

**ОАО Распадская**

Unaudited interim condensed  
consolidated financial statements

*Six-month period ended 30 June 2011*

# OAO Raspadskaya

## Unaudited interim condensed consolidated financial statements

Six-month period ended 30 June 2011

### Contents

Report on review of unaudited interim condensed consolidated financial statements.....	1
Unaudited interim condensed consolidated financial statements:	
Unaudited interim consolidated statement of comprehensive income .....	2
Unaudited interim consolidated statement of financial position .....	3
Unaudited interim consolidated statement of cash flow.....	4
Unaudited interim consolidated statement of changes in equity .....	5
Notes to the unaudited interim condensed consolidated financial statements .....	6

## Report on review of interim condensed consolidated financial statements

To the Shareholders and Board of Directors of  
OAO Raspadskaya

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of OAO Raspadskaya and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at June 30, 2011 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### **Emphasis of matter**

We draw attention to Note 1 to the interim condensed consolidated financial statements, which discloses a significant concentration of the Group's business with related parties.

*Ernst & Young LLC*

September 27, 2011

# OAO Raspadskaya

## Unaudited interim consolidated statement of comprehensive income

Six-month period ended 30 June 2011

	Notes	2011 <i>US\$000</i>	2010 * <i>US\$000</i>
<b>Revenue</b>			
Sale of goods		368,720	457,280
Other sales		8,718	8,759
	4	377,438	466,039
Cost of sales		(178,123)	(199,789)
<b>Gross profit</b>		199,315	266,250
Selling and distribution costs		(2,542)	(3,143)
General and administrative expenses		(31,436)	(24,840)
Social and social infrastructure maintenance expenses		(3,721)	(3,282)
Loss on disposal of property, plant and equipment	6	(153)	(45,106)
Foreign exchange gains/(losses)		13,860	(847)
Other operating income		1,317	1,616
Other operating expenses		(44,264)	(27,511)
<b>Operating profit</b>		132,376	163,137
Dividend income		24	2
Interest income		8,390	7,992
Interest expense		(14,083)	(13,709)
Gain from a bargain purchase of subsidiary		-	104,735
<b>Profit before income tax</b>		126,707	262,157
Income tax expense	5	(27,661)	(33,004)
<b>Profit for the period</b>		99,046	229,153
<b>Other comprehensive income:</b>			
Effect of translation to presentation currency		130,400	(50,384)
Net gain/(loss) on available-for-sale financial assets		75	(194)
Income tax		20	30
		95	(164)
Other comprehensive income/(loss) for the period, net of tax		130,495	(50,548)
<b>Total comprehensive income for the period</b>		229,541	178,605
<i>Profit/(loss) for the period attributable to:</i>			
<i>Equity holders of the parent</i>		99,026	229,356
<i>Minority interests</i>		20	(203)
		99,046	229,153
<i>Total comprehensive income/(loss) attributable to:</i>			
<i>Equity holders of the parent</i>		229,087	178,976
<i>Minority interests</i>		454	(371)
		229,541	178,605
Earnings per share:			
basic and diluted, for profit for the period attributable to the equity holders of the parent, US dollars (3.63 rubles and 8.67 rubles for the six-month periods ended 30 June 2011 and 2010 respectively)	10	0.13	0.29

\* The amounts shown here do not correspond to those in the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2010 and reflect restatements made as detailed in Note 2.

