



Coal Energy – a leading Ukrainian coal mining company

Management Presentation

December 2012

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1. Company Overview

Coal Energy – Key Indicators

1Q FY2013 Results ⁽¹⁾	
Resources ⁽²⁾	235.5 mln t
Reserves ⁽³⁾	151.2 mln t
Production ⁽⁴⁾	0.5 mln t
Sales	0.4 mln t
Revenue	US\$ 39.4 mln
EBITDA	US\$ 13.5 mln
Domestic / export sales ⁽⁵⁾	93% / 7%
Thermal / coking coal sales ^{(5) (6)}	80% / 20%
Net Debt ⁽⁷⁾	US\$ 25.2 mln
Net debt/EBITDA ^{(7) (8)}	0.4

Location of Operating Assets



(1) The Group's 1Q FY2013 commenced on the 1st July 2012 and ended on the 30th September 2012

(2) Total in-place resources under JORC

(3) Proved and probable recoverable reserves under JORC

(4) Production output includes 473 thousand metric tonnes (kt) of mined run-of-mine (ROM) coal and 71 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 September 2012 net debt includes i.a. short - and long-term obligations under financial lease in amount US\$7.8 million.

(8) EBITDA calculated for the last 4 consecutive quarters

Investment Highlights Summary

<p>1</p> <p>Significant reserves with growth potential</p>	<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.
<p>2</p> <p>Integrated business model and wide range of products</p>	<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.
<p>3</p> <p>Brownfield expansion strategy</p>	<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.
<p>4</p> <p>High financial performance</p>	<ul style="list-style-type: none"> • EBITDA for the 1Q FY2013 composed US\$13.5 million • Steady leverage– Net debt/EBITDA ratio – 0.4 • High profitability indicators: gross profit margin comprised 38.1%, EBITDA margin composed 34.3%, net profit margin totalled 19.0%
<p>5</p> <p>Solid operational results</p>	<ul style="list-style-type: none"> • Mining output increased up to 473 thousand tonnes by 21.7% y-o-y • Coal sales increased up to 440 thousand tonnes by 12.8% y-o-y, • Large share of sales under long-term frame agreements.
<p>6</p> <p>Listed on the WSE with high-quality corporate governance in place</p>	<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 Nedra Donbassa LLC dated 27 December 2011 issued for 20 years for 24.8 mln.t reserves of coking coal (valued under Ukrainian methodology)

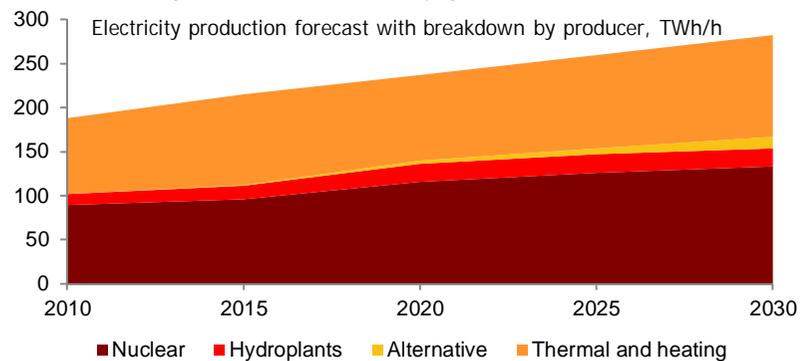
2. Coal Mining Market Overview

Thermal coal market: production growth and good perspectives on the domestic market



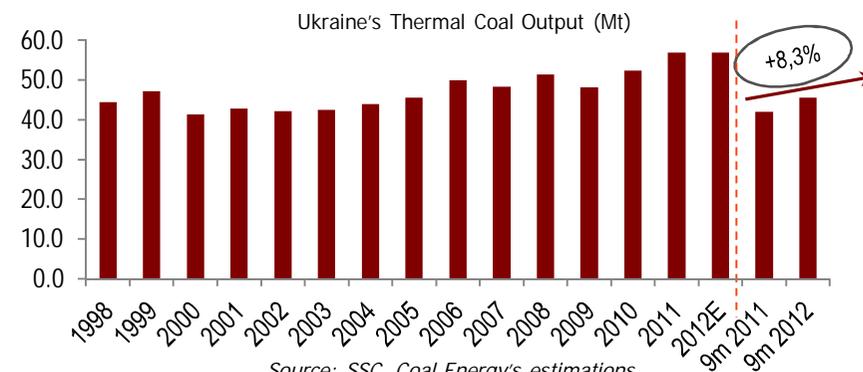
- Local power plants bought 37.2 mln tonnes of salable coal in 2011, which accounted for 82% from the total thermal coal output. During 9 months 2012 the power plants consumed 3.6% more thermal coal compared to the same period of 2011.
- Although nuclear and hydro power plants produce cheaper electricity 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.

