OAO Raspadskaya

Management's discussion and analysis
of financial condition and results of operations
for the six-month period ended 30 June 2009

The following is a discussion and analysis of Raspadskaya's interim consolidated financial information for the six-month period ended 30 June 2009. This discussion and analysis should be read in conjunction with Raspadskaya's unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2009 prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting*. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. The actual results could differ materially from those anticipated in the forward-looking statements under the influence of numerous factors.*

General overview

We are a group of integrated companies located in Mezhdurechensk city in the Kemerovo region of Russia: three mines in operation, one mine under construction, a preparation plant, a trading company and companies engaged in transportation and infrastructure development – hereafter referred to collectively as "the Group". We have leading market positions in Russia with respect to production of coking coals of the GZh (gas fat) and GZhO (gas fat semi-lean) categories and sales of coal concentrate. According to IMC Economic and Energy Consultants Limited ("IMC"), as at 30 June 2006, we had total measured and indicated resources of 1,461 million tonnes, and proved and probable reserves of 781.5 million tonnes, of which 32.6 million tonnes were extracted in the period from 1 July 2006 to 30 June 2009. These resources and reserves were estimated in accordance with the requirements of the JORC Code. Our reserves will be available for extraction for at least the next 50 years.

Overview of financial results

	Six-month periods ended 30 June		
	2009	**2008**	**Change**
	US$000	*US$000*	
Revenue	147,704	606,613	(76)%
Cost of sales	(99,622)	(189,695)	(47)%
Gross profit	**48,082**	**416,918**	**(88)%**
Gross profit margin	***33%***	***69%***	
Selling and distribution costs	(480)	(3,490)	(86)%
General and administrative expenses	(20,215)	(33,026)	(39)%
Social and social infrastructure maintenance expenses	(2,825)	(12,679)	(78)%
Loss on disposal of property, plant and equipment	(748)	(430)	74%
Foreign exchange (losses)/gains	(23,557)	11,000	n/a
Other operating income	743	453	64%
Other operating expenses	(5,741)	(10,656)	(46)%
Operating (loss)/profit	**(4,741)**	**368,090**	**n/a**
Operating profit margin	***n/a***	***61%***	
Dividend income	11	–	n/a
Interest income	5,799	4,230	37%
Interest expense	(12,624)	(13,526)	(7)%
(Loss)/profit before income tax	**(11,555)**	**358,794**	**n/a**
Profit before income tax margin	***n/a***	***59%***	
Income tax	466	(97,009)	n/a
(Loss)/profit for the period	**(11,089)**	**261,785**	**n/a**
Profit for the period margin	***n/a***	***43%***	
(Loss)/earnings per share, *US$*	**(0.01)**	**0.33**	
EBITDA	**63,284**	**424,091**	**(85)%**
EBITDA margin	***43%***	***70%***	

Key factors affecting our results of operations

Certain factors relating to our business and industry, as well as the political, economic and legal environment in Russia, affect our results of operations. Such factors include, among others, exchange rates, the supply and demand of coking coal, coking coal prices, and production and other costs.

Exchange rates

In reading this discussion and analysis, a particularly important issue of the changes in the Russian ruble/US dollar exchange rate should be taken into consideration. Our performance is significantly affected by these changes. Our functional currency is the Russian ruble, and our assets, revenues and expenses are mostly nominated in rubles whereas our presentation currency is the US dollar. The devaluation of the Russian ruble in the second half of 2008 and the first quarter of 2009 has had a material effect on our financial position and results of operations.

	Six-month periods ended 30 June		
	2009	**2008**	**Change**
Average exchange rate, *RUB/US$*	33.0679	23.9440	38.1%
	30 June 2009	**31 December 2008**	
Exchange rate, *RUB/US$*	31.2904	29.3804	6.5%

Supply and demand of coking coal

Our operating results are significantly influenced by the balance of supply and demand of different types of coking coal on the domestic and world market, which is primarily influenced by fluctuations in the production of steel and coke, by changes in coal production capacity and other related factors. The consumers of our coking coal are large domestic and foreign steel and coke producers. Therefore, our results are influenced by the trends in the Russian and world steel markets. Cyclical fluctuations in the steel industry will continue to affect our future sales of coking coal.