*The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.*

OA0 Raspadskaya

Unaudited interim consolidated statement of financial position

30 June 2011

	Notes	30 June 2011 US\$000	31 December 2010 US\$000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	1,675,475	1,529,894
Deferred tax asset		28,847	22,553
Other non-current assets		5,751	5,718
		<u>1,710,073</u>	<u>1,558,165</u>
<b>Current assets</b>			
Inventories		100,573	77,199
Trade and other receivables		73,348	47,329
Prepayments		10,937	12,749
Receivables from related parties	9	14,299	32,621
Income tax receivable		2,657	7,806
Other taxes recoverable		7,524	15,866
Short-term bank deposits	8	158,396	158,384
Cash and cash equivalents	8	256,862	164,628
		<u>624,596</u>	<u>516,582</u>
<b>Total assets</b>		<u><u>2,334,669</u></u>	<u><u>2,074,747</u></u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	10	303	303
Additional paid-in capital		784,164	783,862
Reserve capital		7	7
Accumulated profits		1,006,385	907,359
Unrealized gain on available-for-sale investments		2,153	2,058
Translation difference		(64,549)	(194,515)
		<u>1,728,463</u>	<u>1,499,074</u>
Minority interests		4,854	5,257
		<u>1,733,317</u>	<u>1,504,331</u>
<b>Non-current liabilities</b>			
Long-term loans	11	4,170	304,104
Deferred income tax liabilities		160,157	151,862
Post-employment benefit liabilities		24,794	22,200
Site restoration provision		13,212	11,703
		<u>202,333</u>	<u>489,869</u>
<b>Current liabilities</b>			
Trade and other payables		57,526	41,088
Advances from customers		18	19
Short-term loans and current portion of long-term loans	11	302,856	6,499
Payables to related parties	9	2,868	2,504
Income tax payable		5,168	4,855
Other taxes payable		30,424	25,404
Dividends payable		159	178
		<u>399,019</u>	<u>80,547</u>
<b>Total equity and liabilities</b>		<u><u>2,334,669</u></u>	<u><u>2,074,747</u></u>

*The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.*

OAO Raspadskaya

Unaudited interim consolidated statement of cash flows

Six-month period ended 30 June 2011

	Notes	2011 US\$000	2010 * US\$000
<b>Operating activities</b>			
Profit for the period		99,046	229,153
Adjustments to reconcile net profit to net cash flows from operating activities:			
Depreciation, depletion and amortization	6	61,839	54,809
Deferred income tax benefit	5	(8,864)	(11,283)
Loss on disposal of property, plant and equipment	6	153	45,106
Foreign exchange losses		(13,860)	847
Dividend income		(24)	(2)
Interest income		(8,390)	(7,992)
Interest expense		14,083	13,709
Gain from a bargain purchase of subsidiary		-	(104,735)
Net employee benefit		(1,099)	(282)
Change in bad debt reserve		(626)	(658)
		<b>142,258</b>	<b>218,672</b>
Changes in working capital:			
Inventories		(16,450)	(10,383)
Trade and other receivables		(20,652)	35,373
Prepayments		2,777	3,910
Receivables from / payables to related parties		20,855	(2,092)
Trade and other payables		12,940	13,136
Advances from customers		(3)	(2,824)
Taxes payable, net of taxes receivable		17,911	(23,738)
<b>Net cash flows from operating activities</b>		<b>159,636</b>	<b>232,054</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(78,441)	(74,882)
Bank deposits, including interest		10,056	(32,466)
Purchase of subsidiary, net of cash acquired		-	(34,021)
Other investing activities, net		1,832	1,342
<b>Net cash flows used in investing activities</b>		<b>(66,553)</b>	<b>(140,027)</b>
<b>Financing activities</b>			
Proceeds from loans		834	-
Repayment of loans, including interest, net of government grants		(16,207)	(28,194)
Purchase of non-controlling interest in subsidiary		(555)	-
Dividends paid		(33)	(27)
<b>Net cash flows used in financing activities</b>		<b>(15,961)</b>	<b>(28,221)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		15,112	(1,680)
Net increase/(decrease) in cash and cash equivalents		92,234	62,126
Cash and cash equivalents at the beginning of the period		164,628	28,277
<b>Cash and cash equivalents at the end of the period</b>		<b>256,862</b>	<b>90,403</b>
<b>Supplementary cash flow information:</b>			
Cash flows during the period:			
Interest paid		11,354	11,470
Interest received		6,840	8,022
Income taxes paid		36,587	55,291

\* The amounts shown here do not correspond to those in the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2010 and reflect restatements made as detailed in Note 2.

