OAO Belon and subsidiaries
Consolidated Condensed Interim Financial Information
for the six months ended 30 June 2007

Contents

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Independent Auditors' Review Report

To the Shareholders
OAO Belon

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Belon ("the Company") and its subsidiaries (the "Group") as at 30 June 2007, and the related consolidated interim condensed statements of income, changes in equity and cash flows for the six month period then ended (the consolidated interim financial information). Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial information 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 information 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 consolidated interim financial information as at 30 June 2007 and for the six-months period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting.*

Emphasis of Matter

Without qualifying our conclusion we draw year attention to the fact that the US dollar amounts in the accompanying interim consolidated financial information, which are presented solely for the convenience of users as described in note 2(c) and do not form part of the consolidated interim financial information, have not been reviewed.

KPMG Limited

KPMG Limited
17 October 2007

	Note	2007 Mln RUR	2006 Restated Mln RUR	2007 Mln USD*	2006 Restated Mln USD*
Revenue	4	6,792	4,855	263	188
Cost of sales		(5,331)	(3,908)	(206)	(151)
Gross profit		1,461	947	57	37
Distribution expenses		(419)	(426)	(17)	(17)
Administrative expenses		(271)	(97)	(10)	(4)
Net income from bank lending operations		34	19	1	1
Negative goodwill		-	1,316	-	51
Taxes, other than on profit		(103)	(98)	(4)	(4)
Other operating expenses		(231)	(124)	(9)	(5)
Financial income	5	38	32	2	1
Financial expenses	5	(148)	(147)	(6)	(5)
Share in gains of associates		3	-	-	-
Profit before tax		364	1,422	14	55
Income tax expense	6	(152)	(48)	(6)	(2)
Net profit for the period		212	1,374	8	53
Basic and diluted earnings per share (RUR and USD* per share)	9	18.43	137.40	0.70	5.30

This consolidated condensed interim financial information was authorised for issuance on 17 October 2007:

Acting Chief Financial Officer
Dmitri G. Vostretsov

General Director
Andrey P. Dobrov

The consolidated condensed interim income statement is to be read in conjunction with the notes to and forming part of the consolidated condensed interim financial information set out on pages 8 to 24.

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated condensed interim financial information – refer to note 2(c) .*

	Note	30 June 2007 Mln RUR	Restated 31 December 2006 Mln RUR	30 June 2007 Mln USD*	Restated 31 December 2006 Mln USD*
ASSETS					
Non-current assets					
Property, plant and equipment	7	15,339	13,252	595	514
Intangible assets		7	2	-	-
Investments in associates		72	69	3	3
Investments in joint ventures		31	31	1	1
Other investments		128	38	5	1
Deferred tax assets		46	60	2	2
Other non-current assets		10	11	-	-
		15,633	13,463	606	521
Current assets					
Other investments		501	615	20	24
Inventories	8	2,691	1,706	104	66
Trade and other receivables		2,403	2,143	93	83
Cash and cash equivalents		343	387	13	15
		5,938	4,851	230	188
Total assets		21,571	18,314	836	709
EQUITY AND LIABILITIES					
Equity	9				
Share capital		37	37	1	1
Share premium		1,406	1,406	55	55
Retained earnings		7,584	7,460	294	289
Total equity attributable to shareholders of the Parent company		9,027	8,903	350	345
Non-current liabilities					
Bank customer accounts		95	106	4	4
Loans and borrowings	10	7,280	3,940	281	152
Deferred tax liabilities		1,297	1,360	50	53
Provisions		41	41	2	2
Other payables		76	82	3	3
		8,789	5,529	340	214
Current liabilities					
Bank customer accounts		381	300	15	12
Loans and borrowings	10	2,005	2,428	78	94
Trade and other payables		1,369	1,154	53	44
		3,755	3,882	146	150
Total equity and liabilities		21,571	18,314	836	709

The consolidated condensed interim balance sheet is to be read in conjunction with the notes to and forming part of the consolidated condensed interim financial information set out on pages 8 to 24.

