



Opportunities within Russia's Coal and Mining Industry

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www.buyusa.gov/russia

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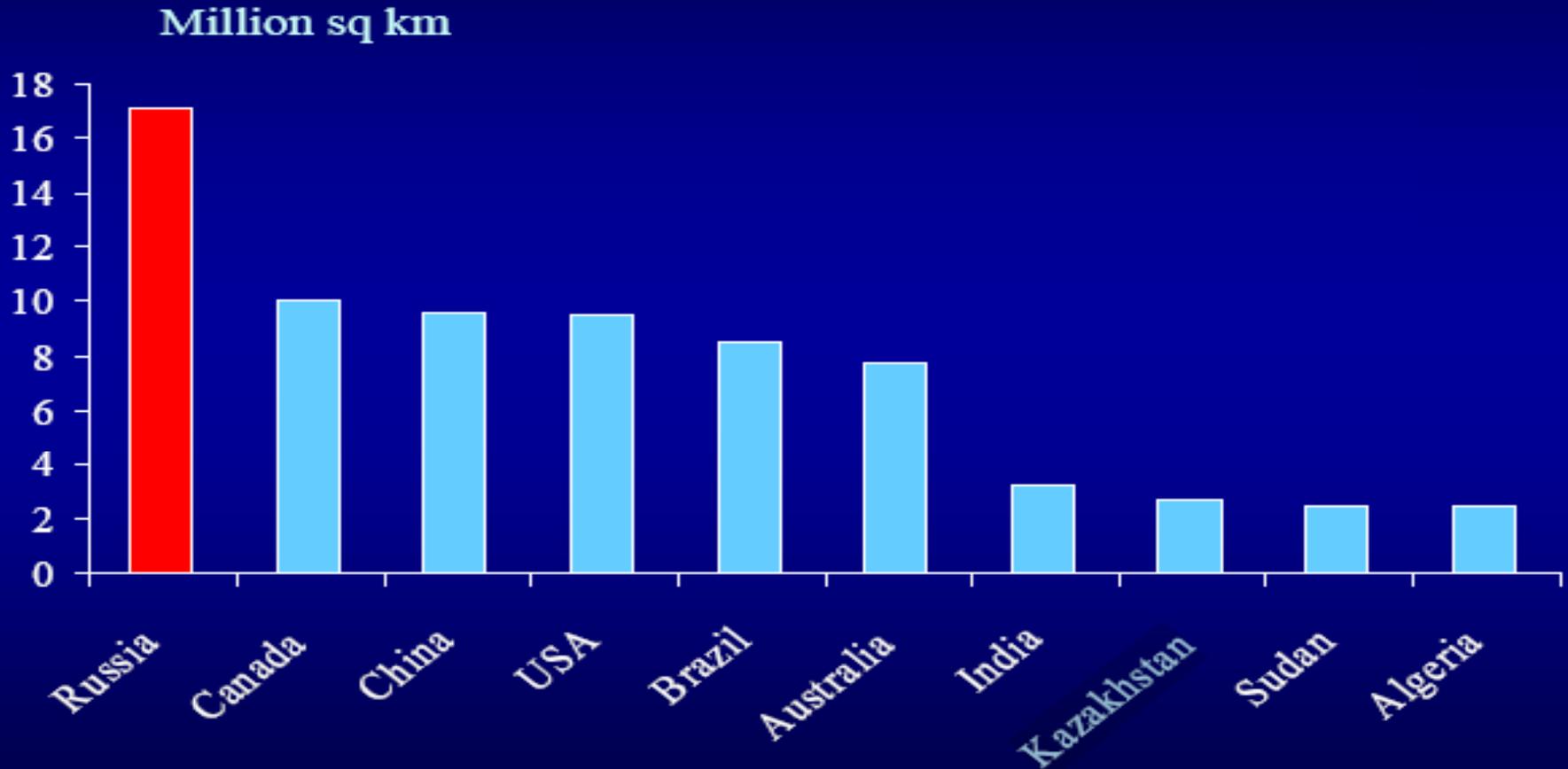
Outline

- Introducing Russia
- Challenges of the Emerging Market
- Russian Mining Industry
- Successful Entry Strategy