*The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.*

OAO Raspadskaya  
 Unaudited interim consolidated statement of changes in equity  
 Six-month period ended 30 June 2011

	Attributable to the equity holders of the parent								
	Issued capital	Additional paid-in capital	Reserve capital	Accumulated profits	Unrealized gain on available- for-sale investments	Translation difference	Parent shareholders' equity	Minority interests	Total
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
<b>At 31 December 2010</b>	303	783,862	7	907,359	2,058	(194,515)	1,499,074	5,257	1,504,331
Net profit	-	-	-	99,026	-	-	99,026	20	99,046
Other comprehensive income	-	-	-	-	95	129,966	130,061	434	130,495
Total comprehensive income	-	-	-	99,026	95	129,966	229,087	454	229,541
Acquisition of non-controlling interest in subsidiary	-	302	-	-	-	-	302	(857)	(555)
<b>At 30 June 2011</b>	<b>303</b>	<b>784,164</b>	<b>7</b>	<b>1,006,385</b>	<b>2,153</b>	<b>(64,549)</b>	<b>1,728,463</b>	<b>4,854</b>	<b>1,733,317</b>
<b>At 31 December 2009</b>	303	783,862	7	662,605	1,655	(179,485)	1,268,947	5,735	1,274,682
Net profit	-	-	-	229,356	-	-	229,356	(203)	229,153
Other comprehensive loss	-	-	-	-	(164)	(50,216)	(50,380)	(168)	(50,548)
Total comprehensive income	-	-	-	229,356	(164)	(50,216)	178,976	(371)	178,605
<b>At 30 June 2010 *</b>	<b>303</b>	<b>783,862</b>	<b>7</b>	<b>891,961</b>	<b>1,491</b>	<b>(229,701)</b>	<b>1,447,923</b>	<b>5,364</b>	<b>1,453,287</b>

\* The amounts shown here do not correspond to those in the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2010 and reflect restatements made as detailed in Note 2.

*The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.*

# OAO RASPADSKAYA

## Notes to the unaudited interim condensed consolidated financial statements

Six-month period ended 30 June 2011

### 1. Corporate information

The interim condensed consolidated financial statements of OAO RASPADSKAYA (the "Company") for the six-month period ended 30 June 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 27 September 2011.

The Company is an open joint-stock company ("OAO") registered under the Russian law. The Company commenced operations in 1973. The registered office of the Company is 106, Mira Street, Mezhdurechensk, Kemerovo region, Russia. The Company's controlling shareholder is Corber Enterprises Limited (Cyprus) ("Corber"), a 50/50 joint venture set up by Adroliv Investments Limited (Cyprus) ("Adroliv") owned by the Company's management, and Mastercroft Mining Limited, a subsidiary of EVRAZ Group S.A. (Luxembourg) ("Evraz"). Corber owns 80% of the Company's shares. The Company's shares are traded on the Russian stock exchanges RTS and MICEX.

The Company and its subsidiaries (the "Group") derive 98% of their revenues from sales of coking coal. Other revenue sources include sales of other goods, transport-handling services and rendering of other services.

In the six-month period ended 30 June 2011, 33% of the Group's revenue was generated in transactions with related parties (Note 9).

### 2. Significant accounting policies

#### ***Basis of preparation***

The interim condensed consolidated financial statements for the six-month period ended 30 June 2011 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010.

Operating results for the six-month period ended 30 June 2011 are not indicative of the results that may be expected for the year ending 31 December 2011.

The interim condensed consolidated financial statements are presented in US dollars (US\$) and all amounts are rounded to the nearest thousand (US\$000) except when otherwise stated.

Certain restatements have been made to the six-month period ended 30 June 2010 financial statements to conform to the current period presentation:

1. Certain reclassifications have been made to the amounts for the six-month period ended 30 June 2010 to conform to the current period presentation, in particular, loading expenses have been reclassified from selling and distribution costs to cost of sales, also payroll and payroll taxes of certain staff have been reclassified from general and administrative expenses to cost of sales;
2. In 2010, the Company finalized its purchase price allocation for the acquisition of ZAO Koksovaya. As a result, the Company recognized adjustments to the provisional values of identifiable assets, liabilities and contingent liabilities of the entity at the date of acquisition and adjusted amounts for the six-month period ended 30 June 2010 in these financial statements.



Notes to the unaudited interim condensed consolidated financial statements  
(continued)

**2. Significant accounting policies (continued)**

***Changes in accounting policies***

In the preparation of the interim condensed consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the complete consolidated financial statements for year ended 31 December 2010, except for the adoption of the revision of the existing standards:

*New/revised standards and interpretations adopted in 2011*

▶ IAS 24 (revised) *Related Party Disclosures*

The amendment clarifies the definitions of a related party. The amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

▶ Amendment to IAS 32 *Financial Instruments: Presentation*

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment had no effect on the financial position or performance of the Group.

