



Coal Energy – a leading Ukrainian coal mining company

Management Presentation

September 2012

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Contents

1	Company Overview	4
2	Coal Mining Market Overview	7
3	FY12 and 4Q FY12 Performance Overview	11
4	Development Strategy for FY13	16

1. Company Overview

Coal Energy – Key Indicators

FY2012 ⁽¹⁾ Results: Actual and Estimated	
Resources ⁽²⁾	235.5 mln t
Reserves ⁽³⁾	151.2 mln t
Production ⁽⁴⁾	1.9 mln t
Sales*	1.7 mln t
Revenue*	US\$ 165.5 mln
EBITDA*	US\$ 61.7 mln
Domestic / export sales ^{*(5)}	67% / 33%
Thermal / coking coal sales ^{*(5) (6)}	76% / 24%
Net Debt ^{*(7) (8)}	US\$ 8.5 mln
Net debt/EBITDA ^{*(7)}	0.14

Location of Operating Assets



(* Estimated figures based on the preliminary management accounts. Actual IFRS audited data would be available after the publication of the Annual report at 30th October 2012

(1) The Group's financial year ends at 30 June 2012

(2) Total in-place resources under JORC

(3) Proved and probable recoverable reserves under JORC

(4) Production output includes 1.6 million metric tonnes (kt) of mined run-of-mine (ROM) coal and 262 thousands tonnes of saleable coal produced from waste

(5) Sales breakdown in value terms for export / domestic and by coal types

(6) Here and onwards in presentation coking coal segment includes fat (coking) and gas (dual-purpose) coal, thermal segment – anthracite, lean and long-bituminous gas coal.

(7) As of 30 June 2012 net debt includes obligations under financial lease.

Investment Highlights Summary

1 Significant reserves with growth potential	<ul style="list-style-type: none"> • #3 by reserves and #4 by production in Ukraine among private coal producers⁽¹⁾; • 235 mln.t of in-place coal resources under JORC, 151 mln.t of proven and probable coal reserves under JORC⁽²⁾; • 2x reserves growth potential.
2 Integrated business model and wide range of products	<ul style="list-style-type: none"> • Vertical production chain of coal mining, beneficiation, waste processing and trading ensures higher operating margin for Coal Energy compared to its competitors; • Wide range of coal grades, such as anthracite, low and high volatility thermal and coking coals offered to a variety of industries both in Ukraine and abroad.
3 Brownfield expansion strategy	<ul style="list-style-type: none"> • The strategy is to commercialize significant unexploited coal reserves and increase profitability utilizing existing mines infrastructure and achieving significant economy on further CAPEX as well as by leveraging Coal Energy's advantageous logistics position; • FY16 production goal – to mine 3.8 mln.t of saleable coal from underground mining, c. 2.4x increase from the FY12 mining level.
4 Solid financial performance	<ul style="list-style-type: none"> • EBITDA for FY12 is estimated to compose US\$61.7 million • Leverage remained low – expected Net debt/EBITDA ratio – 0.14 • Assuming 1Q FY12 prices on the export and coking markets, EBITDA for FY12 could be c. US\$12 million higher
5 Diversified customer base and favorable location	<ul style="list-style-type: none"> • Blue-chip customer base; • More than 50% of sales are supplied to customers located within 200 km of the Group's facilities; • Growing share of sales under long-term frame agreements.
6 Listed on the WSE with high-quality corporate governance in place	<ul style="list-style-type: none"> • Listed on the WSE on Aug. 4, 2011 (ticker: CLE PW), • BoD with six directors, three of which are INEDs. Audit committee is in place; • The founder and CEO has more than 17 years of experience in mining and mining machinery building.

(1) Private producer means not state owned or controlled; rating calculated based on ICU (Investment Capital Ukraine) research in terms of 2011 calendar year data
(2) Does not include license of Nadra Donbassa LLC dated 27 December 2011 issued for 20 years for 24.8 mln.t reserves of coking coal (valued under Ukrainian methodology)

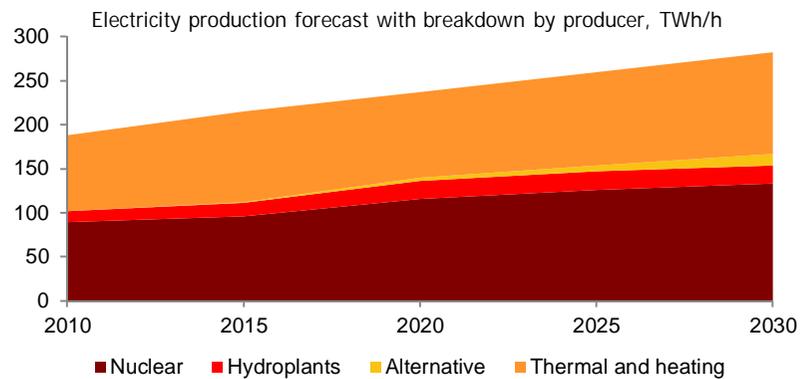
2. Coal Mining Market Overview

Thermal coal market: strong demand and perspectives on the domestic market



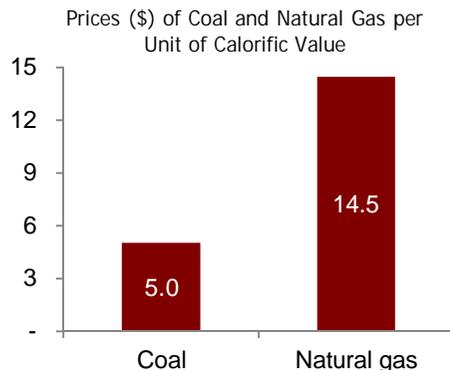
- Local power plants bought 37.2 mln tonnes of salable coal in 2011, which accounted for 82% from the total thermal coal output. During 7 months 2012 the power plants consumed 4.4% more thermal coal compared to the same period in 2011.
- Although nuclear and hydro power plants produce cheaper electricity than thermal; nuclear power plants are inflexible in electricity production volumes and depend on imported nuclear fuel (Russia) and hydro power plants already operate close to full capacity. Thermal and heating power generation is the only reliable source flexible in producing the necessary energy volumes with the sufficient coal reserves as a fuel to cover any growing needs by 100%.
- We expect electricity production in Ukraine to increase at a CAGR of 2.6% over 2012-15, up to 215 TWh, driven by coal-fired power plants (electricity from that source supposes to grow at 3.9% CAGR to 82 TWh). We thus forecast domestic demand for marketable thermal coal to surge by 12% in the next 3 years, to 69.2 mln tonnes till 2016.

The share of thermal generation will grow along with the growth in electricity generation



Source: renewed draft of Energy Strategy for Ukraine till 2030.

Coal is ... cheaper than natural gas for Ukrainian consumers...