** The USD equivalent figures are provided for information purposes only and do not form part of the consolidated condensed interim financial information – refer to note 2(c).*

	2007 Mln RUR	2006 Restated Mln RUR	2007 Mln USD*	2006 Restated Mln USD*
OPERATING ACTIVITIES				
Net profit for the period	212	1,374	8	53
Adjustments for:				
Depreciation	562	409	22	16
Loss on disposal of property, plant and equipment	61	21	2	1
Share of gains in associates	(3)	-	-	-
Negative goodwill	-	(1,316)	-	(51)
Interest expense	148	147	6	5
Interest income	(17)	(56)	(1)	(2)
Income tax expense	152	48	6	2
Operating profit before changes in working capital and provisions	1,115	627	43	24
Increase in inventories	(985)	(131)	(38)	(5)
Increase in trade and other receivables	(273)	(451)	(11)	(17)
Decrease/(increase) in other non-current assets	1	(1)	-	-
Increase / (decrease) in loans to bank customers and credit institutions	21	(39)	1	(2)
Increase in bank customer accounts	70	155	3	6
Increase / (decrease) in trade and other payables	259	(305)	10	(12)
Cash flows from / (utilised by) operations before income taxes and interest paid	208	(145)	8	(6)
Income taxes paid	(121)	(70)	(5)	(3)
Interest paid	(343)	(229)	(13)	(9)
Cash flows utilised by operating activities	(256)	(444)	(10)	(18)
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	51	5	2	-
Interest received	17	82	1	3
Net decrease in investments	6	587	-	23
Acquisition of property, plant and equipment	(2,523)	(1,726)	(99)	(66)
Acquisition of subsidiaries, net of cash acquired	-	(525)	-	(20)
Acquisition of minorities	(8)	-	-	-
Acquisition of intangible assets	(8)	-	-	-
Cash flows utilised by investing activities	(2,465)	(1,577)	(96)	(60)
FINANCING ACTIVITIES				
Proceeds from borrowings	7,675	10,093	297	391
Repayment of borrowings	(4,858)	(7,954)	(188)	(307)
Payment of finance lease liabilities	(60)	(45)	(2)	(2)
Dividends paid	(80)	(333)	(3)	(13)
Cash flows from financing activities	2,677	1,761	104	69
Net decrease in cash and cash equivalents	(44)	(260)	(2)	(9)
Cash and cash equivalents at beginning of year	387	946	15	37
Cash and cash equivalents at the end of the period	343	686	13	28

The consolidated condensed interim statement of cash flows is to be read in conjunction with the notes to and forming part of the consolidated condensed interim financial information set out on pages 8 to 24.

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Mln RUR	**Attributable to shareholders of the Parent Company**				
	Share capital	**Share premium**	**Retained earnings**	**Total**	**Total Equity**
Balance at 1 January 2006 as previously reported	36	-	6,477	6,513	6,513
Impact of change in accounting policies (note 3(a))	-	-	51	51	51
Balance at 1 January 2006 (restated)	36	-	6,528	6,564	6,564
Net profit for the period	-	-	1,374	1,374	1,374
Total recognised income and expenses for the period (restated)	-	-	1,374	1,374	1,374
Dividends to shareholders	-	-	(333)	(333)	(333)
Balance at 30 June 2006 (restated)	36	-	7,569	7,605	7,605
Balance at 1 January 2007 as previously reported	37	1,406	7,366	8,809	8,809
Impact of change in accounting policies (note 3(a))	-	-	94	94	94
Balance at 1 January 2007 (restated)	37	1,406	7,460	8,903	8,903
Net profit for the period	-	-	212	212	212
Total recognised income and expenses for the period	-	-	212	212	212
Acquisition of minorities	-	-	(8)	(8)	(8)
Dividends to shareholders	-	-	(80)	(80)	(80)
Balance at 30 June 2007	37	1,406	7,584	9,027	9,027

Mln USD *	**Attributable to shareholders of the Parent Company**				
	Share capital	**Share premium**	**Retained earnings**	**Total**	**Total Equity**
Balance at 1 January 2006 as previously reported	1	-	251	252	252
Impact of change in accounting policies (note 3(a))	-	-	2	2	2
Balance at 1 January 2006 (restated)	1	-	253	254	254
Net profit for the period	-	-	53	53	53
Total recognised income and expenses for the period (restated)	-	-	53	53	53
Dividends to shareholders	-	-	(13)	(13)	(13)
Balance at 30 June 2006 (restated)	1	-	293	294	294
Balance at 1 January 2007 as previously reported	1	55	285	341	341
Impact of change in accounting policies (note 3(a))	-	-	4	4	4
Balance at 1 January 2007 (restated)	1	55	289	345	345
Net profit for the period	-	-	8	8	8
Total recognised income and expenses for the period	-	-	8	8	8
Acquisition of minorities	-	-	-	-	-
Dividends to shareholders	-	-	(3)	(3)	(3)
Balance at 30 June 2007	1	55	294	350	350

The consolidated condensed interim statement of changes in equity is to be read in conjunction with the notes to and forming part of the consolidated condensed interim financial information set out on pages 8 to 24.