Up to the middle of 2008, the demand for metallurgical products and, as a result, for coking coal was constantly growing on both the domestic and world market. In the fourth quarter of 2008 the demand began to decline. The severest fall in demand occurred in November and December as a result of the global economy crisis as well as a decrease in the demand for the end products – coke and steel. The direct consequences of the fall were the decrease in sales, production volumes and prices of coking coal in Russia and in the world. Starting the second quarter of 2009, the demand for our products has been gradually restoring which affects positively both sales and production volumes.

Our results can be indirectly affected by the situation with the coal production capacities and the sales volumes of our competitors. We believe that there will be no significant increase of Russian metallurgical coal capacity in the short- to medium-term mainly because the developing of new mining projects is still at early stages, and the companies lack the adequate finance required for these heavy investments.

We intend to sustain our competitiveness based on the quality of our products, reliability in delivery and stable relationships with our customers.

Revenue

The table below presents our domestic and export sales by product types restated under common delivery terms (FCA Mezhdurechensk) by deducting transportation costs from revenues reported in the financial statements in respect of sales of coal and coal concentrate made under other types of delivery terms (FOB Shipping point and DAF Customer destination) for the six-month periods ended 30 June:

	2009		2008		
	Amount	**Share**	**Amount**	**Share**	**Change**
	US$000		*US$000*		
Sales of coal concentrate – Russia	97,878	70%	417,036	71%	(77)%
Sales of coal concentrate – export	40,416	29%	153,416	26%	(74)%
	138,294	**99%**	**570,452**	**97%**	**(76)%**
Sales of raw coal – Russia	653	1%	19,617	3%	(97)%
Total sales of coal concentrate and raw coal	**138,947**	**100%**	**590,069**	**100%**	**(76)%**
Transportation costs included in sales price under delivery terms other than FCA Mezhdurechensk relating to:					
Sales of coal concentrate – Russia	–		1,666		(100)%
Sales of coal concentrate – export	1,533		11,222		(86)%
Sales of other goods	5,788		372		1456%
Rendering of services	1,436		3,284		(56)%
Total revenue	**147,704**		**606,613**		**(76)%**

In the first half of 2009, 95% of our total revenue was derived from sales of coal concentrate and raw coal (including transportation costs) as compared to 99% in the first half of 2008. The sales of raw coal occurred just occasionally.

In the first half of 2009, the total sales of coal concentrate decreased by 76% as compared to the first half of 2008 due to a decrease in both sales volumes and prices.

In the second quarter of 2009, total sales of coal concentrate increased by 20% as compared to the first quarter of 2009 and were US$77.4 million: the coal concentrate prices decreased by 3% to US$45.9 per tonne and the ruble/US$ exchange rate decreased by 5% to 33.93 whereas our sales volume increased by 30% to 1,685 thousand tonnes.

The transportation costs, that were included in delivery prices decreased because of the decrease in the proportion of sales made under delivery terms of FOB and DAF. In the second half of 2009, our transportation costs will increase due to an increase in sales volumes to South East Asia under FOB terms.

In the first half of 2009, the sales of other goods increased to US$5.8 million due to increased sales of steel products.

The rendering of services, which mainly included coal transportation services provided locally to other coal companies decreased by 56% from US$3.3 million in the first half of 2008 to US$1.4 million in the first half of 2009 due to decreased volumes of transported coal.

Coking coal prices

Both domestic and world prices for coking coal have a material impact on our results. In the first half of 2008, the major driving force of high coking coal prices was the strong demand for metallurgical and coal products on the domestic and world markets. From the fourth quarter of 2008 our coking coal prices have decreased as compared to the third quarter of 2008 as a result of the decrease in global demand for iron and steel. During the first half of 2009, our sales prices were about flat.