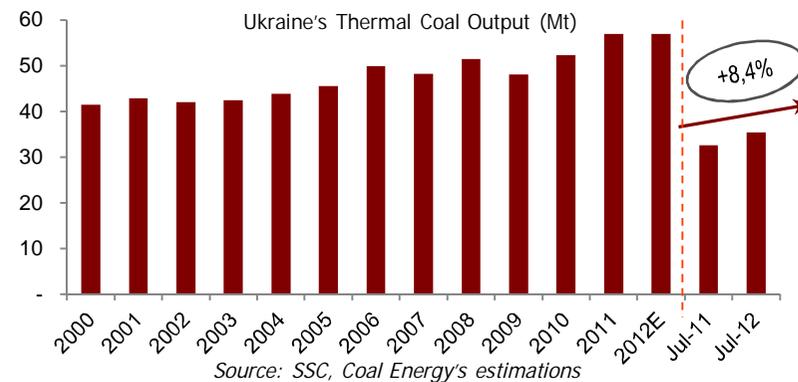


Based on indicative prices of Coal of Ukraine and gas prices private Ukrainian mining companies, www.rbc.ua

... is crucial for energy security
... is able to secure needs by 100%

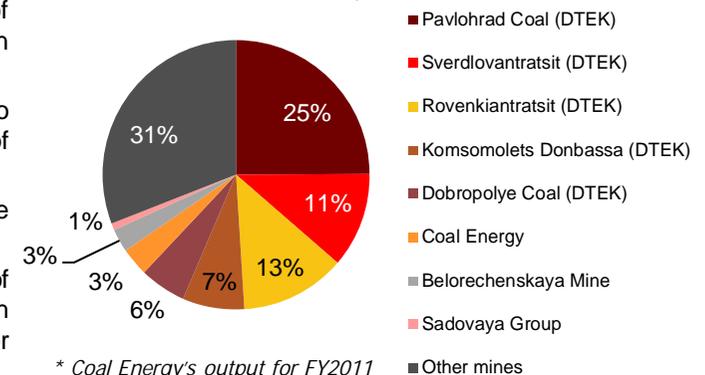
- The government announced accelerated transition of power and heating plants from natural gas to coal in order;
- To save up to 4-5 bln m³ p.a. of natural gas and to create additional demand for 7 mln tonnes p.a. of thermal ROM coal;
- Financing has been preliminary agreed with State Bank of China for US\$ 3.6 bln;
- The government announced privatization program of state-owned heating and thermal power plants which would open the opportunity of vertical integration for private Ukrainian mining companies

The growth in the total thermal ROM coal output is connected with growing demand as well as CAPEX from private mining companies



Private mining companies dominate in volume of mining terms

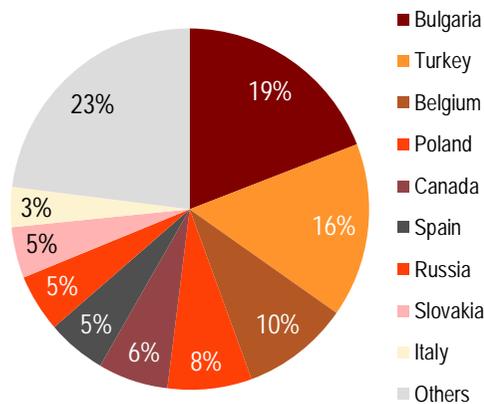
Thermal Coal Output (2011)*



Thermal coal market: ... growing competition and lagged demand on export destinations

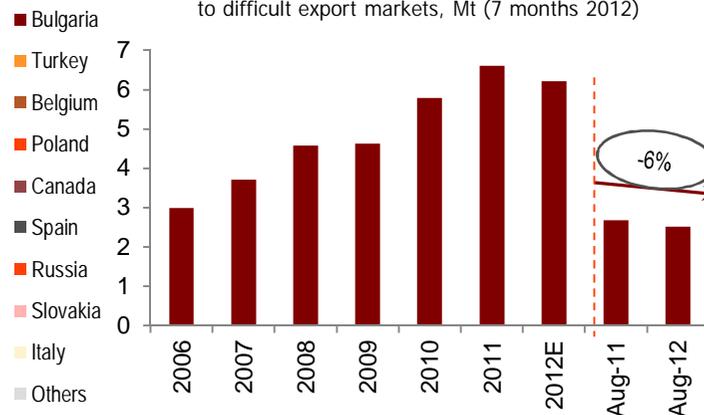
The countries of Eastern Europe and Turkey are the key destinations for export opportunities

Largest thermal coal exports by country (7 months 2012)



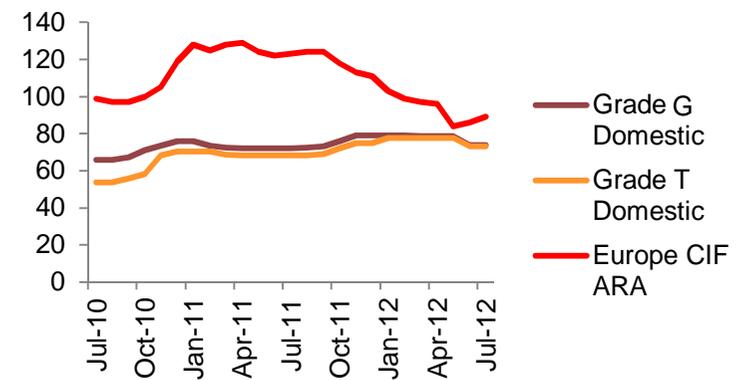
Source: SSC

Thermal coal exports from Ukraine slows down due to difficult export markets, Mt (7 months 2012)



Source: SSC

Price increase for thermal coal is caused by growing demand for it in Ukraine, but margins experience competition



Source: Metal expert, the Group's data

Proximity to Eastern Europe gives Ukrainian coal logistical advantages for delivery to its main export destinations

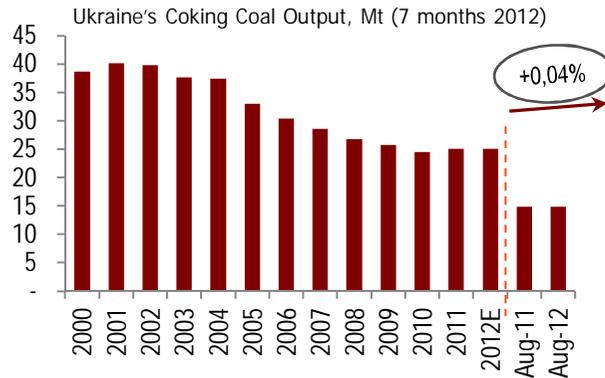


- Power plants
- Coking plants
- Cement plants
- Railway transportation routes
- Marine transportation routes

