturity in May 2012 and 7.5% coupon
- One of the covenants stipulated in the Loan Agreement on the Eurobonds is the ratio of Consolidated Net Indebtedness to 12-month Consolidated EBITDA, that may not exceed 3,0x. In FY 2009 this ratio amounted to 0.5x
- Another covenant is the ratio of Consolidated Debt to 12-month Consolidated EBITDA, that may not exceed 3,0x. In FY 2009 this ratio amounted to 1.3x
- On 14 April 2010, the Company's Board of Directors recommended to the Annual General Meeting the approval of a dividend in the amount of RUB5 per share, representing 25% of net income for FY 2008 calculated according to IFRS (including interim dividends) and around 50% of net income for FY 2009 calculated according to IFRS
- Considering the unexpected situation – the accident at Raspadskaya mine on the night on 8/9 May 2010 – the management of Raspadskaya and Evraz Group (who own Corber Enterprises Limited on a parity basis, which in its turn owns 80% of ordinary shares of OAO Raspadskaya) made a joint decision to vote at the Annual General Meeting on 2 June 2010 against the dividend distribution
- According to the draft plan of elimination of the accident and gradual reconstruction of production facilities Raspadskaya is considering borrowing alternatives and discussing government financing of the part of the costs according to the stipulated state regulations with further control of application of allocated funds. The final plan will be reviewed by the Board of Directors of the Company
- On 12 May 2010, Moody's Investors Service placed OAO Raspadskaya's B1 corporate family rating and B1 rating for Loan Participation Notes due in 2012 issued by Raspadskaya Securities and totalling US\$300m on review for possible downgrade. At the same time Moody's Interfax Rating Agency, which is majority owned by Moody's, placed Raspadskaya's A1.ru national scale rating on review for possible downgrade
- On 12 May 2010, Fitch Ratings placed Raspadskaya's Long-term foreign currency Issuer Default Rating (IDR) of 'B+', National Long-term rating of 'A(rus)' and senior unsecured rating of 'B+' on Rating Watch Negative (RWN). It affirmed the Short-term IDR at 'B'. The Recovery Rating on the senior unsecured debt is 'RR4'
- At the beginning of July the Company plans to hold series of meetings with rating agencies to update on the current situation after the mine accident

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