The table below represents our weighted average coal concentrate prices on FCA Mezhdurechensk terms for the six-month periods ended 30 June:

	2009	**2008**	**Change**
	US$ per tonne		
Coal concentrate – Russia	48.8	144.4	(66)%
Coal concentrate – export	41.3	132.4	(69)%
Coal concentrate – total	**46.3**	**141.0**	**(67)%**

At present, we do not hedge our exposure to the risk of fluctuations in the price of coal concentrate. In 2008, our one year coal sales contracts fixed the sales price for major customers. If market prices changed the contract prices might be changed with the mutual agreement between the parties. Starting 2009, we operate in the frames of long-term contracts with our major Russian customers and negotiate the volumes and prices on the quarterly basis.

Sales volumes

The global financial crisis and a drop in the output of the Russian industry materially affected our sales. A gradual recovery of the metallurgical production and demand in Russia as well as our active export policy have led to a partial retrieval of our sales volumes in the first half of 2009. Thus, in February we increased our sales volumes to 65% of the pre-crisis level, in March sales were 80%, and in the second quarter of 2009 they reached 80%. In the second half of 2009, we plan to increase sales volumes. At present, we see a significant growth in demand for our products.

The table below sets out the sales volumes of our coal concentrate and raw coal by location of our major customers for the six-month periods ended 30 June:

	2009		**2008**		
	Volume	**Share**	**Volume**	**Share**	**Change**
	thousands of tonnes		*thousands of tonnes*		
Coal concentrate – Russia					
MMK	485	16%	1,017	24%	(52)%
Evraz	420	14%	615	15%	(32)%
NLMK	329	11%	761	18%	(57)%
Kemerovo-Koks	289	10%	295	7%	(2)%
Mechel	240	8%	–	0%	n/a
Urals Steel	111	4%	43	1%	158%
Other	133	4%	157	4%	(15)%
	2,007	**67%**	**2,888**	**69%**	**(31)%**
Coal concentrate – export					
Ukraine	872	29%	947	22%	(8)%
Eastern Europe	71	2%	212	5%	(67)%
Asia	36	1%	–	0%	n/a
	979	**32%**	**1,159**	**27%**	**(16)%**
Coal concentrate – total	**2,986**	**99%**	**4,047**	**96%**	**(26)%**
Raw coal – Russia	26	1%	243	4%	(89)%
Coal concentrate and raw coal(1)	**3,005**	**100%**	**4,236**	**100%**	**(29)%**

(1) Raw coal restated in tonnes of coal concentrate at output ratio of 73.3% and 77.9% for the six-month periods ended 30 June 2009 and 2008, respectively.

A considerable part of our coal products is sold to domestic steel and coke producers such as Magnitogorsk Iron and Steel Plant ("MMK"), Evraz Group ("Evraz"), Novolipetsk Iron and Steel Plant including its subsidiary Altay-Koks ("NLMK"). The share of domestic sales volumes to these three companies accounted for 41% and 57% of our total coal concentrate and raw coal sales volume in the first half of 2009 and 2008, respectively.

In the first quarter of 2009, our domestic sales volumes of coal concentrate decreased by 31% as compared to the first quarter of 2008. Despite the decrease in sales to all our major customers we managed to keep up sales volumes to Kemerovo-Koks and to increase sales volumes to Mechel and Urals Steel (managing company Metalloinvest) and so to partially compensate the decrease in sales volumes to our large customers by sales to medium-sized Russian consumers in line with our policy on diversification of our client base.

In the first half of 2009, our share of export sales volume of coal concentrate in the total sales volume of our products increased to 32% as compared to 27% and 21% in the first half of 2008 and in the whole 2008, respectively, mainly due to the fact that the decrease of our sales to Ukraine was insignificant.

Our sales to Ukraine ceased in the fourth quarter of 2008 as a result of a sharp decrease in Ukrainian steel production; however, sales to Ukraine were recommenced in early 2009. At present, we supply major Ukrainian coke plants with our coal concentrate, Ukraine was our main export market, its share of export sales volumes was 89% and 82% in the first half of 2009 and 2008, respectively; its share of total sales volume of coal concentrate was 29% and 22% in the first half of 2009 and 2008, respectively.