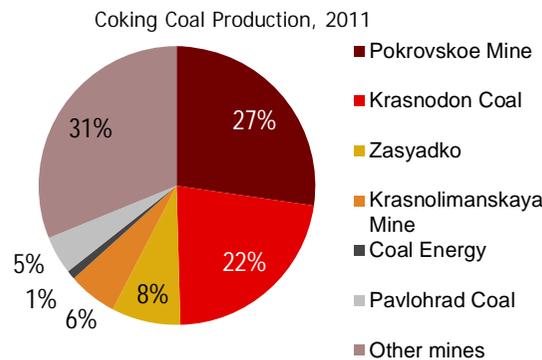
- Transportation costs from Donetsk/Luhansk mines to the border with Poland or Slovakia range from \$15-20/t and transportation to sea ports costs \$5-10/t.
- Dependence of the European countries on thermal coal for power generation remains high, more than 50% in Poland, Bulgaria, Czech republic, Greece (source: EURACOAL).
- Margin-pushers like insufficient growth in supply of coal substitutes at the same price level, declining reliance on nuclear power, lack of the liquefied-natural-gas (LNG) facilities (incl. sea port terminals and carrier fleet) are counter-facing the contributors of margin tightening, like potential switch to other than coal types of fuel, slowdown of the Chinese economy.
- Thermal coal remains the cheapest fossil fuel, resources of which are relatively more evenly distributed throughout the world.
- Being the main player on the local coal market, DTEK has an incentive to elevate the prices for thermal coal, with inflated electricity production costs to be passed on to consumers through a hike in electricity prices.
- Increasing switch by steel mills, cement plants, and other enterprises from expensive natural gas consumption to steam coal.
- Export prices remain unattractive due to many small (sometimes insufficient) market participants dumping the price below the economic reasonable level. We believe that within appr. one year these will either leave the industry or will be overtaken by larger groups which will bring the prices upward.

Coking coal market: price correction on the back of significant deferred demand

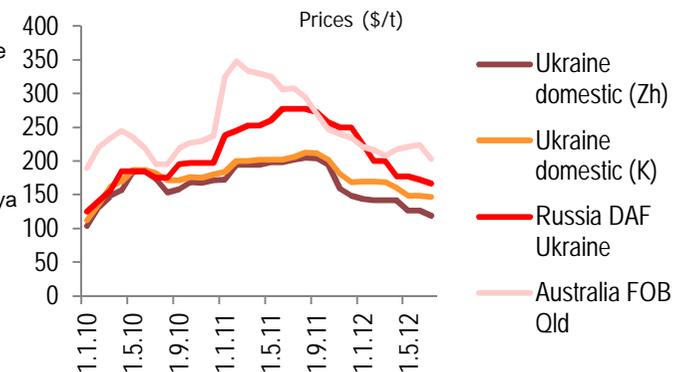
Extraction has been falling since 2001...



Local private mining companies dominate in volume of extraction

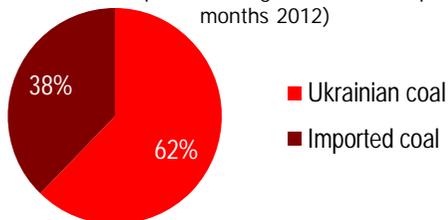


Correction in prices is caused by volatility on the steel market (7 months 2012)



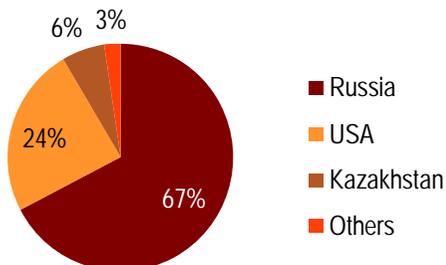
... contributing to growth of imports...

Share of imported coking coal in consumption (7 months 2012)



... mainly from Russia

Key import destinations (7 months 2012)



Source: SSC, Energobusiness

Source: Energobusiness, Coal Energy calculations

Source: Metal Courier, Bloomberg

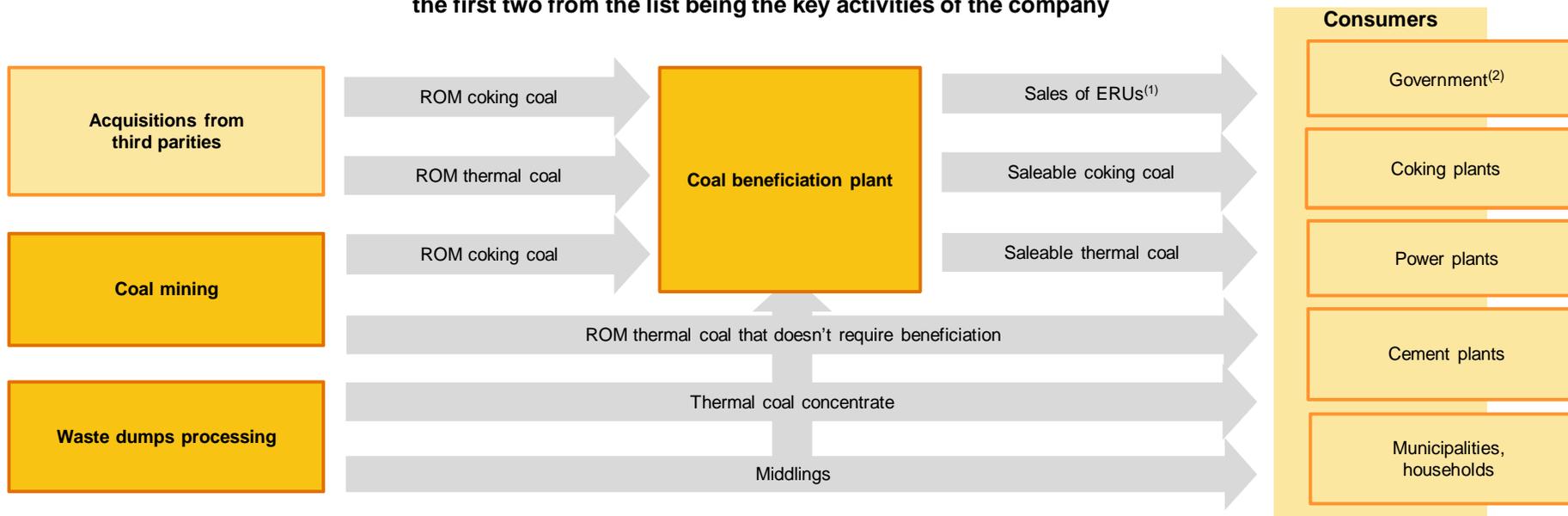
- The decrease in price is caused by global steel market downturn and as a result – partial substitution of Ukrainian coking coal with higher quality Russian imported coking coal.
- Market participants expect the introduction of import quotas on Russian coking coal in the nearest months which should normalize local prices.
- Despite local private mining companies dominate the market, extraction of coking coal is falling due to depletion of coking coal seams and subsequent shift to thermal coal extraction at several mines; accidents which permanently or temporarily reduced production capacity; underinvestment and mismanagement at state-owned mines.
- Prices for coking coal in Ukraine are highly dependent on global trends due to insufficient domestic production, decreasing quality of end-product and hence significant imports of the commodity. We expect relatively strong foreign demand and domestic shortages to keep coking coal prices robust in 2012-13. Additional factors that will support prices globally in 2012-16 are high development costs for new mines, and growth in operating costs at existing mines due to extraction being forced deeper underground, and occasional supply shocks caused by natural disasters.