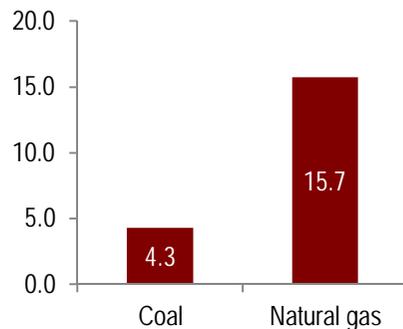
The growth in the total thermal ROM coal output is connected with growing demand as well as CAPEX from private mining companies



Source: SSC, Coal Energy's estimations

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

Prices (\$) of Coal and Natural Gas per Unit of Calorific Value



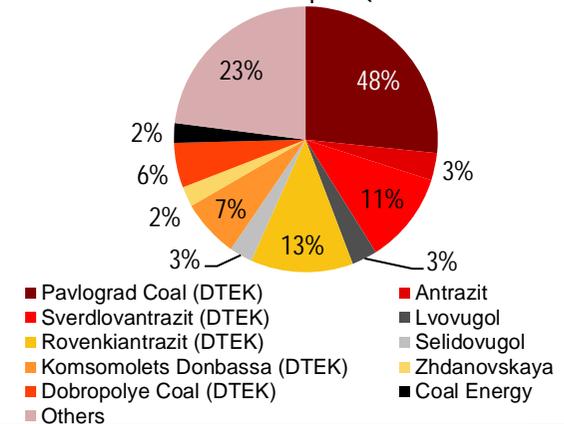
Based on indicative prices of Coal of Ukraine and gas prices at consumers

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

- Government announced transition of power and heating generations 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 7-10 mln. tonnes p.a. of thermal ROM coal.
- Financing has been agreed with State Bank of China for US\$ 3.6 bln.
- Government announced privatization program of state-owned mines, heating and thermal power plants which would open the opportunity of vertical integration for private Ukrainian mining companies.

Source: Energobusiness, www.rbc.ua

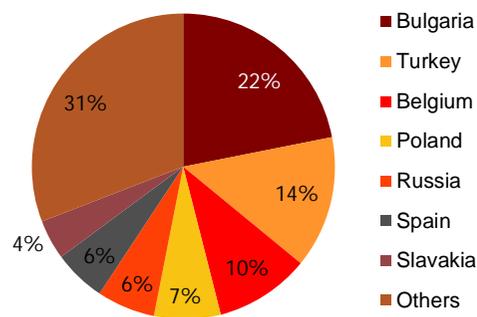
Private mining companies dominate in volume of thermal coal output (9 months 2012)



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 (9 months 2012)



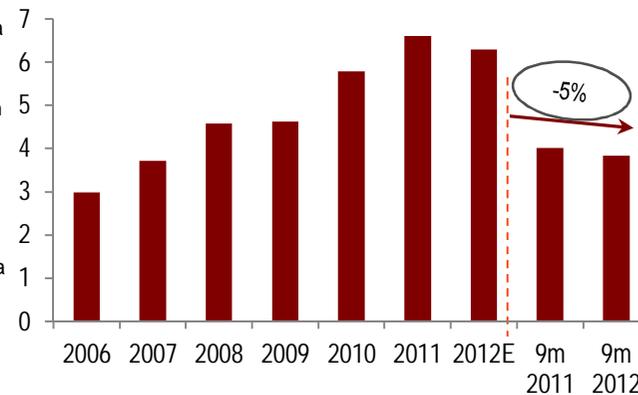
Source: SSC

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



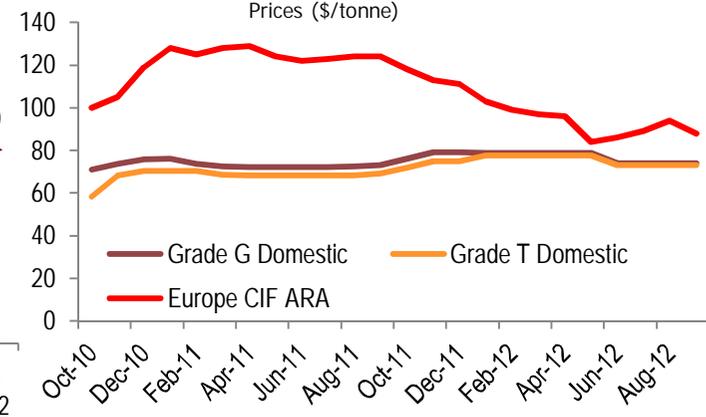
- Power plants
- Coking plants
- Cement plants
- - - Railway transportation routes
- - - Marine transportation routes