In 2008, because of the favorable conditions in the Russian and Ukrainian markets we did not sell in Asia. Since 2009 we have partially made a move toward export markets: have started to carry out contracts with large metallurgical companies JFE Holding (Japan) and POSCO (Republic of Korea); has signed contracts for the Chinese market. In the future, we intend to strengthen our relations with Asian clients in line with our medium-term market strategy on expansion of export sales in total sales of our products by both executing existing contracts and signing new ones in the frames of the Asian financial year (starting 1 April).

Production volumes

Our production costs and costs per unit as well as our revenue are significantly affected by the changes in production volumes, which in their turn depend on sales volumes. During the crisis period of decline in demand for coal products, we minimized the extraction of raw coal not covered by existing contracts and orders. A significant proportion of our costs can be classified as fixed costs which is typical for the extraction industry and, therefore, our production level is one of the key factors in determining our overall cost competitiveness.

The table below sets out our raw coal and coal concentrate production volumes for the six-month periods ended 30 June:

	2009	**2008**	**Change**
	thousands of tonnes		
Raw coal production	4,168	5,081	(18)%
Raw coal preparation	4,168	5,181	(20)%
Coal concentrate production	3,055	4,034	(24)%
Output ratio	73.3%	77.9%	

The decrease in raw coal production volume in the first half of 2009 as compared to the first half of 2008 was significantly influenced by the decrease in demand for coking coal in both the Russian and world market.

The decrease in the output ratio was a consequence of an increase in ash content of raw coal as coal was extracted in a geologically disturbed area.

Production costs and efficiency

Our competitiveness and long-term profitability are, to a significant degree, dependent upon our ability to maintain relatively low costs and high efficiency of our operations.

Under the pressure of difficulties in the industry and the temporary decline in our sales, in the fourth quarter of 2008 we took additional action on control over costs, financial risks and liquidity, in line with our complex anti-crisis program which includes a number of operating and financial measures.

The table below sets out the breakdown of costs of production and sales by major categories for the six-month periods ended 30 June:

	2009		2008		
	Amount	**Share**	**Amount**	**Share**	**Change**
	US$000		*US$000*		
Payroll	19,550	21%	34,505	20%	(43)%
Materials	10,964	12%	29,248	17%	(64)%
Payroll taxes	6,164	7%	10,609	6%	(42)%
Mineral extraction tax and other taxes in production costs	5,571	6%	10,289	6%	(46)%
Electricity	5,257	6%	8,129	5%	(35)%
Other costs and expenses	3,057	3%	11,741	7%	(74)%
Cash cost of production[(1)]	**50,563**		**104,521**		**(52)%**
Depreciation, depletion (excluding mineral reserve) and amortization	30,975	33%	39,786	24%	(22)%
Depletion of mineral reserve	10,812	12%	24,790	15%	(56)%
Cost of production	**92,350**	**100%**	**169,097**	**100%**	**(45)%**
Transportation costs	1,533		11,222		(86)%
Cost of resold goods	5,644		366		1442%
Change in finished goods	95		9,010		(99)%
Cost of sales	**99,622**		**189,695**		**(47)%**

(1) Cash cost of production represents cost of sales before railway tariff, cost of resold goods, changes in finished goods and depreciation, depletion and amortization. We present cash cost of production and other measures calculated using cash cost of production because we consider them important supplemental measures of our operating performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in coal industry. Cash cost of production and other measures calculated using cash cost of production have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our operating results as reported under IFRS. We compensate for these limitations by relying primarily on our IFRS operating results and using cash cost measures only as supplemental. Cash cost of production and other measures calculated using cash cost of production are measures of our operating performance that is not required by, or presented in accordance with, IFRS. Cash cost of production and other measures calculated using cash cost of production are not measurement of our operating performance under IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS.