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1 Reporting entity

(a) Organisation and operations

OAO Belon (the "Parent Company") and its subsidiaries (together referred to as the "Group") comprise of open and closed joint stock and limited liability companies as defined in the Civil Code of the Russian Federation. The Parent Company was established in accordance with Russian legislation on 14 May 1991.

The Parent Company's registered office is:

56 Bogdana Khmelnitskogo str., Novosibirsk, Russian Federation.

The Group's principal areas of activity are:

- Coal mining and refining;
- Metal trading.

These products are sold in the Russian Federation and abroad.

The Group also has divisions which deal with banking, retailing and other types of businesses. However, these areas are not considered to be core activities of the Group.

The Group has a head office in Novosibirsk, mines and concentrating mills located in Kemerovo region and a network of branches in Leninsk-Kuznetsky, Lipetsk, Moscow, Magnitogorsk and Kemerovo.

The Parent Company's ordinary shares were listed on RTS stock exchange in the Russian Federation during July 2006 through an initial public offering.

The Group is ultimately controlled by a single individual, present General Director of the Group Mr. Andrey P. Dobrov, who has the power to direct the transactions of the Group at his own discretion and for his own benefit. Related party transactions are detailed in note 12.

(b) Russian business environment

The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in

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conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2006.

The consolidated financial statements of the Group as at and for the year ended 31 December 2006 are available upon request from the Company's registered office located at 56 Bogdana Khmelnitskogo str., Novosibirsk, Russian Federation or at www.belon.com.

(b) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Parent Company's functional currency and the currency in which this condensed consolidated financial information is presented. All financial information presented in RUR has been rounded to the nearest thousand.

(c) Convenience translation

The Parent Company's functional currency is RUR because it reflects the economic substance of the underlying events and circumstances of the Company. In addition to presenting the consolidated financial statements in RUR, supplementary information in USD has been prepared for the convenience of users of the financial statements.

All amounts in the consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 30 June 2007 of RUR 25.8162 to one USD.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2006 except for those outlined in note 3(a).

(a) Changes in accounting policies

(i) Allocation of overhead expenses

In 2007 management has changed the accounting treatment related to allocation of certain overheads between period costs and cost of production or construction at several production and construction sites of the Group. Due to the fact that major Group production and construction sites represent identifiable cost centers with general and financing activities being solely operated by the Parent Company, management considered it appropriate to make the allocation of overheads more consistent with the existing functional structure of the business. As a result, a portion of overhead expenses previously treated as period administrative costs incurred on production and construction sites was classified as cost of production or cost of construction depending of the operating status of the site. Comparatives were restated to reflect the changes. The effect (decrease in prior period net profit of RUR 18 million / USD* 1 million) is summarised in note 3(d) below.

Had no change in accounting policies have taken place the current period net profit would decrease by RUR 32 million / USD* 1 million.

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(ii) Deferred mine drifting costs

In its condensed interim financial information for the period ended 30 June 2006 the Group has capitalised deferred drifting costs as a consequence of changes in the production process. A number of assumptions underlying estimation of drifting costs eligible for capitalisation were changed in the course of preparation of the annual financial statements for the year ended 31 December 2006. Subject to these changed assumptions comparative information for the six months ended 30 June 2006 was restated in this consolidated condensed financial information. The change in comparative information reduced net profit by RUR 143 million / USD* 6 million for the six months ended 30 June 2006. The effect of the change is summarised in note 3(d) below.

(b) Acquisition of mining businesses of OOO Mine Chertinskaya-Yuzhnaya and OAO Mine Novaya-2

During March 2006 the Group acquired 100% in OOO Mine Chertinskaya-Yuzhnaya and 100% in OAO Mine Novaya-2 for RUR 525 million/ USD* 20 million. The fair values assigned to the acquiree's identifiable assets and liabilities were recorded in the Group's annual financial statements for the period ended 31 December 2006. Comparative information for six months ended 30 June 2006 was restated to reflect the effect of the negative goodwill that arose on acquisition, increase in property, plant and equipment by RUR 1,732 million / USD* 67 million and deferred income tax liability by RUR 416 million / USD* 16 million. Additional depreciation charge and related increase in deferred income tax benefit for six months ended 2006 amounted to RUR 182 million / USD* 7 million and related increase in deferred income tax benefit by RUR 44 million / USD* 2 million. The effect of the change is summarised in note 3(d) below.