3. FY12E and 4Q FY12E⁽¹⁾ Performance Overview

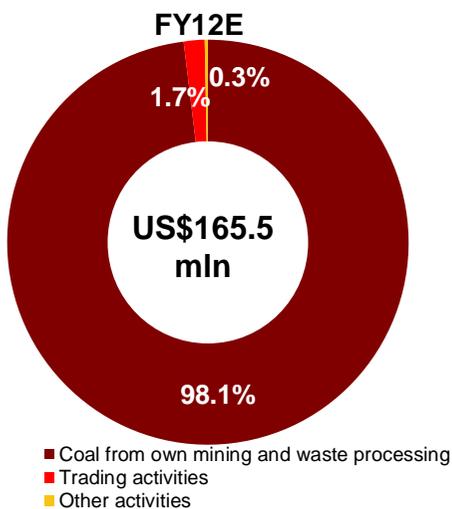
(1) Here and after "E" stands for estimated data

Integrated Business Model

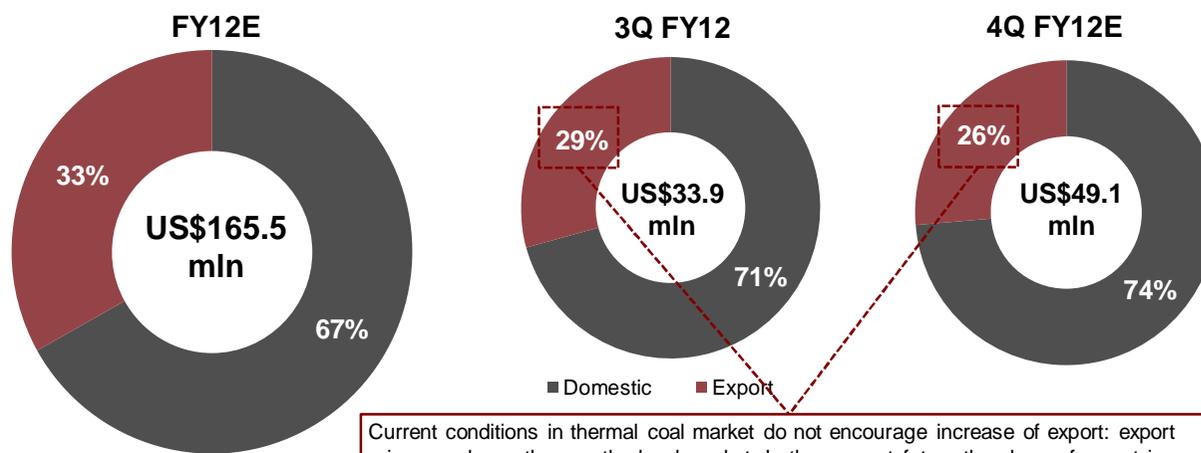
Coal Energy activities include all stages of coal production, waste dumps processing, coal beneficiation and trading, the first two from the list being the key activities of the company