The table below sets out our cash costs of coal concentrate production for the six-month periods ended 30 June:

	2009	**2008**	**Change**
	US$000	*US$000*	
Estimated cash cost of raw coal used in concentrate preparation[(1)]	45,548	95,849	(52)%
Cash cost of preparation	5,015	10,586	(53)%
Total cash cost of coal concentrate produced	**50,563**	**106,435**	**(52)%**
	US$ per tonne		
Cash cost per tonne of raw coal produced	10.9	18.5	(41)%
Preparation cash cost per tonne of raw coal used	1.2	2.0	(40)%
Total cash cost per tonne of coal concentrate produced[(2)]	**16.6**	**26.4**	**(37)%**

(1) Estimated cash cost per tonne of raw coal used in concentrate preparation is a computed value calculated based on the volumes of raw coal used in concentrate preparation and the average cash cost per tonne of raw coal produced.

(2) Raw coal restated in tonnes of coal concentrate at output ratio of 73.3% and 77.9% for the six-month periods ended 30 June 2009 and 2008, respectively.

The decrease in our cash cost of production in the first half of 2009 as compared to the first half of 2008 was the result of the 38% increase in the weighted average ruble/dollar exchange rate. In addition, cash cost per tonne of coal concentrate produced was driven by a decrease in the cash cost per tonne of raw coal produced, a decrease in extraction volume and a decrease in the preparation cash cost per tonne of raw coal used.

The decrease in our total cash cost of production was driven by a decrease in underground development, overburden removal and major repairs, and by a decrease in materials prices (including steel products and fuel and grease).

The decrease in the preparation cash cost was driven by a decrease in the costs of electricity and raw materials.

By the end of 2009, as a consequence of an increase in sales and production volumes, we expect a certain increase in the costs of underground development, overburden removal, major repairs and labor costs. However, we do not expect a considerable increase in the cash cost per tonne of coal concentrate produced.

Payroll and payroll taxes

The table below sets out our overall payroll costs and related payroll taxes for the six-month periods ended 30 June:

	2009	**2008**	**Change**
Average total number of employees	7,498	7,758	(3)%
Total net payroll, *US$000*	31,217	50,733	(38)%
Total payroll taxes, *US$000*	9,076	14,471	(37)%
Average annual payroll per employee, net, *US$*	8,327	13,079	(36)%
Effective payroll tax rate	29%	29%	

The decrease in the overall payroll costs in the first half of 2009 as compared to the first half of 2008 reflected the decrease in the headcount number and the reduction of the average annual payroll per employee which was a temporary anti-crisis measure. By the end of 2009, the ruble nominated average annual payroll per employee will increase as compared to the first half of 2009 but will not exceed the level of 2008.

The payroll taxes contain the unified social tax (“UST”) and mandatory industrial accident and occupational disease insurance charges. UST includes our regular contributions to the State Pension Fund of Russia in accordance with the Russian legislation. We have no legal or constructive obligation to pay further contributions in respect of the State benefits.

Mineral extraction tax and other taxes in production cost

Taxes included in production costs consist primarily of the mineral extraction tax. The decrease of US$4.7 million in the tax amount was due to the decrease in coal prices and production volume.

Materials and electricity

The decrease in materials cost by US$18.3 million and electricity cost by US$2.9 million was primarily caused by the decrease in underground development and overburden removal in the first half of 2009 as compared to the first half of 2008.

Other costs and expenses

In the first half of 2009, as compared to the first half of 2008, other costs and expenses decreased by US$8.7 million due to a decrease in mining equipment repairs and overburden removal and blast services.

Depreciation, depletion and amortization

Depreciation, depletion and amortization comprise a significant portion in our cost of production. The increase in ruble nominated depreciation charge was a consequence of the increase in the value of the property, plant and equipment resulting from additions. The decrease in depletion charge was due to the decrease in production volumes.

Railway costs

All the coal products which we sell are transported by railway. We are among the few Russian coal producers who own and operate an integrated coal transportation network that is directly connected to the federal railway system operated by the state monopoly OAO Russian Railways. Our proprietary coal transportation network includes 15 kilometers of railway which connects our production facilities with the federal railway station at Mezhdurechensk.