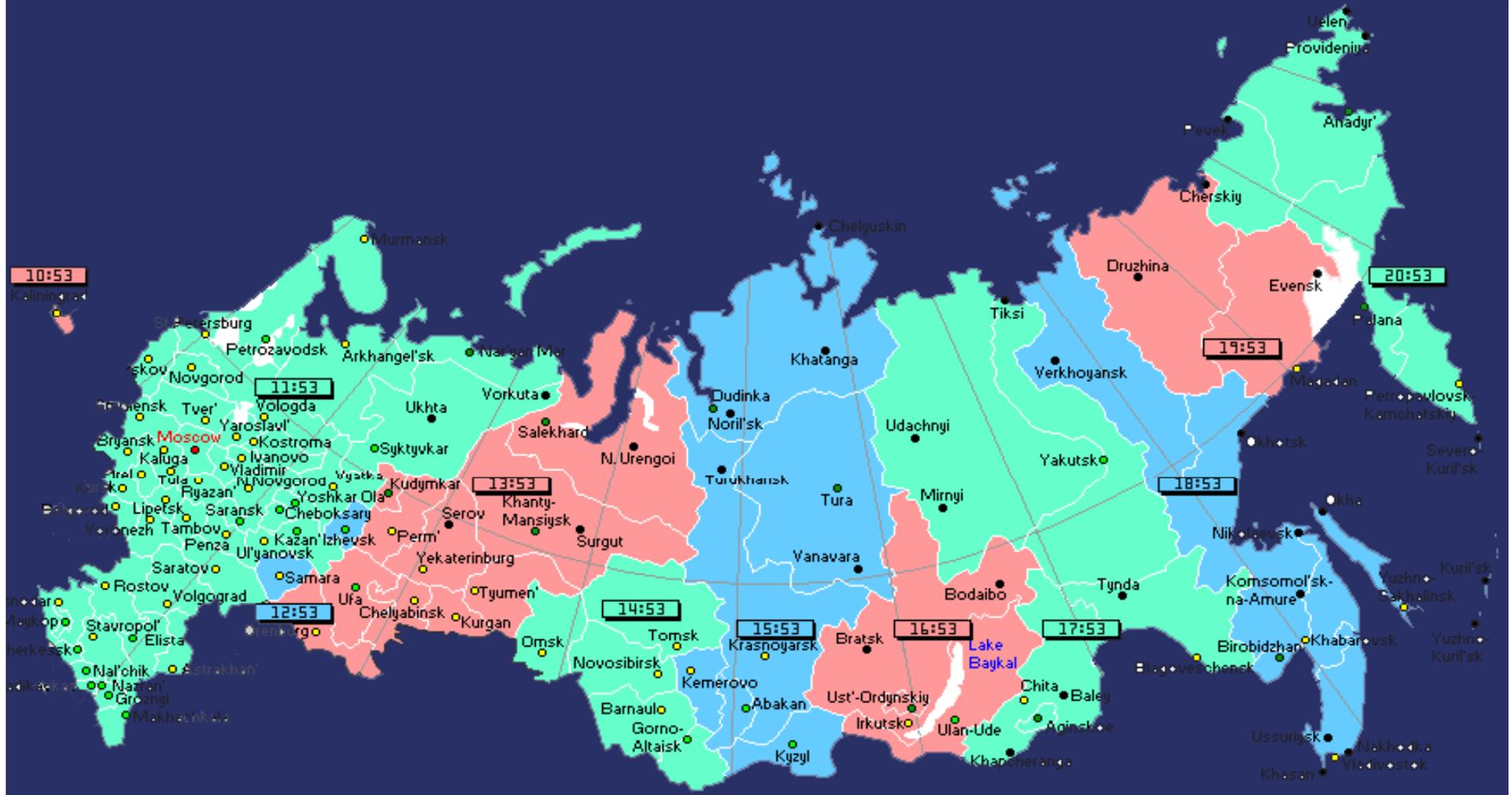


The Largest Country in the World



The Largest Country in the World (cont.)