Sales by segments, \$US mln



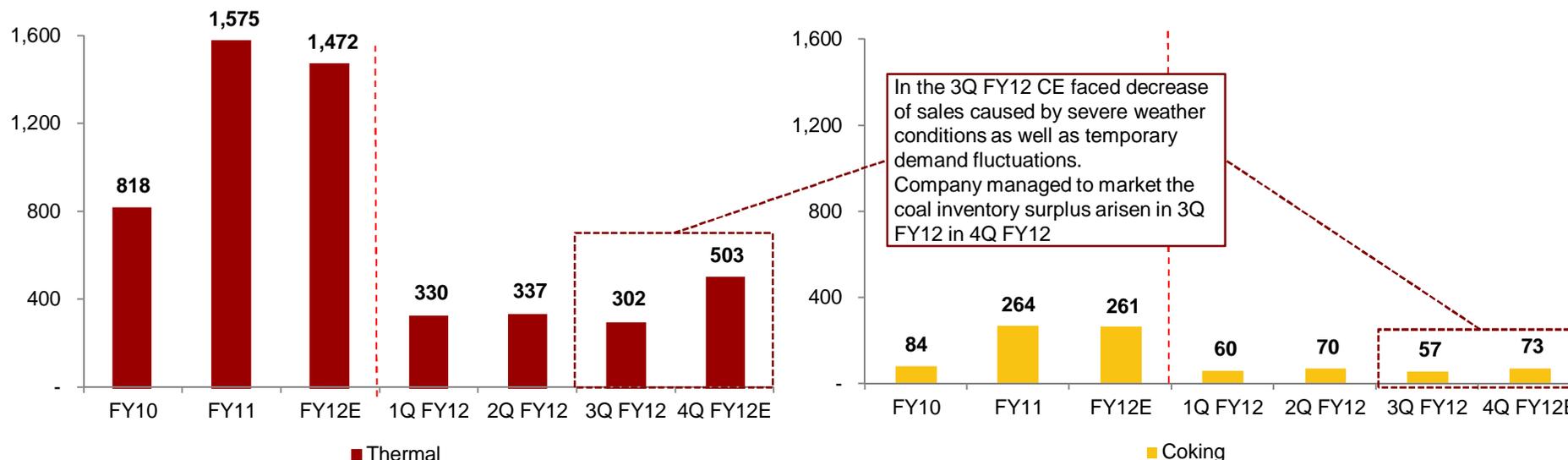
Sales by Destination, \$US mln



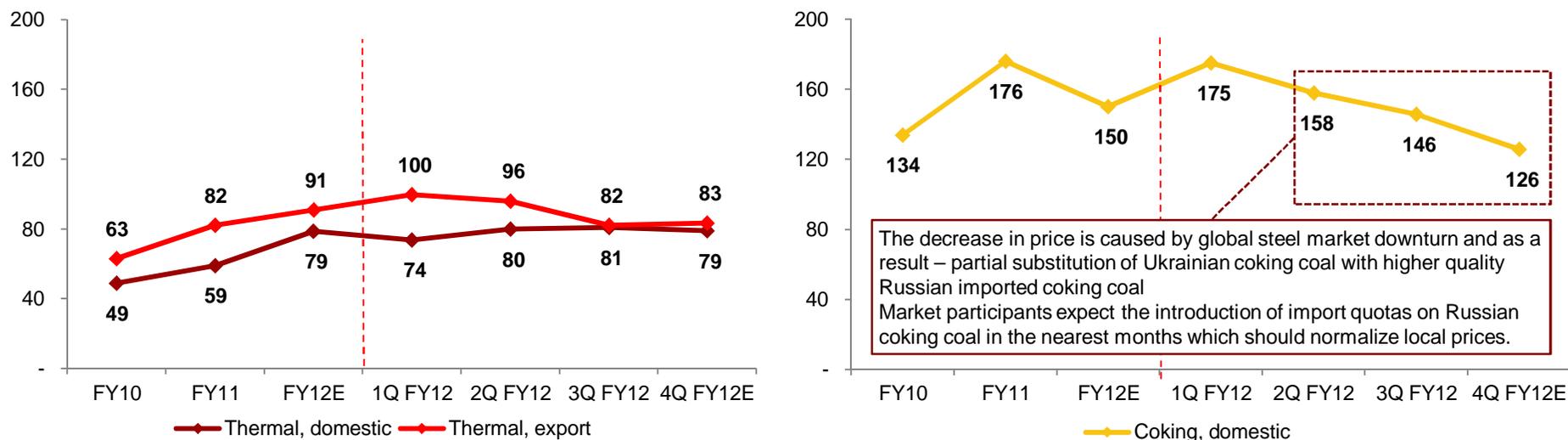
Current conditions in thermal coal market do not encourage increase of export: export prices are lower than on the local market. In the nearest