Thermal coal exports from Ukraine slows down due to difficult export markets, Mt (9 months 2012)



Source: SSC

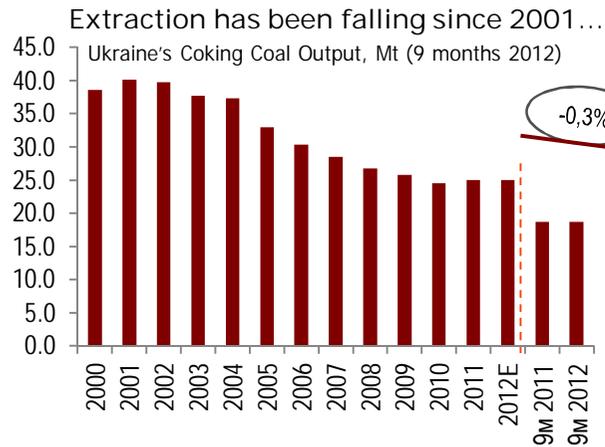
Price increase for thermal coal is caused by growing demand for it in Ukraine, but margins experience competition



Source: Metal expert, the Group's data

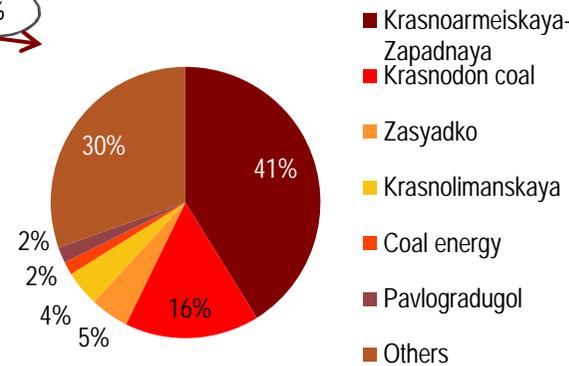
- Transportation costs from Donetsk/Luhansk mines to the border with Poland or Slovakia range from \$15-20/t and transportation to sea ports costs \$5-10/t.
- Dependence of the European countries on thermal coal for power generation remains high, more than 50% in Poland, Bulgaria, Czech republic, Greece (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 and world economies.
- 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.

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



Local private mining companies dominate in volume of extraction

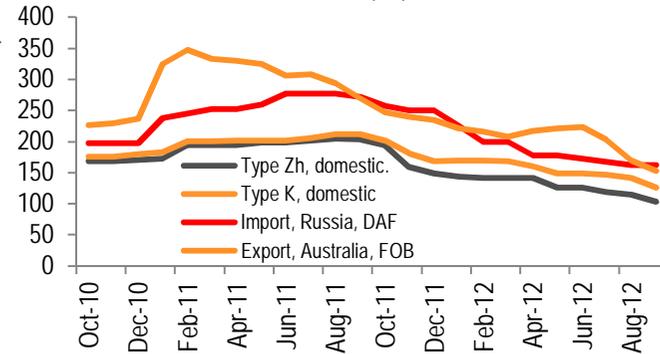
Coking Coal Production, 9 months 2012



Source: *Energobusiness*, *Coal Energy* calculations

Correction in prices is caused by volatility on the steel market (9 months 2012)

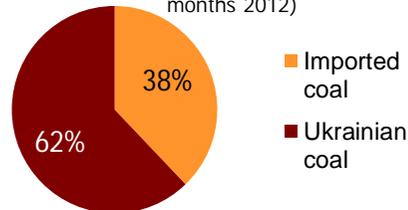
Prices (\$/t)



Source: *Metal Courier*, *Bloomberg*

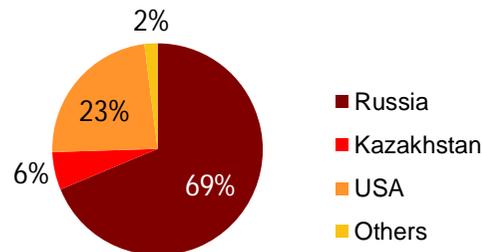
... contributing to growing imports...