Our coal concentrate and raw coal is delivered to customers by Russian Railways via the federal railway system. Fluctuations of the railway tariffs affect the total cost paid by our customers, and as such, may impact the demand for our coal from any customers located far from our production site. From 1 January 2009 the railway tariffs increased by 4.8% and since 1 July by 5.7% more (expressed in rubles).

Production facilities maintenance

Our activities are dependent upon our ability to maintain steady production levels. Therefore, the availability and development of mineral reserves, maintenance of our mining equipment and overall facilities, as well as ensuring safe working conditions for our personnel is crucial for the results of our operations. Our top priorities are keeping our mining equipment in very good condition and maintaining a healthy and safe working environment at each of our facilities through the implementation of stringent safety measures.

Selling, general and administrative and other expenses

Selling and distribution costs

Selling and distribution costs mainly included customs fees pertaining to the export sales and, in 2008, various expenses related to transportation of our coal concentrate sold to NLMK on terms FCA Lipetsk. Since February 2008 we supply NLMK on FCA Mezhdurechensk terms. The decrease in selling and distribution costs by US$3.0 in the first half of 2009 as compared to the first half of 2008 million was mainly due to this change in terms.

General and administrative expenses

The table below sets out the breakdown of general and administrative expenses by major categories for the six-month periods ended 30 June:

	2009		**2008**		
	Amount	**Share**	**Amount**	**Share**	**Change**
	US$000		*US$000*		
Payroll	9,278	46%	16,228	49%	(43)%
Property and other taxes	3,468	17%	3,150	10%	10%
Payroll tax	2,296	11%	3,862	12%	(41)%
Raw materials	296	1%	1,259	4%	(76)%
Insurance	152	1%	406	1%	(63)%
Depreciation and amortization	1,205	6%	1,234	4%	(2)%
Other services and costs	3,520	18%	6,887	20%	(49)%
	20,215	**100%**	**33,026**	**100%**	**(39)%**

In the first half of 2009, the decrease in general and administrative expenses by US$12.8 million was a result of a decrease in labor costs and in costs of materials for maintenance and repairs of laundries and baths. The increase in property tax was due to the commencement of operations of our preparation plant's second stage. Other services and costs include bank services, information, communication, consulting, audit and other fees.

Social and social infrastructure maintenance expenses

As is the case for many of large Russian production companies, we bear certain social costs and social infrastructure maintenance expenses which are primarily in the form of donations and assistance to social sphere objects.

The decrease in social and social infrastructure maintenance expenses was due to the fact that in the first half of 2008 certain one-time payments for financing safety and environmental protection programs were made.

Foreign exchange (losses)/gains

Our revenues from domestic sales accounted for 72% and 73% of total revenue for the six-month periods ended 30 June 2009 and 2008, respectively. Prices for domestic sales are set in rubles. Most of our costs (except for certain equipment purchases) are also denominated in rubles.

Foreign exchange gains and losses relate to the difference arising from revaluation of assets and liabilities denominated in foreign currencies (primarily US dollars) and exchange rate differences on sales and purchase of foreign currencies. In the six-month period ended 30 June 2009, the US dollar has appreciated by 6.5% against the Russian ruble. As a result, we incurred foreign exchange loss of US$23.6 million for the period. The loss mainly resulted from the revaluation of our US dollar denominated borrowings.

Interest income and interest expense

Interest income mainly related to short-term deposits held in various Russian banks. The increase of US$1.6 million was due to the larger amount of bank deposits held in the six-month period ended 2009 as compared to the six-month period ended 2008.

In the first half of 2009, our interest expense of US$12.6 million primarily related to the coupon payments on eurobonds issued in May 2007.

Income tax expense

In the first half of 2009, the amount of income tax represented the difference between the tax accrued (US$3.7 million) and the change in the amount of the deferred income tax liability and asset (US$4.2 million).

Liquidity, capital resources and capital expenditures

Our primary sources of liquidity are cash generated from operating activities, debt financing and access to equity capital markets. Our future plan is to finance our capital expenditures, interest expenses and dividends primarily out of our operating cash flows.