future the share of export in total sales will be further decreased.

Key Company Sales Indicators

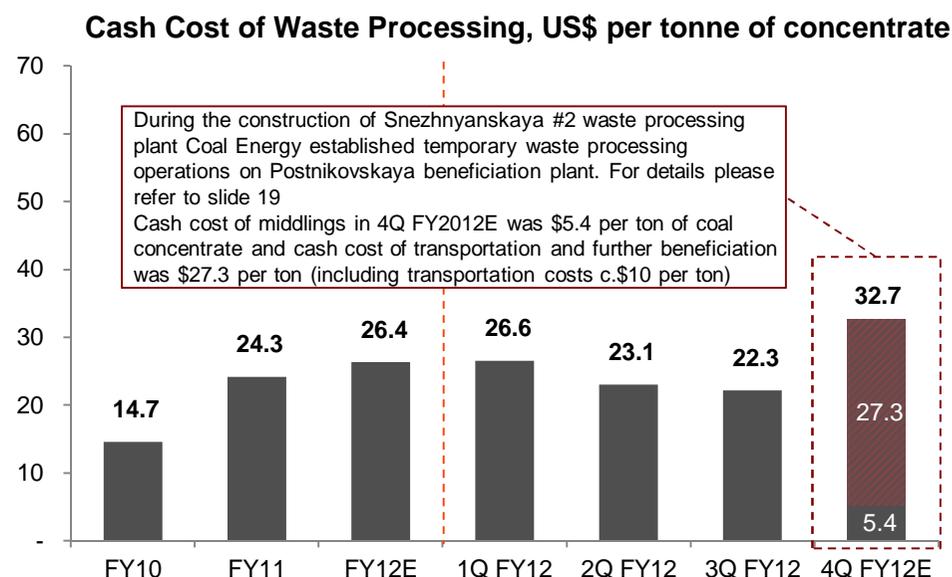
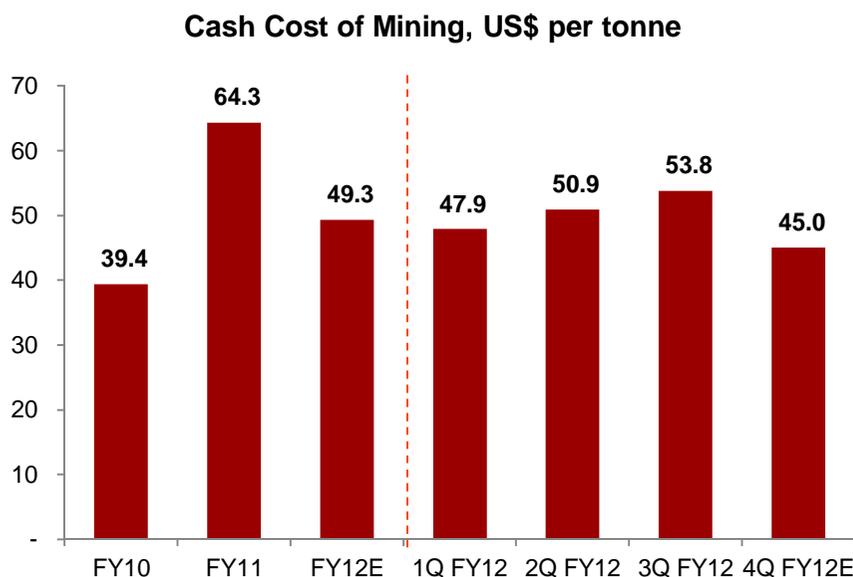
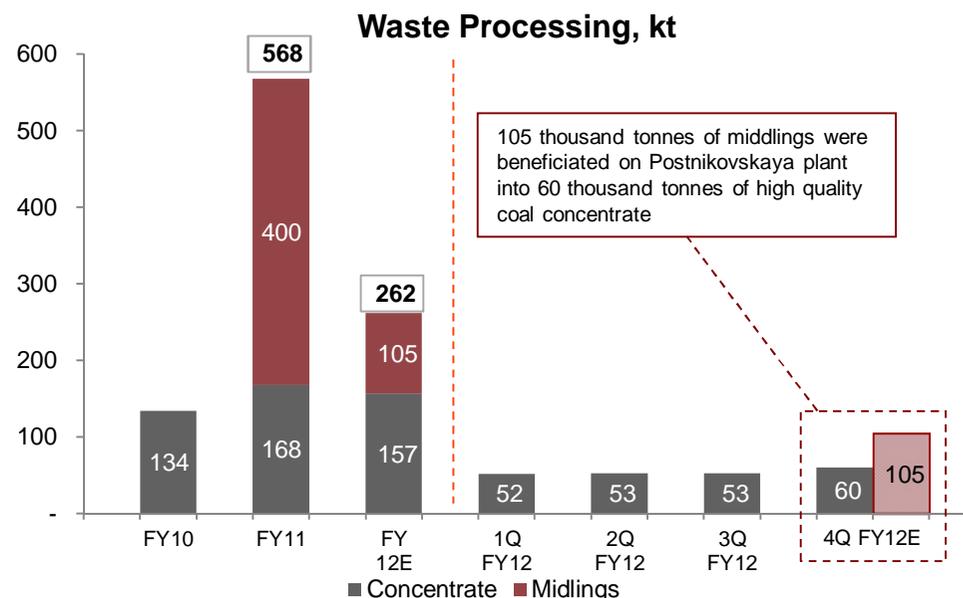
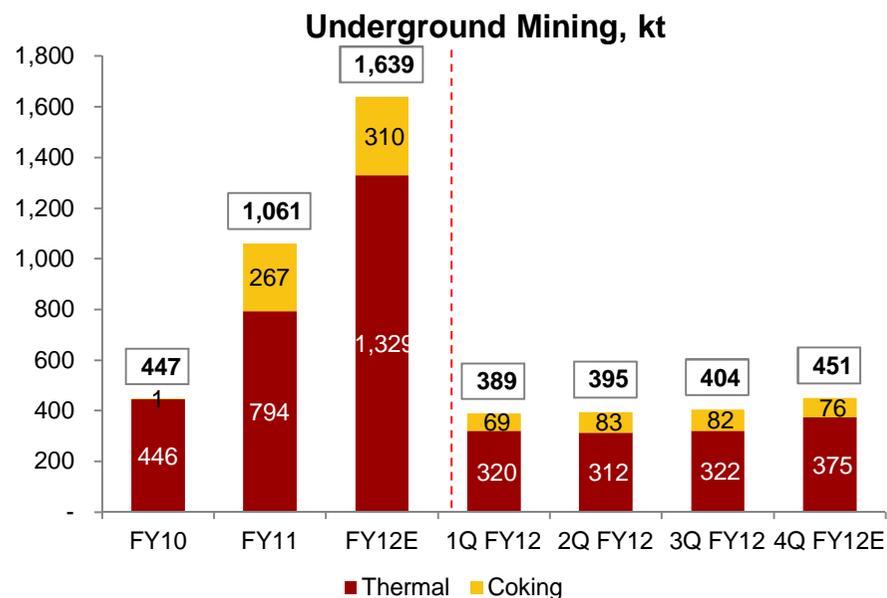
Coal sales volume, kt