Share of imported coking coal in consumption (9 months 2012)



... mainly from Russia

Key import destinations (9 months 2012)



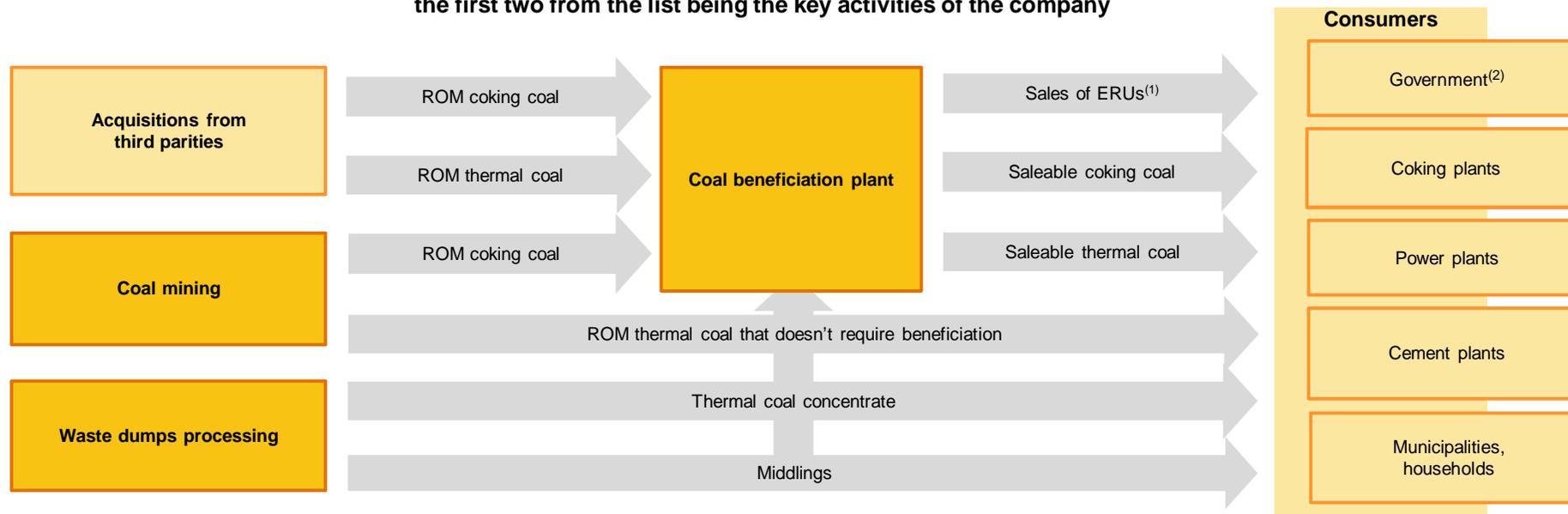
Source: *SSC*, *Energobusiness*

- 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.
- Extraction of coking coal is falling due to depletion of coking coal seams; 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.

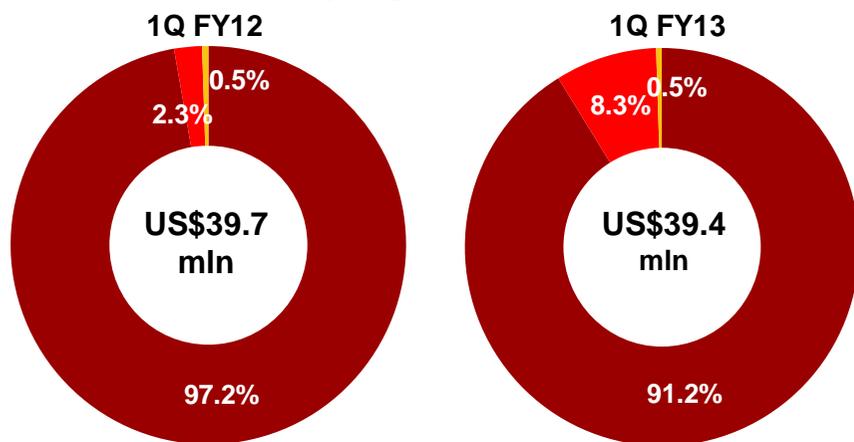
3. 1Q FY13 Performance Overview

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

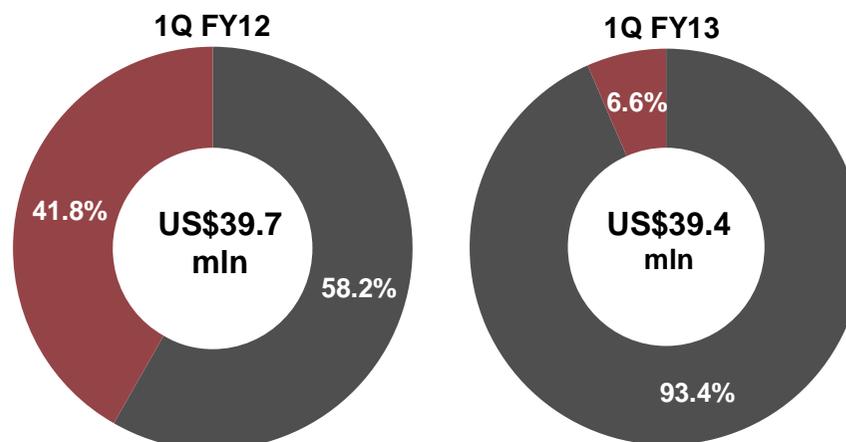


Sales by segments, \$US mln



■ Coal from own mining and waste processing ■ Trading activities ■ Other activities