▶ IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Gains and losses are recognized immediately in profit or loss. The adoption of this interpretation had no effect on the financial statements of the Group.

▶ Amendments to IFRIC 14 / IAS 19 *Prepayments of a Minimum Funding Requirement*

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as pension asset. The amendment to the interpretation had no effect on the financial position or performance of the Group.

▶ Amendments to standards following May 2010 "improvements to IFRS" project

The third omnibus of amendments to IFRS was issued primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments did not have significant impact on the financial statements of the Group.

## OAO Raspadskaya

### Notes to the unaudited interim condensed consolidated financial statements (continued)

#### 2. Significant accounting policies (continued)

##### *Changes in accounting policies (continued)*

###### *Standards issued but not yet effective*

The Group has not applied the following standards and IFRIC Interpretations that have been issued but are not yet effective:

- ▶ IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2013);
- ▶ IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013);
- ▶ IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013);
- ▶ IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013);
- ▶ IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013);
- ▶ Amendments to IAS 1 *Presentation of Financial Statements* – Changes to the Presentation of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
- ▶ Amendments to IAS 12 *Income Taxes* – Deferred Taxes: Recovery of Underlying Asset (effective for annual periods beginning on or after 1 January 2012);
- ▶ Amendments to IAS 19 *Employee Benefits* (effective for annual periods beginning on or after 1 January 2012).

The Group expects that the adoption of the pronouncements listed above will not have a significant impact on the Group's results of operations and financial position in the period of initial application.

#### 3. Seasonality of operations

There are no significant seasonal effects in the business activities of the Group.

#### 4. Revenue

##### *Distribution of the Group's revenue by country*

	Six-month periods ended 30 June			
	2011		2010	
	Amount	Portion of revenue	Amount	Portion of revenue
	<i>US\$000</i>		<i>US\$000</i>	
Russia	377,438	100%	294,842	63%
China	–	–	74,119	16%
Republic of Korea	–	–	59,129	13%
Ukraine	–	–	37,949	8%
	<b>377,438</b>	<b>100%</b>	466,039	100%

OAO Raspadskaya

Notes to the unaudited interim condensed consolidated financial statements  
(continued)

**4. Revenue (continued)**

*Revenues from the Group's major customers*

	<b>Six-month periods ended 30 June</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>Portion of revenue</b>	<b>Amount</b>	<b>Portion of revenue</b>
	<i>US\$000</i>		<i>US\$000</i>	
EvrAZ	<b>120,252</b>	<b>32%</b>	116,825	25%
MMK	<b>89,650</b>	<b>24%</b>	43,493	9%
Kemerovo-Koks	<b>82,360</b>	<b>22%</b>	68,541	15%
NLMK	<b>32,664</b>	<b>8%</b>	43,211	9%
Mechel	<b>29,623</b>	<b>8%</b>	26,091	6%
CITIC Metal	–	–	58,077	12%
Daewoo	–	–	40,917	9%
	<b>354,549</b>	<b>94%</b>	397,155	85%

**5. Income taxes**

*Major components of income tax expense*

	<b>Six-month periods ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>US\$000</i>	<i>US\$000</i>
Current income tax:		
Current income tax charge	<b>(36,525)</b>	(44,287)
Deferred income tax benefit:		
Relating to origination and reversal of temporary differences	<b>8,864</b>	11,283
<b>Income tax expense</b>	<b>(27,661)</b>	(33,004)

Russia was the only tax jurisdiction in which the Group's income was subject to taxation.