(c) Changes in classification

Classification of balance sheet and profit and loss captions related to the bank

In its financial statements for the year ended 31 December 2006 the Group modified the classification of assets, liabilities, income and expense related to the banking activity in order to distinguish the Group's core activities. As a result additional captions were introduced in the income statement and balance sheet. Comparative financial information for 6 months ended 30 June 2006 was reclassified for consistency.

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(d) Reconciliation of previously reported and restated financial information

The summary of changes resulted in restatement of comparative information described in note 3(a)(i), 3(a)(ii), 3(b) and 3(c) is presented below.

1 January 2006

Mln RUR	**As previously reported**	**Note** 3(a)(i)	**Note** 3(a)(ii)	**Note** 3(b)	**Note** 3(c)	**Total effect**	**As restated**
Property, plant and equipment	7,845	67	-	-	-	67	7,912
Deferred tax liabilities	839	16	-	-	-	16	855
Retained earnings	6,477	51	-	-	-	51	6,528

Mln USD*	**As previously reported**	**Note** 3(a)(i)	**Note** 3(a)(ii)	**Note** 3(b)	**Note** 3(c)	**Total effect**	**As restated**
Property, plant and equipment	304	3	-	-	-	3	307
Deferred tax liabilities	32	1	-	-	-	1	33
Retained earnings	251	2	-	-	-	2	253

Six months ended June 2006

Mln RUR	**As previously reported**	**Note** 3(a)(i)	**Note** 3(a)(ii)	**Note** 3(b)	**Note** 3(c)	**Total effect**	**As restated**
Property, plant and equipment	6,943	91	-	1,550	-	1,641	8,584
Inventories	1,030	-	168			168	1,198
Deferred tax liabilities	252	22	25	372	-	419	671
Retained earnings opening balance	6,477	51	-	-	-	51	6,528
Cost of sales	3,738	156	(168)	182	-	170	3,908
Administrative expenses	272	(175)	-	-	-	(175)	97
Net income from bank lending operations	-	-	-	-	(19)	(19)	(19)
Negative goodwill	-	-	-	(1,316)	-	(1,316)	(1,316)
Financial income	(58)	-	-	-	26	26	(32)
Financial expenses	159	(5)	-	-	(7)	(12)	147
Deferred tax benefit	(16)	6	25	(44)	-	(13)	(29)
Net profit for the period	(35)	(18)	(143)	(1,178)	-	(1,339)	(1,374)

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Mln USD*	**As previously reported**	**Note** 3(a)(i)	**Note** 3(a)(ii)	**Note** 3(b)	**Note** 3(c)	**Total effect**	**As restated**
Property, plant and equipment	269	4	-	60	-	64	333
Inventories	40	-	7	-	-	7	47
Deferred tax liabilities	10	1	1	14	-	16	26
Retained earnings opening balance	251	2	-	-	-	2	253
Cost of sales	145	6	(7)	7	-	6	151
Administrative expenses	11	(7)	-	-	-	(7)	4
Net income from bank lending operations	-	-	-	-	(1)	(1)	(1)
Negative goodwill	-	-	-	(51)	-	(51)	(51)
Financial income	(2)	-	-	-	1	1	(1)
Financial expenses	5	-	-	-	-	-	5
Deferred tax benefit	(1)	-	1	(2)	-	(1)	(2)
Net profit for the period	-	(1)	(6)	(46)	-	(53)	(53)

1 January 2007

Mln RUR	**As previously reported**	**Note** 3(a)(i)	**Note** 3(a)(ii)	**Note** 3(b)	**Note** 3(c)	**Total effect**	**As restated**
Property, plant and equipment	13,128	124	-	-	-	124	13,252
Deferred tax liabilities	1,330	30	-	-	-	30	1,360
Retained earnings	7,366	94	-	-	-	94	7,460

Mln USD *	**As previously reported**	**Note** 3(a)(i)	**Note** 3(a)(ii)	**Note** 3(b)	**Note** 3(c)	**Total effect**	**As restated**
Property, plant and equipment	509	5	-	-	-	5	514
Deferred tax liabilities	52	1	-	-	-	1	53
Retained earnings	285	4	-	-	-	4	289

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4 Segment reporting

(a) Business segments

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is not determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

The Group comprises the following main business segments:

Coal. The extraction of thermal and coking coal, processing of extracted and purchased coal into a coal concentrate and sale of coal and coal concentrate used in power and steel industries, as well as research and development activities in this area.

Metals. The purchase and re-sale of steel and other metal products from steel production companies to ultimate customers in Russia.