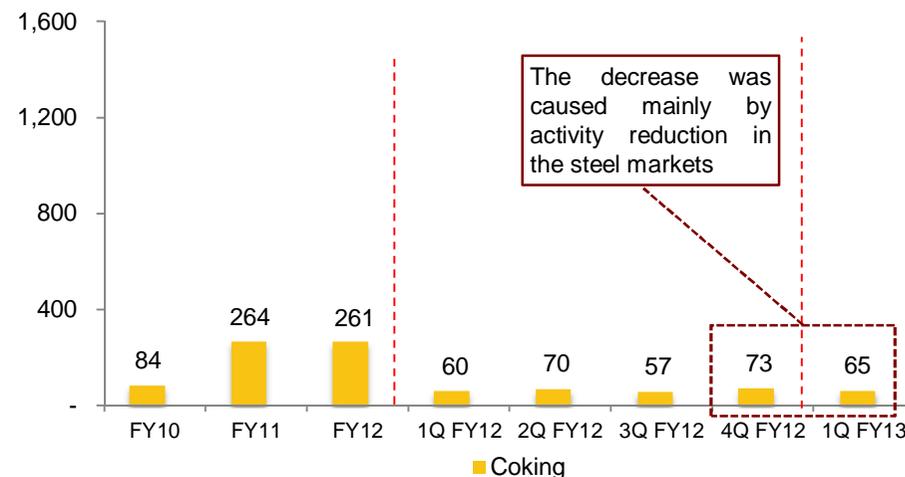
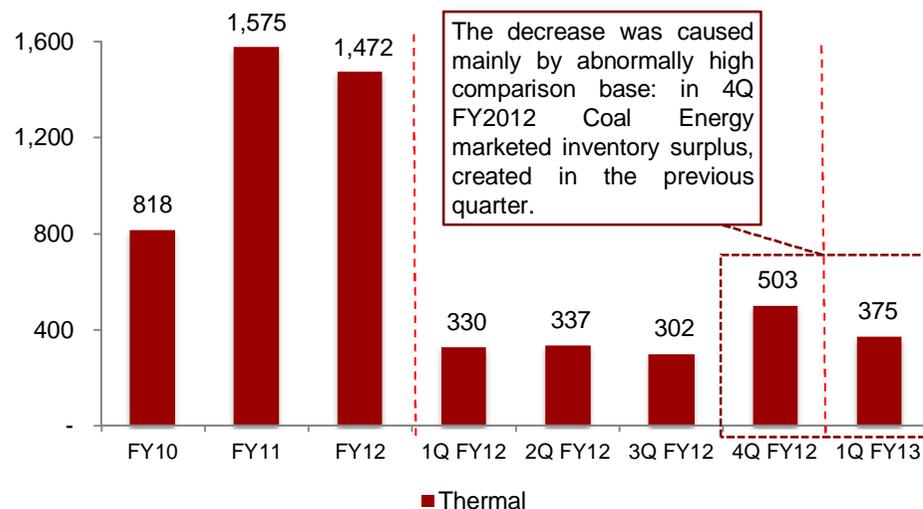
Sales by Destination, \$US mln