OA0 Raspadskaya

Notes to the unaudited interim condensed consolidated financial statements  
(continued)

6. Property, plant and equipment

	30 June 2011	31 December 2010
	<i>US\$000</i>	<i>US\$000</i>
Cost:		
Land	62	57
Mining assets	1,183,688	1,075,314
Buildings and constructions	138,123	117,832
Machinery and equipment	551,224	485,022
Transport and motor vehicles	71,469	56,109
Other assets	14,699	12,436
Assets under construction	270,149	237,736
	<b>2,229,414</b>	<b>1,984,506</b>
Accumulated depreciation and depletion:		
Mining assets	(220,613)	(177,126)
Buildings and constructions	(22,361)	(18,375)
Machinery and equipment	(277,908)	(233,040)
Transport and motor vehicles	(24,545)	(18,871)
Other assets	(7,221)	(5,911)
	<b>(552,648)</b>	<b>(453,323)</b>
Government grants:		
Mining assets, net	(1,231)	(1,143)
Machinery and equipment, net	(60)	(56)
Other assets, net	-	(90)
	<b>(1,291)</b>	<b>(1,289)</b>
	<b>1,675,475</b>	<b>1,529,894</b>

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of US\$24,287,000 and US\$6,796,000 as at 30 June 2011 and 31 December 2010 respectively.

*Movement in property, plant and equipment*

	Land	Mining assets	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Other assets	Assets under construction	Total
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
<b>At 31 December 2010 cost, net of accumulated depreciation, depletion and government grants</b>	<b>57</b>	<b>897,045</b>	<b>99,457</b>	<b>251,926</b>	<b>37,238</b>	<b>6,435</b>	<b>237,736</b>	<b>1,529,894</b>
Additions	-	14,139	-	-	-	-	67,103	81,242
Assets put into operation	-	-	10,064	30,174	11,475	1,454	(53,167)	-
Disposals	-	-	-	(1,368)	(374)	(91)	(128)	(1,961)
Reclassification	-	1,958	-	13	(12)	(1)	(1,958)	-
Depreciation and depletion charge	-	(27,796)	(2,415)	(29,030)	(4,712)	(974)	-	(64,927)
Amortization of government grants	-	9	-	2	-	95	-	106
Translation difference	5	76,489	8,656	21,539	3,309	560	20,563	131,121
<b>At 30 June 2011 cost, net of accumulated depreciation, depletion and government grants</b>	<b>62</b>	<b>961,844</b>	<b>115,762</b>	<b>273,256</b>	<b>46,924</b>	<b>7,478</b>	<b>270,149</b>	<b>1,675,475</b>

ОАО Raspadskaya

Notes to the unaudited interim condensed consolidated financial statements  
(continued)

**7. Other non-current assets**

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$000</i>	<i>US\$000</i>
Available-for-sale investments:		
Quoted equity shares	<b>2,694</b>	2,576
Unquoted equity shares	<b>265</b>	244
	<b>2,959</b>	2,820
Loans to employees	<b>2,656</b>	2,464
Other non-current assets	<b>136</b>	434
	<b>5,751</b>	5,718

**8. Short-term bank deposits and cash and cash equivalents**

*Short-term bank deposits*

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$000</i>	<i>US\$000</i>
Russian rubles	<b>33,481</b>	18,046
US dollars	<b>124,915</b>	140,338
	<b>158,396</b>	158,384

The above short-term deposits are non-restricted deposits placed in Russian banks and affiliates of international banks.

*Cash and cash equivalents*

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$000</i>	<i>US\$000</i>
Russian rubles	<b>250,598</b>	159,956
US dollars	<b>6,264</b>	2,499
Euro	<b>–</b>	2,173
	<b>256,862</b>	164,628

The above cash and cash equivalents mainly consisted of cash at banks.

# OAO RASPADSKAYA

## Notes to the unaudited interim condensed consolidated financial statements (continued)

### 9. Related party disclosures

For the purposes of these financial statements, parties are considered to be related if one party has the ability to exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

#### *Transactions with related parties*

	<b>Sales to related parties</b>		<b>Purchases from related parties</b>	
	<b>Six-month periods ended 30 June</b>		<b>Six-month periods ended 30 June</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
ZSMK	84,185	–	–	–
NTMK	15,922	–	–	–
TC EvrazHolding	20,145	82,113	5,672	5,634
Southern Kuzbass	2,532	1,288	–	–
RSPK	179	–	2,216	225
Yuzhkuzbassugol	45	–	2	40,000
Sibirsky Spas	4	2	433	1,152
EvrazResource-Ukraine	–	34,712	–	–
Nakhodka Port	–	–	–	514
Other entities	65	141	1,398	1,091
	<b>123,077</b>	118,256	<b>9,721</b>	48,616

