

Thomson Reuters KORTES

METHODOLOGY. THERMAL COAL.

PRICE ASSESSMENTS FOR THERMAL COAL AT MAJOR PORTS AND IN THE DOMESTIC MARKET OF RUSSIA

Contents

Thomson Reuter KORTES provides price assessments for thermal coal. Thermal coal sales volumes on the domestic market and export volumes are comparable. Due to the fact that the production of coal (both for domestic market needs and export) is mainly concentrated in the major coal reserves with developed infrastructure, the monitoring of prices in the domestic market is carried out in the most significant production regions. Price quotations for export shipments are indicated in the largest seaports specializing in coal shipment and geographically representative. Thermal coal price assessments are published in the Thomson Reuters information system and in the "Prices. Thermal coal" Bulletin.

Locations (bases).

Bases of thermal coal price assessments in the domestic market (see Table 1):

- the Kuznetsky coal basin (Kuzbass)
- the Pechorsky coal basin (Vorkuta).

Bases of thermal coal price assessments in the export market are ports (see Table 2):

- Kaliningrad
- Ust-Luga
- Riga
- Kandalaksha
- Murmansk
- Azov
- Odessa
- Nakhodka

In case of changes in the number of bases monitored by Thomson Reuters KORTES this Methodology will be amended.

Coal Grades

Thermal coal of grade D (dlinnoplamenny), the calorific value from 5000 to 6500 kcal (see Tables 1 and 2).

Discontinuation of price assessment and changes in quote lists

Price assessments may be added or deleted from the list at any time with the prior notification if the market situation requires such changes.

Blank price assessment

In case if the price assessment is temporarily not updated the current value of the price assessment will be marked as UNQ (UNQUOTED) in the system. In case when Thomson Reuters KORTES spots absence of sales and receives confirmation from the market participants that there is a lack of trading activity in the market, Thomson Reuters KORTES continues publishing the last relevant quotation during 5 (five) working days and terminates the quotation on the 6th business day.

Lot size

From 1000 tons for deliveries in the domestic market.

From 3000 tons for export trading.

Quality of coal

Qualitative characteristics of coal batches of the same grade can vary within a wide range.



Delivery basis

Deliveries to the domestic market – Free Carrier (FCA).

Deliveries to the export market – free on board (FOB).

Payment terms

Cash payment. Prepayment.

Period of shipment

Up to 30 calendar days.

Price

Domestic market: in rubles per ton, VAT incl.

Export market: in US dollars per ton.

Price range

For the domestic market does not exceed 500 rub per ton;

For the export market does not exceed 5 US dollars per ton;

Publication frequency

Weekly, every Friday (except for weekends and public holidays).

Relevance

Price assessments are effective at the date of publication (from 5 p.m. Moscow Time)

Data sources

Participants of the Russian coal market.

Market players

Holding companies, major international trading companies and consumers.

Data Considered for Assessment

Information about bids and offers provided by the Market Players and/or actual deals. Anonymity of respondents is guaranteed.

Data Collection Methods

Polling of market participants via phone, as well as getting information through communication channels (e-mail, fax). Survey is carried out by Thomson

Reuters KORTES in accordance with the internal procedure for the collection, validation and analysis of pricing information.

Relevance, credibility and accuracy of the price assessments is ensured through the collection, validation and expert analysis of pricing information obtained simultaneously from the maximum possible number of credible market sources that have built a reputation as reliable and trusted counterparties in the Russian thermal coal market. Price assessments are determined on the basis of various types of credible, reliable and representative market data including information about transactions, bids and offers received from credible buyers and sellers:

- relevance means that the pricing information used to form an assessment is valid for the period since 11 am till 5 pm Moscow time on the date of publication;

- credibility means that the information is obtained from reliable sources, that have proven themselves as reliable counterparties to the market participants and credible market sources to Thomson Reuters KORTES, and various verification tests and expert analysis have been applied by Thomson Reuters KORTES specialists in accordance with the internal procedure of the collection, validation and analysis of pricing information;

- representativeness means that the identical and/or similar pricing information is received from a representative number of independent/unaffiliated market players;

- Thomson Reuters KORTES specialists strictly follow the guidelines of the methodology to avoid inconsistency and inaccuracy in the thermal coal price assessments;

- Corrections. In case if it's required to revise incorrect value of a published price assessment which arose due to technical or other reasons, Thomson Reuters KORTES will update the price assessment, release a client notification, publish a revised bulletin and update the electronic database.

Standard notes

Additional Comments can be published to reflect the changes in the market conditions.



Table 1. Locations (bases) and grades of coal quoted in the domestic market.

| Coal basin | Region | Coal grades | Calorific value, kcal |
|------------|---------------------|-------------|-----------------------|
| Pechorsky | The Komi republic | D | 5000-6500 |
| Kuznetsky | Kemerovskaya oblast | D | 5000-5200 |
| Kuznetsky | Kemerovskaya oblast | D | 5300-5500 |
| Kuznetsky | Kemerovskaya oblast | D | 5800-6000 |

Table 2. Locations (ports) and grades of coal quoted in the export market.

| Basin(sea/ocean) | Port | Coal grades | Calorific value, kcal |
|------------------|-------------|-------------|-----------------------|
| Sea of Azov | Azov | D | 5000-6000 |
| Black Sea | Odessa | D | 5000-6000 |
| Baltic Sea | Kaliningrad | D | 5000-6000 |
| Baltic Sea | Riga | D | 5000-6000 |
| Baltic Sea | Ust-Luga | D | 5000-6000 |
| Barents Sea | Murmansk | D | 5000-6000 |
| White Sea | Kandalaksha | D | 5000-6000 |
| Pacific Ocean | Nakhodka | D | 5000-6000 |

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