■ Domestic ■ Export

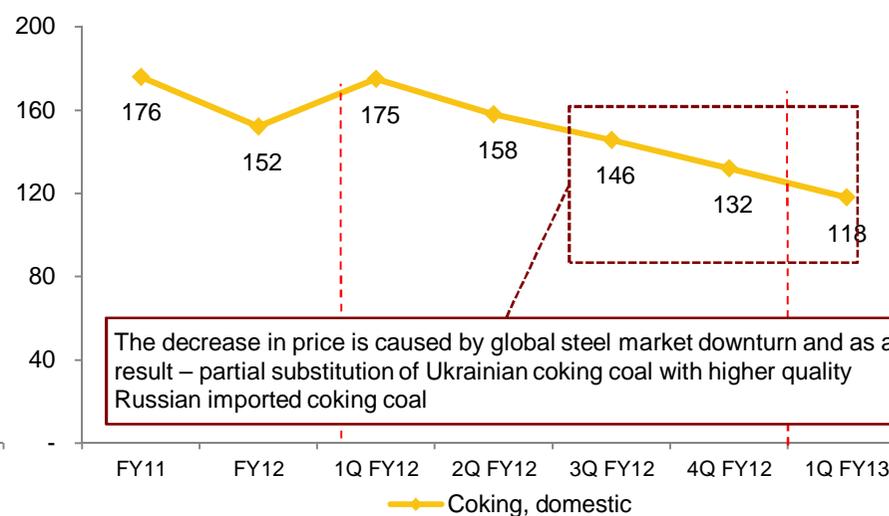
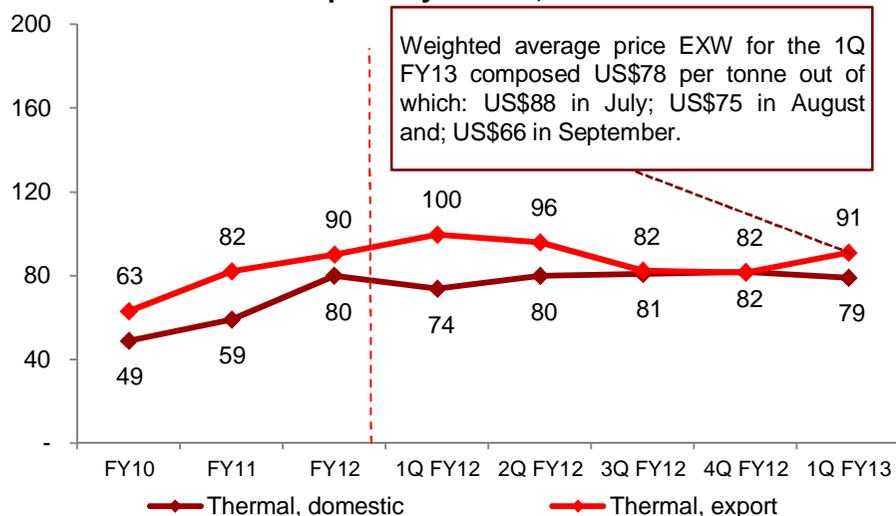
Key Company Sales Indicators