Coal price dynamics, US\$ per tonne

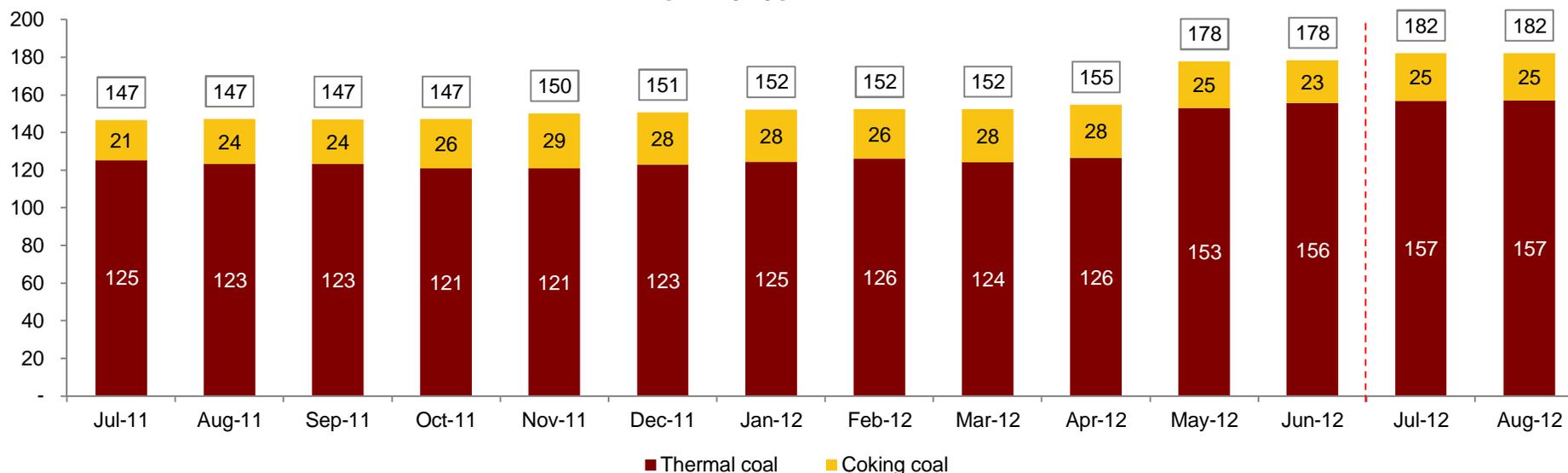


Production and Cash Costs Overview

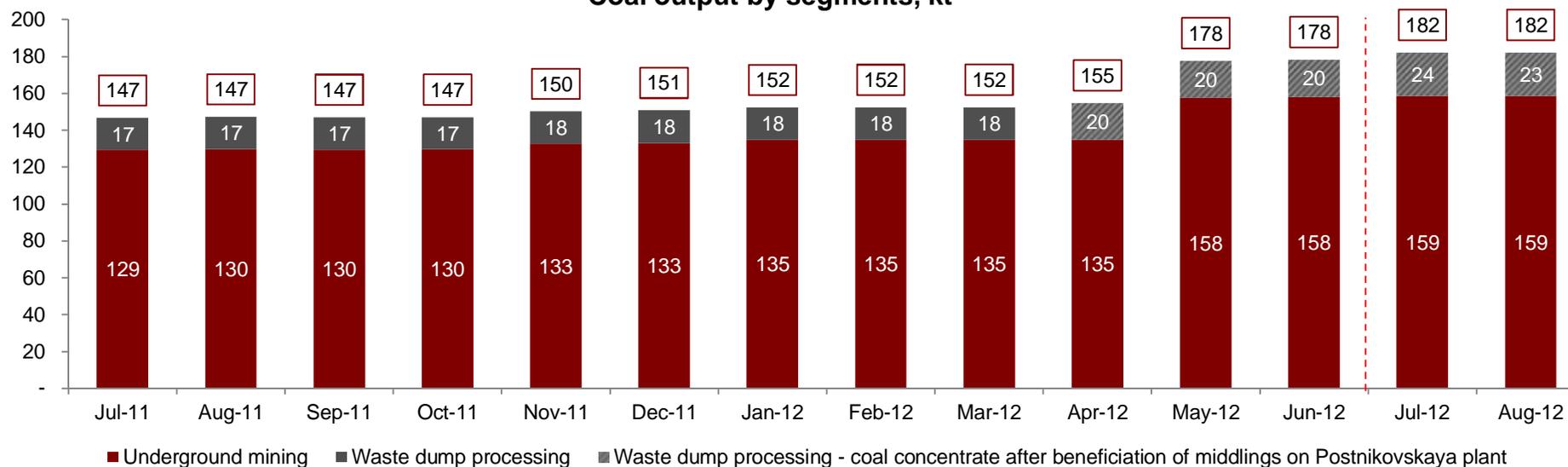


Dynamics of Production Results

Coal output by types of coal, kt



Coal output by segments, kt

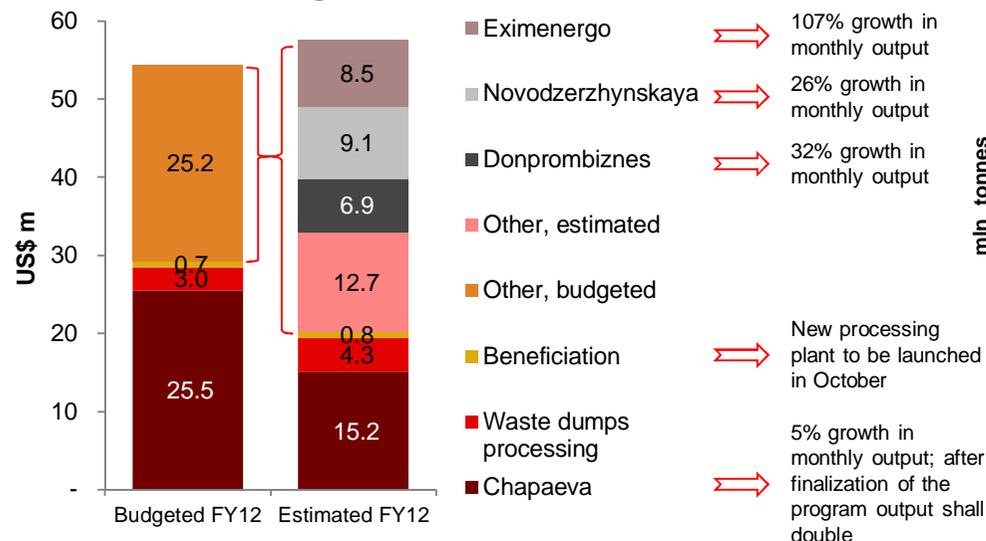


Source: the Group's data

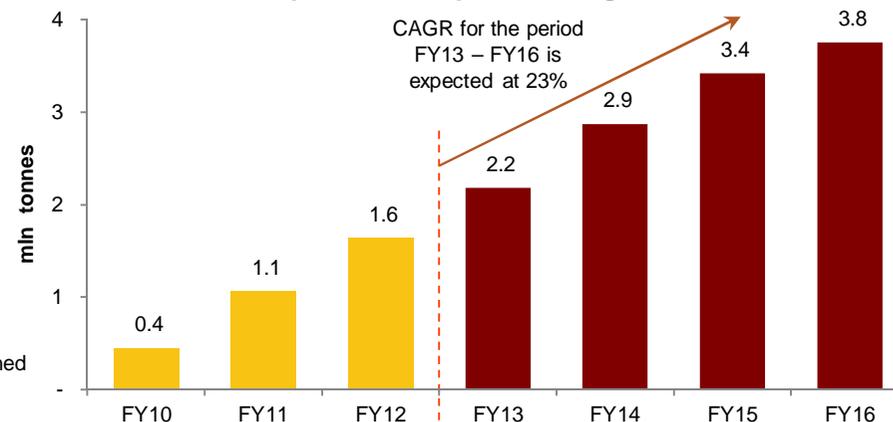
4. Development Strategy for FY13

Development Strategy for FY13: underground mining

Estimated vs. Budgeted CAPEX for FY12

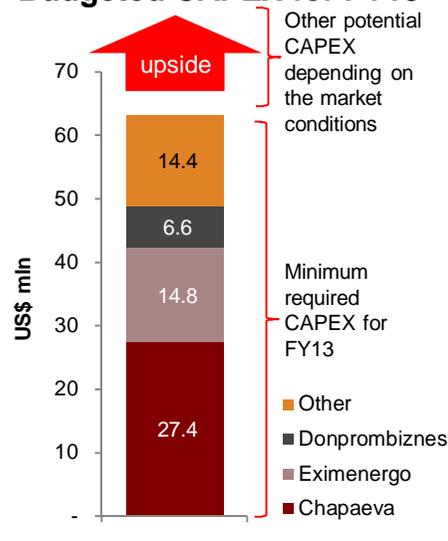


Plan of Group's own coal production growth until FY16

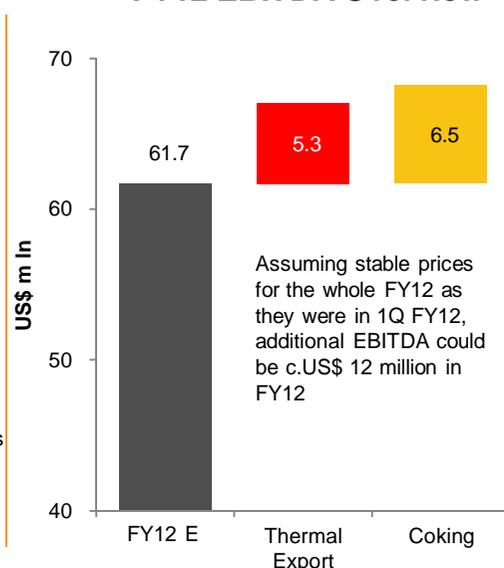


- Based on the current macroeconomic uncertainty and uncertainty regarding the demand stability, the Company downgraded its long-term production target. The downgrade mainly relates to the double-purpose coal, long-term demand for which is one of the major concerns of the Company.
- Still such forecast reflects only current market situation; we expect the revival of the demand and price in late FY13 – early FY14. Consequently, the mining output growth strategy may change upwards.
- Due to the abovementioned reason the Capex program for the next year is also uncertain - however the minimal level of Capex, required mainly for the development of the thermal coal mines amounts to c. US\$ 63m. At the same time, as the market situation may improve, the Company could increase its Capex spending.
- CwAL LE Sh/U Chapaeva remains the key investment target for the Company. A significant part of the investment measures at Chapaeva, scheduled for FY12 was delayed for FY13, due to that the launch of 25th Eastern longwall is postponed for April-May 2013; at the same time the second mechanized longwall will be launched according to the old schedule – in June-July 2013.
- The development strategy would be much dependable upon the operating results in FY13 and working capital development