The table below summarizes our IFRS cash flow statement for the six-month periods ended 30 June:

	2009	**2008**
	US$000	*US$000*
Cash and cash equivalents at 1 January	71,555	82,311
Net cash from operating activities	63,545	350,996
Net cash used in investing activities	(51,378)	(191,719)
Net cash used in financing activities	(16,256)	(135,000)
Effect of foreign exchange rate changes on cash and cash equivalents	(3,933)	4,322
Cash and cash equivalents at 30 June	**63,533**	**110,910**

In the second half of 2009, we intend to maintain a sufficient level of liquidity to continue our business in changing economic environment.

Capital expenditures represented the major part of the cash used in our investing activities.

The following table sets out our capital expenditures by business activities for the six-month periods ended 30 June:

	2009		2008		
	Amount	**Share**	**Amount**	**Share**	**Change**
	US$000		*US$000*		
Mines in operation	67,742	85%	114,225	75%	(41)%
Mine under construction	11,364	14%	30,073	20%	(62)%
Preparation plant	9	0%	4,232	3%	(100)%
Other	850	1%	2,715	2%	(69)%
	79,965	**100%**	**151,245**	**100%**	**(47)%**

The following table sets out the calculation of our Consolidated EBITDA,(1) as stipulated in the Loan Agreement on the eurobonds, for the six-month periods ended 30 June:

	2009	2008	Change
	US$000	*US$000*	
(Loss)/profit for the period	**(11,089)**	**261,785**	**n/a**
Adjusted for:			
Foreign exchange (losses)/gains, net	23,557	(11,000)	n/a
Gain/(loss) on net monetary position	87	190	(54)%
Consolidated Profit	**12,555**	**250,975**	**(95)%**
Adjusted for:			
Depreciation, depletion and amortization	44,117	65,822	(33)%
Dividend income	(11)	–	n/a
Interest income	(5,799)	(4,230)	37%
Interest expense	12,624	13,526	(7)%
Capitalized interest	264	989	(73)%
Income tax	(466)	97,009	n/a
Consolidated EBITDA	**63,284**	**424,091**	**(85)%**

(1) EBITDA represents profit for the period before foreign exchange gains/(losses), gain/(loss) on net monetary position, depreciation, depletion and amortization, dividend income, interest income and expense, capitalized interest and income tax expense. We present EBITDA because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results as reported under consolidated IFRS financial statements. We compensate for these limitations by relying primarily on our consolidated IFRS operating results and are using EBITDA only as a supplement. EBITDA is a measure of our operating performance that is not required by or presented in accordance with IFRS. EBITDA is not a measurement of our operating performance under IFRS and should not be considered as an alternative to profit for the period, profit before income tax or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. In particular, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

The following table sets out our Consolidated Net Indebtedness:

	30 June 2009	31 December 2008	Change
	US$000	*US$000*	
Loans (including interest)	353,822	351,147	1%
Adjusted for:			
Short-term bank deposits	(86,677)	(115,045)	(25)%
Cash and cash equivalents	(63,533)	(71,555)	(11)%
Consolidated Net Indebtedness	**203,612**	**164,547**	**24%**

In the first half of 2009, our long-term debt included primarily 7.5% eurobonds in amount of US$300 million due 2012.

One of the covenants stipulated in the Loan Agreement on the eurobonds is Net Leverage Ratio which represents the ratio of Consolidated Net Indebtedness to 12-month Consolidated EBITDA. Net Leverage Ratio may not exceed 3.

The following table sets out the calculation of 12-month Consolidated EBITDA for the twelve-month period ended 30 June 2009:

	US$000
EBITDA for the year ended 31 December 2008	871,049
Less:	
EBITDA for the six-month period ended 30 June 2008	(424,091)
Add:	
EBITDA for the six-month period ended 30 June 2009	63,284
12-month Consolidated EBITDA	**510,242**

As at 30 June 2009, none of the covenants stipulated in the Loan Agreement on the eurobonds was infringed. We believe none of the covenants will be infringed in the foreseeable future.

Off-balance sheet arrangements

We do not have off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, revenues and expenses, results of operations, liquidity, capital expenditures, or capital resources.