Coal sales volume, kt

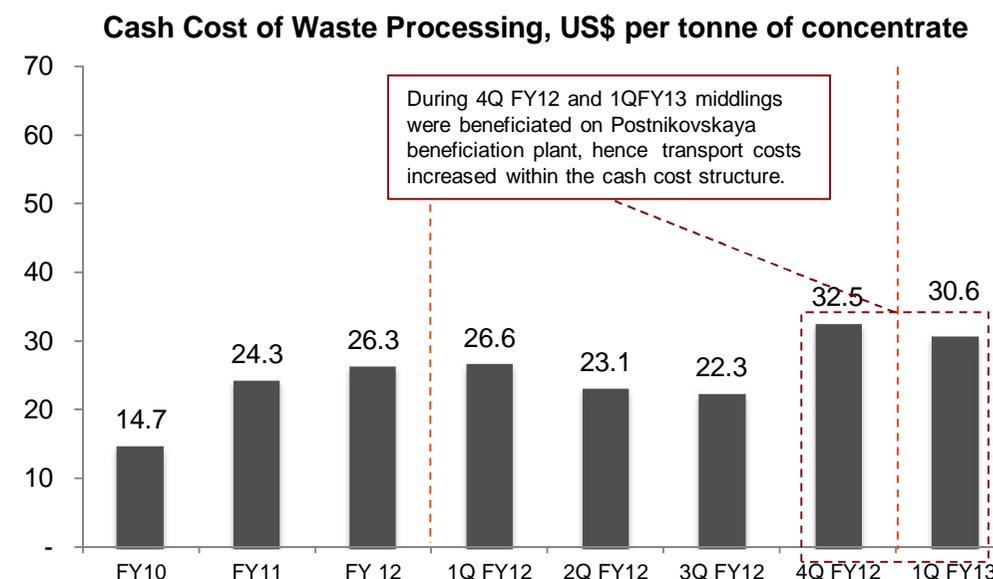
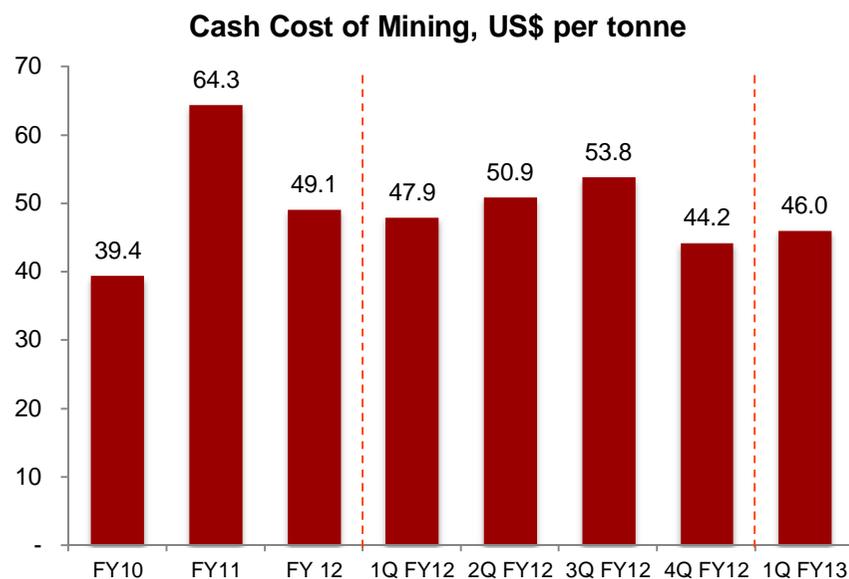
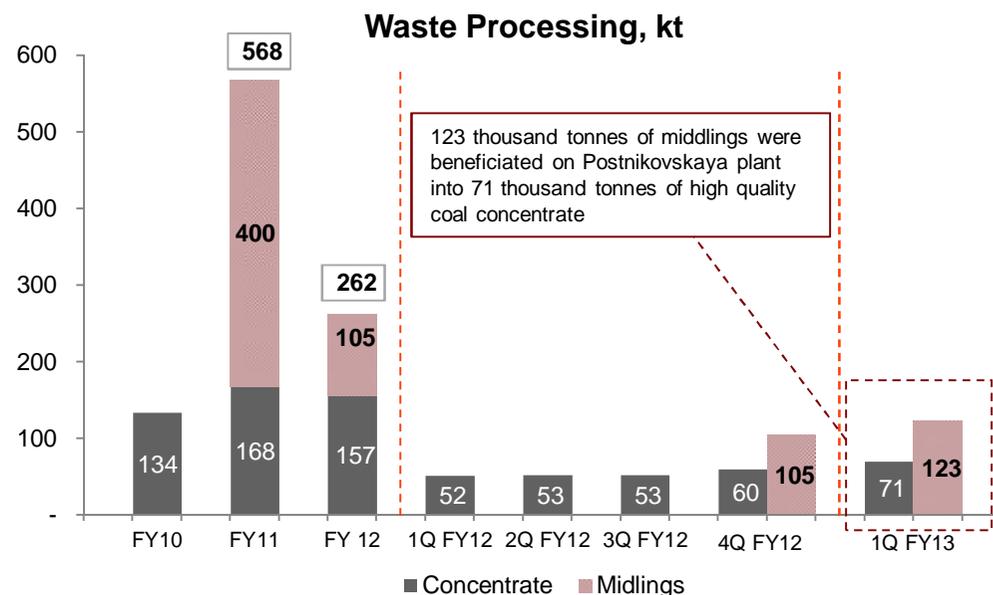
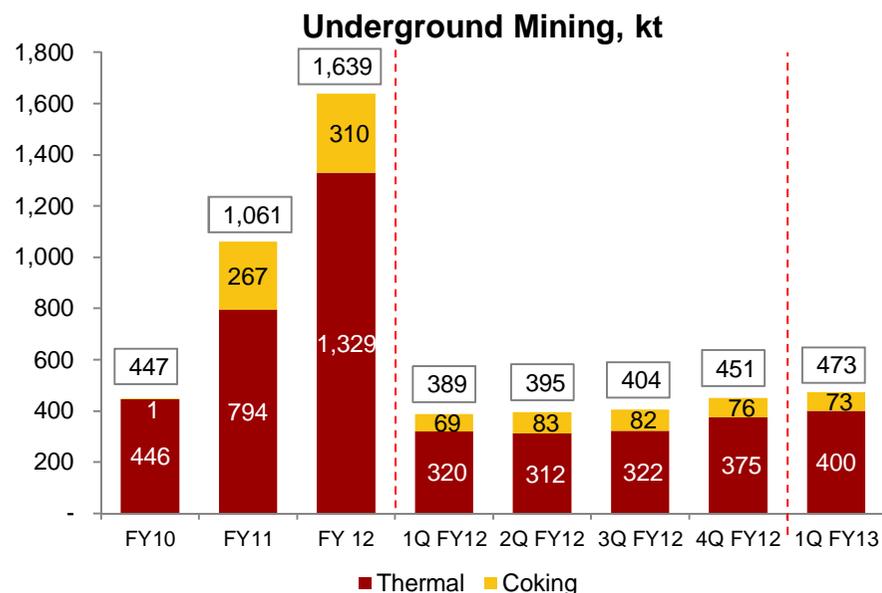


Coal price dynamics, US\$ per tonne

Thermal coal price dynamics, USD/tonne:

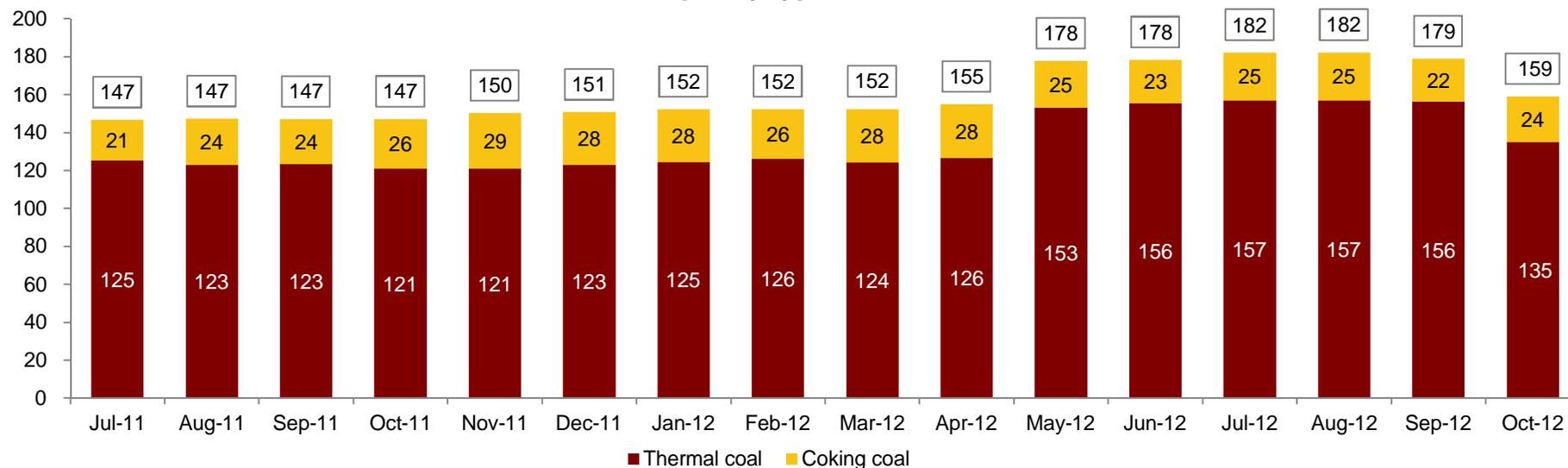


Production and Cash Costs Overview

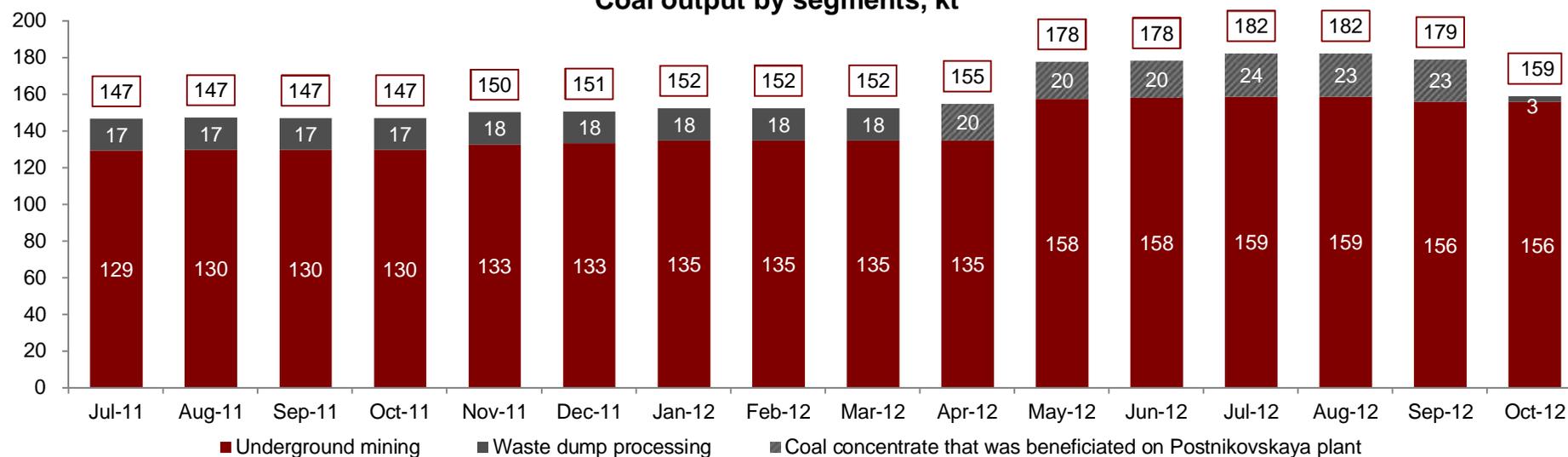


Dynamics of Production Results

Coal output by types of coal, kt



Coal output by segments, kt



Appendix 1. Legal Structure