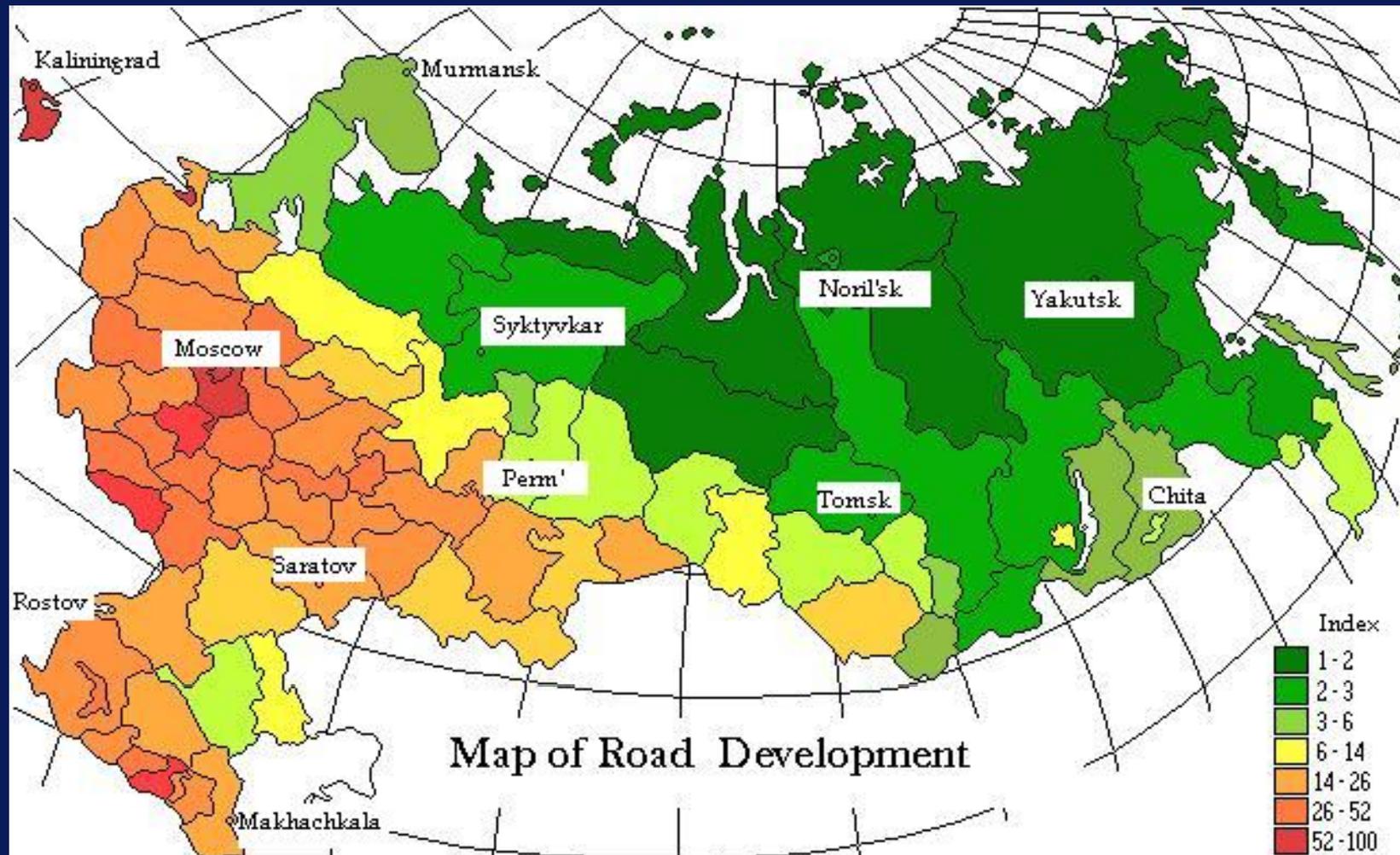
- covering 11 time zones



The Largest Country in the World (cont.)

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- with the "focus-linear" type of development





Challenges of the New Status

Former Soviet Republics:

1. Russia
2. Estonia
3. Latvia
4. Lithuania
5. Belarus
6. Ukraine
7. Moldova
8. Georgia
9. Armenia
10. Azerbaijan
11. Turkmenistan
12. Uzbekistan
13. Tajikistan
14. Kyrgyzstan
15. Kazakhstan



Russia's Economic Performance

- For the period of 2000 -2007, the economy demonstrated real growth of 72%, with real disposable income growing 209%.
- GDP growth in 2007 – 8.1%.
- GDP growth for the first nine months of 2008 – 7.3%.
- GDP growth in 2008 – 6.8%.
- Expectation for 2009 - zero/ negative growth.