Budgeted CAPEX for FY13



FY12 EBITDA Overview

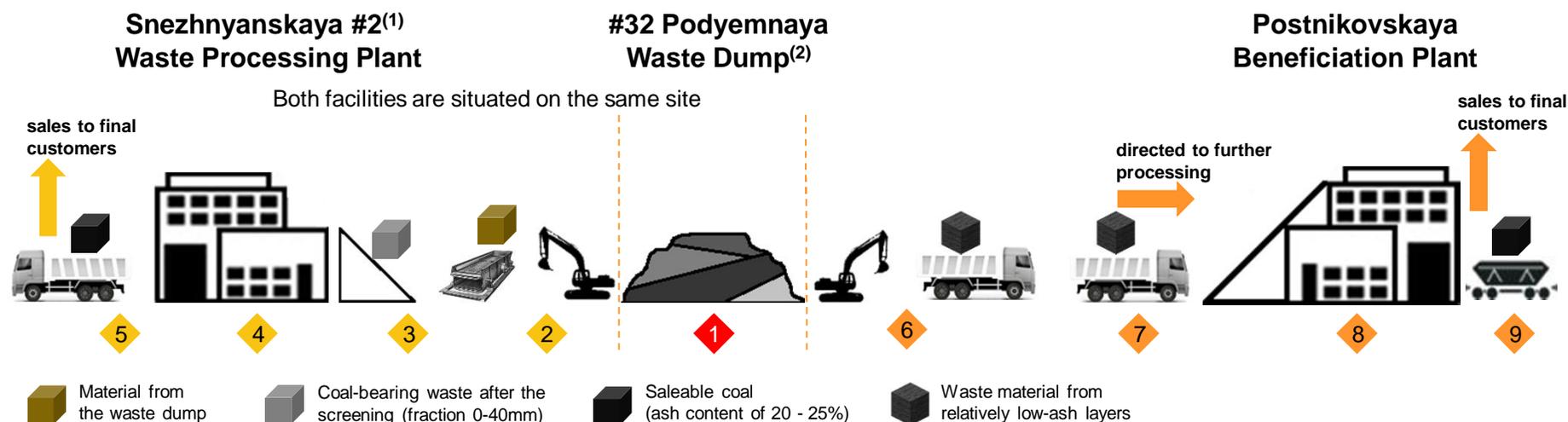


Waste Dumps Processing Production Process

- 1 Due to very extensive mining in the Donbas region, hundreds of waste piles with heterogeneous composition were created during the Soviet times: ash content varies from 50% to 92%
- 2 Waste material is separated by the screen by fractions: 0-40mm (further processing at the plant), 40-100mm (manual sorting), and above 100mm (waste)
- 3 Fraction 0-40mm of waste material is delivered to Snezhnyanskaya #2⁽¹⁾ waste processing plant through the roofed conveyor gallery
- 4 At the plant coal-bearing waste (fraction 0-40mm) is beneficiated into coal concentrate (with ash content of 12-29%)
- 5 Coal concentrate (saleable coal) is delivered to the final customers. The expected coal concentrate production level is expected within the range of 20-30k tonnes per month depending on the quality of waste dump layers processed.

Sustainable waste processing technology will be employed since October 2012 putting Snezhnyanskaya #2⁽¹⁾ plant into operation

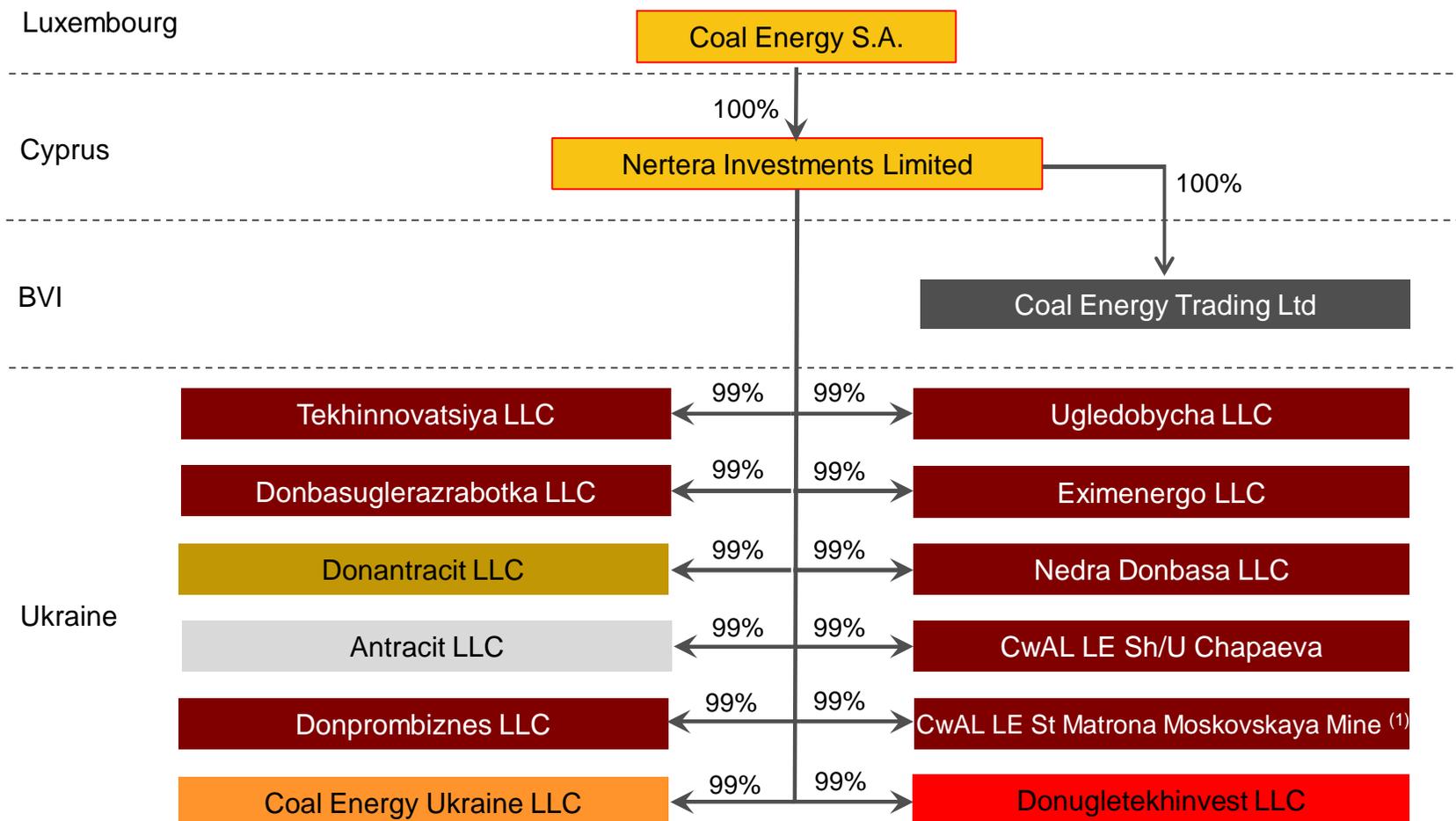
Temporary approach employed during Snezhnyanskaya #2⁽¹⁾ plant construction period is planned to be terminated in October - November 2012



During the construction of Snezhnyanskaya #2 waste processing plant Coal Energy established temporary waste processing operations on Postnikovskaya beneficiation plant

- 6 Due to the heterogeneous composition of the waste pile, the material from relatively low-ash layers (c.50%) is selected by the loaders
- 7 The extracted low-ash coal bearing waste material is further transported to Postnikovskaya beneficiation plant (c. 35k tons per month)
- 8 At Postnikovskaya beneficiation plant the received material is beneficiated into coal concentrate (with ash content of 20-25%)
- 9 Coal concentrate in the volume of c. 20k tons per month is sold to the final customers (mainly PGPs).

Appendix 1. Legal Structure



- Asset holding company
- Coal mining
- Coal beneficiation
- Waste dump processing
- Coal trading (Ukraine)
- Consultancy services for the companies of the Group
- Coal trading (Export)