#### *Amounts owed by/to related parties*

	<b>Amounts due from related parties</b>		<b>Amounts due to related parties</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
ZSMK	7,223	–	–	–
NTMK	5,938	–	–	–
TC EvrazHolding	–	32,169	1,313	1,420
Southern Kuzbass	762	106	–	195
RSPK	192	244	869	700
Yuzhkuzbassugol	43	3	3	16
Sibirsky Spas	31	–	120	18
EvrazResource-Ukraine	–	79	–	–
Nakhodka Port	–	–	–	–
Other entities	110	20	563	155
	<b>14,299</b>	32,621	<b>2,868</b>	2,504

ZSMK (OAO West Siberian Iron and Steel Plant) is an entity under control of Evraz. During the six-month period ended 30 June 2011, the Group sold to the entity raw coal and coal concentrate.

NTMK (OAO Nizhny Tagil Iron and Steel Plant) is an entity under control of Evraz. During the six-month period ended 30 June 2011, the Group sold to the entity coal concentrate.

TC EvrazHolding (OOO Trade Company EvrazHolding) is an entity under control of Evraz. During the six-month periods ended 30 June 2011 and 2010, the Group sold to the entity raw coal and coal concentrate and bought from it certain steel products. In February 2011 an agreement with TC EvrazHolding, which purchased coal from the Group for ZSMK and NTMK, was terminated and replaced with separate agreements with the above two companies.

Southern Kuzbass (OAO Southern Kuzbass Coal Company), a Russian coal mining company controlled by OAO Mechel, is a minority shareholder of a subsidiary of the Group. The subsidiary renders transportation services to the Group and to Southern Kuzbass.

## ОАО Респдская

### Notes to the unaudited interim condensed consolidated financial statements (continued)

#### 9. Related party disclosures (continued)

RSPK (ООО Респдская Constructing Industrial Company) is an entity under control of the shareholders of Adroliv. The entity provided cleaning and renovating services to the Group.

Yuzhkuzbassugol (ОАО Yuzhkuzbassugol Combined Coal Company) is an entity under control of Evraz. On 28 April 2010, the Group bought from it ZAO Koksovaya and certain items of property, plant and equipment related to the acquisition. Other transactions with the entity were insignificant both in 2010 and 2011.

Sibirsky Spas (ZАО Sibirsky Spas Insurance Company) is an entity under control of the shareholders of Adroliv. The entity provided insurance services to the Group.

EvrazResource-Ukraine (ООО Trade House EvrazResource-Ukraine) is an entity under control of Evraz. During the six-month period ended 30 June 2010, the Group sold to the entity approximately 8% of the sales volumes of coal concentrate.

Nakhodka Port (ОАО Nakhodka Trade Sea Port) is an entity under control of Evraz. The entity rendered port services to the Group in 2010.

#### *Compensation to key management personnel*

Key management personnel totaled 10 and 9 persons as at 30 June 2011 and 2010 respectively. Total compensation to key management personnel was included in general and administrative expenses in the statement of comprehensive income and consisted of the following:

	Six-month periods ended 30 June	
	2011	2010
	US\$000	US\$000
Short-term benefits:		
Salary	1,527	1,535
Payroll taxes	64	51
	<b>1,591</b>	<b>1,586</b>

#### 10. Equity

##### *Share capital*

As at 30 June 2011 and 31 December 2010, the Company's issued and fully paid number of shares consisted of 780,799,809 ordinary shares with par value 0.004 rubles each; the authorized share capital consisted of 1,478,811,096 ordinary shares.

##### *Earnings per share*

Earnings per share is calculated by dividing the net income attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period. The Company has no potentially dilutive ordinary shares therefore the diluted earnings per share is equal to the basic earnings per share.

##### *Final dividends for 2010*

On 7 June 2011, shareholders of the Company decided to pay no final dividends for 2010.