Russian Business Environment

- Good business reputation of U.S. companies in general.
- Availability of financial resources has grown substantially.
- Legacy of the Soviet system.
 - Increased competition.
 - Cultural differences.

Market Challenges

- Government bureaucracy.
- Imperfect law enforcement system.
- High degree of corruption.
- Complex system of standardization.
- Insufficient SME access to financial resources.
- Increased competition from local, Asian and European companies.
- Limited number of managers with knowledge of Western accounting and business practices.

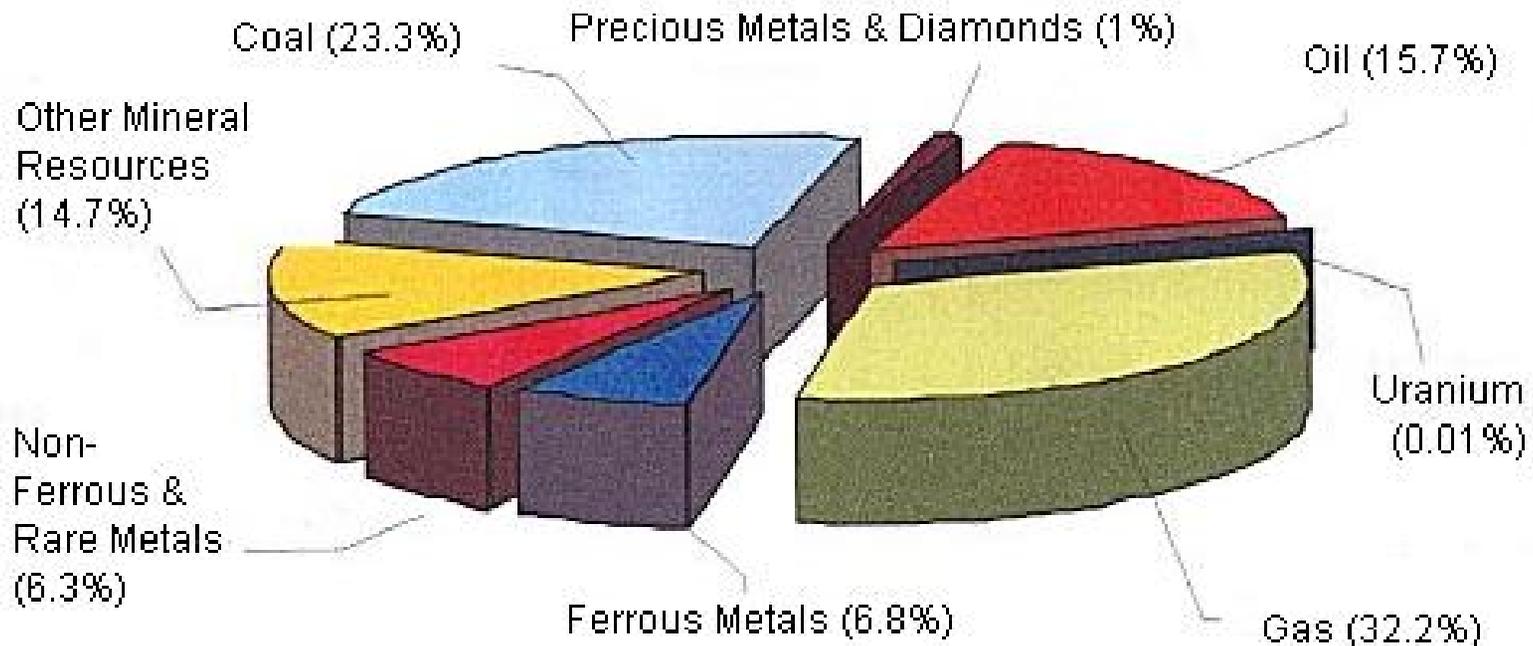


Size of the Mining Industry

- Extractive industries taken together constitute 33% of Russia's GDP and account for 60% of federal budget revenues.
- Russia accounts for about 14% of the world's total mineral extraction.
- Russia ranks among the world's leading producers of: iron ore, nickel, diamonds, coal, palladium, aluminum, uranium, gold and platinum.



Mineral Resource Distribution





Key Commodities

- **Coal:** Russia holds the world's second largest recoverable coal reserves and is the third largest exporter of black coal in the world.
- **Iron Ore:** Russia's proved iron ore reserves are the biggest in the world; currently the country produces about 15% of the world's iron ore.
- **Nickel:** Russia produces over 20% of world's nickel, most of the raw material mined in Norilsk, Murmansk and Chelyabinsk regions.

Key Commodities continued...



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- **Aluminum:** Russia is one of the biggest exporters of aluminum.
- **Gold:** Russia's annual gold output is about 200 tons and growing.
- **Diamonds:** Russia's proved diamond reserves are the biggest in the world, 80% are in the Republic of Sakha.
- **Copper:** Russia produces approximately 6-7% of world's copper annually.

Major Mining Companies

- United Company RUSAL (aluminum)
- Norilsk Nickel (nickel, platinum group)
- Evraz Holding (coal, iron ore)
- Mechel (coal, steel)
- Alrosa (diamonds)
- Polyus (gold)
- Urals Mining and Metallurgical Company
(copper)



What's driving demand?

- Revival of local economy.
- High oil prices.
- Rising energy use of neighboring countries such as China.
- Low cost to produce most minerals.
- Geographically positioned to export to both Europe and Asia.
- Demand is somewhat higher in the cold season





Major Coal Mining Companies

- Rapsadskaya Ugolnaya Kompaniya, Yuzhnyi Kuzbass (Mezhdurechensk, Kemerovo Region) - parts of Evraz Holding;
- Sibuglemet (Novokuznetsk, Kemerovo Region);
- Yuzhkuzbassugol (Novokuznetsk, Kemerovo Region);
- Kuzbassrazrezugol (Kemerovo);

Major Coal Mining Companies continued...

- Yakutugol (Neryungri, Republic of Sakha);
- Russky Ugol (Moscow);
- Siberian Coal Energy Company (Moscow);
- Vorkutaugol (Vorkuta).

Best Prospects



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- Highly technological energy- efficient equipment for underground mining.
- Electrohydraulic gear systems for mobile equipment.
- Strata control products.
- Heavy equipment parts.
- Down-the-hole equipment.
- Service and repair centers.

Market Access



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- No quotas on the import of coal mining equipment.
- Customs tax on imported equipment ranges from 5% to 35%, tax on most mining equipment tends to be on the lower end of the scale.
- Russian standards exist for all kinds of equipment.
- Stringent OH&S requirements for the mining industry, particularly for underground coal mining equipment.

Market Entry



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- Establishing a local presence or selecting a local partner is a minimum requirement for effective marketing and sales distribution in Russia. Due diligence is a must.
- Establishing a joint venture with a local company is highly advisable.

Market Entry continued...

- Consider offering financing options to Russian buyers (Eximbank and OPIC programs, leasing, etc.)
- Procurement of standard items is mainly through established local suppliers.
- Suppliers are located either in Moscow or in proximity to mining areas.
- Larger purchases are procured through a tender process.



Upcoming Russian Mining Trade Shows

- **Mining World Russia**, April 15-17, 2009, Moscow, Russia
<http://www.primexpo.ru/mining/eng>
- **Russian Coal and Mining**, June 2-5, 2009, Novokuznetsk, Kemerovo Region, Russia
<http://www.kuzbass-fair.ru/vistavki/kv/21.50.1.html>
- **Russian and CIS Mining Congress 2009**, November 10-12, Moscow
<http://www.terrapinn.com/2009/russiamining/index.stm>

Useful Links



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- Official Energy Statistics from the U.S. Government
<http://www.eia.doe.gov/emeu/cabs/Russia/Background.html>
- Ministry of Industry and Energy of the Russian Federation:
<http://www.minprom.gov.ru/eng>
- Ministry of Natural Resources of the Russian Federation:
<http://www.mnr.gov.ru>
- InfoMine: Mining in Russia
<http://www.infomine.com/countries/russia.asp>



Useful Links Continued...

- American Chamber of Commerce in Russia:
<http://amcham.ru>
- Russian Mining Industry Journal – articles in English
<http://en.miningmedia.ru/article>
- Trade Shows in Russia: <http://exponet.ru/index.en.html>
- MineWeb: Former Soviet Union
<http://www.mineweb.co.za/mineweb/view/mineweb/en/page58>



Contact Information

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