## OAO Raspadskaya

### Notes to the unaudited interim condensed consolidated financial statements (continued)

#### 11. Loans and borrowings

##### *Loans and borrowings by source*

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$000</i>	<i>US\$000</i>
7.5% notes due 2012	<b>300,000</b>	300,000
Russian banks	<b>5,020</b>	8,674
Interest payable	<b>2,409</b>	2,509
Unamortized debt issue costs	<b>(403)</b>	(580)
	<b>307,026</b>	310,603

On 17 May 2007 the Group issued loan participation notes amounting to US\$300,000,000. The notes mature on 22 May 2012 and bear an interest of 7.5% per annum payable semi-annually. The terms and conditions of the notes provide for certain covenants in respect of the Company and its subsidiaries. The covenants impose restrictions in respect of certain transactions and a financial ratio in respect of indebtedness and profitability. As at 30 June 2011 and for the six-month period then ended, the Group complied with all the covenants.

##### *Average annual interest rates*

	<b>Six-month periods ended 30 June</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>
US dollars	–	7.5%	–	7.5%
Euro	–	4.2%	–	2.9%

##### *Loans and borrowings by currency*

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$000</i>	<i>US\$000</i>
Russian rubles	<b>875</b>	24
US dollars	<b>302,408</b>	302,500
Euro	<b>4,146</b>	8,659
Unamortized debt issue costs	<b>(403)</b>	(580)
	<b>307,026</b>	310,603

##### *Loans and borrowings by period of repayment*

	<b>30 June 2011</b>	<b>31 December 2010</b>
	<i>US\$000</i>	<i>US\$000</i>
Not more than one year	<b>304,791</b>	8,216
After one year but not more than two years	<b>1,507</b>	301,695
After two years but not more than five years	<b>1,131</b>	1,272
Unamortized debt issue costs	<b>(403)</b>	(580)
	<b>307,026</b>	310,603



## ОАО Raspadskaya

### Notes to the unaudited interim condensed consolidated financial statements (continued)

#### **12. Commitments and contingencies**

##### *Operating environment of the Group*

The Group is one of the biggest coking coal producers in Russia. Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent on these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2011 the Russian Government continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. Despite some indications of recovery there continues to be some uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not determinable now.

##### *Taxation*

The Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Recent events within Russia suggest that tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, fines and penalties may be assessed.

Management believes that its interpretations of the relevant legislation are appropriate and that it has paid or accrued all taxes that are applicable. Where an uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits which will be required to settle these liabilities.

Possible liabilities, which were identified by management at 30 June 2011 as those that can be subject to different interpretations of tax and other regulations and are not accrued in the accompanying financial statements could be up to US\$1,061,000.

##### *Contractual commitments*

The Group was a party to executory contracts for the purchase of production equipment and construction works in the amount of US\$27,466,000 as at 30 June 2011.

## OAO Raspadskaya

### Notes to the unaudited interim condensed consolidated financial statements (continued)

#### **12. Commitments and contingencies (continued)**

##### *Social commitments*

The Group is involved in a number of social programs aimed to support education, health care and social infrastructure development in the towns where the Group's assets are located. In the six-month period ended 30 June 2011, the Group spent US\$3,721,000, and in the second half of 2011 the Group plans to spend US\$2,788,000 under these programs.

##### *Environmental protection*

The Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement. Management believes that any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations. Under the Plan on environmental protection for the years 2011-5 authorized by management, the Group expects to spend US\$37,675,000 starting 1 July 2011.

##### *Insurance policies*

The Group maintains obligatory insurance policies required by the Russian law. The Group holds no insurance policies in relation to its major production facilities, or in respect of public liability.

##### *FAS's decision on infringement of antimonopoly legislation by the Company*

On 1 April 2011, as a consequence of a continuing investigation case by Federal Antimonopoly Service of Russia (FAS), the Company received from FAS a demand, which obliges the Company to develop a document on the Company's trading policy in respect of coking coal concentrate sales. The Company expects from FAS to agree on a document which will be beneficial for the decision on the investigation. At the same time, management does not exclude the possibility that, as a result of the case, a penalty may be imposed. As at 30 June 2011, no provision in respect of the possible penalty had been accrued.

#### **13. Subsequent events**

##### *Interim dividends for the six-month period ended 30 June 2011*

On 25 August 2011, the Extraordinary General Meeting of the Company's shareholders decided to distribute interim dividends for the period ended 30 June 2011 in the amount of 3,903,999,045 rubles (US\$135,069,000 at the exchange rate as at 25 August 2011), which represents 5.00 rubles (US\$0.17 at the exchange rate as at 25 August 2011) of dividends per share.