Other operations include sales of red bricks, coal processing by-products and banking operation.

(b) Geographical segments

Due to the fact that the majority of the Group's operations are located in the Russian Federation and therefore are subject to a similar risk profile, no separate disclosure in regard to geographical segments is provided.

(c) Seasonality and cyclicity of operations

Coal

Seasonality is inherent to the sales of steam coal as electricity and heat consumptions generally falls during the summertime with the lowest prices typically prevailing in the period of April to June. Domestic utilities tend to purchase 2 to 3 months coal inventories in the beginning of heating period in Russia, and generally prices increase in August-September. Sales of coking coal are not subject to significant seasonal variations.

The sales of coking coal and coking coal concentrate are dependent on fluctuation in world coking coal prices, which in turn, follow fluctuations in world steel prices with a certain time lag.

Metals

Metal sales are typically affected by cyclical fluctuations. Cyclical factors which affect metal sales are similar to those described in relation to coking coal.

Other

The Group's other operations were not affected significantly by seasonal or cyclical factors during the financial year.

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	Coal		Metals		Other operations		Eliminations		Consolidated	
Mln RUR	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Segment revenue	3,426	2,806	3,302	2,000	161	113	(97)	(64)	6,792	4,855
Segment result	696	370	181	75	62	50	-	-	939	495
Unallocated expenses									(511)	1,023
Net income from bank lending operations	-	-	-	-	43	19	-	-	43	19
Net financing expenses	-	-	-	-	-	-	-	-	(110)	(115)
Share of losses in associates	-	-	-	-	3	-	-	-	3	-
Profit before tax	-	-	-	-	-	-	-	-	364	1,422

	Coal		Metals		Other operations		Eliminations		Consolidated	
Mln USD *	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Segment revenue	133	109	128	77	6	4	(4)	(2)	263	188
Segment result	27	14	7	3	2	2	-	-	36	19
Unallocated expenses									(20)	39
Net income from bank lending operations	-	-	-	-	2	1	-	-	2	1
Net financing expenses	-	-	-	-	-	-	-	-	(4)	(4)
Share of losses in associates	-	-	-	-	-	-	-	-	-	-
Profit before tax	-	-	-	-	-	-	-	-	14	55

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5 Financial income and expenses

	2007 Mln RUR	2006 Restated Mln RUR	2007 Mln USD*	2006 Restated Mln USD*
Financial income				
Gain on disposal of investments	6	5	-	-
Foreign exchange gain / (loss)	15	(29)	1	(1)
Interest income	17	56	1	2
	38	32	2	1
Financial expenses				
Interest expense	(148)	(147)	(6)	(5)
	(148)	(147)	(6)	(5)

6 Income tax expense

	2007 Mln RUR	2006 Restated Mln RUR	2007 Mln USD*	2006 Restated Mln USD*
Current tax expense				
Current year	(189)	(77)	(8)	(3)
Underprovided in prior years	(12)	-	-	-
	(201)	(77)	(8)	(3)
Deferred tax benefit				
Origination and reversal of temporary differences	49	29	2	1
	(152)	(48)	(6)	(2)

The Group's applicable tax rate is the Russian Federation corporate income tax rate of 24% (2006: 24%).

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Reconciliation of effective tax rate:

	2007 Mln RUR	%	2006 Restated Mln RUR	%
Profit before tax	364	100	1,422	100
Income tax at applicable tax rate	(87)	(24)	(341)	(24)
Unrecognised tax assets for the period	(5)	(1)	(42)	(3)
Underprovided in prior years	(12)	(3)	-	-
Recognition of previously unrecognised deferred tax assets	39	11	-	-
Non-taxable / (non-deductible) items, net	(87)	(24)	335	24
	(152)	(41)	(48)	(3)

	2007 Mln USD *	%	2006 Restated Mln USD *	%
Profit before tax	14	100	55	100
Income tax at applicable tax rate	(3)	(24)	(13)	(24)
Unrecognised tax assets for the period	-	(1)	(2)	(3)
Underprovided in prior years	-	(3)	-	-
Recognition of previously unrecognised deferred tax assets	2	11	-	-
Non-taxable / (non-deductible) items, net	(5)	(24)	13	24
	(6)	(41)	(2)	(3)

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7 Property, plant and equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2007 the Group acquired property, plant and equipment with a cost of RUR 2,761 million / USD* 107 million including assets acquired through finance lease agreements of RUR 142 million / USD* 6 million.

Assets with a carrying amount of RUR 112 million / USD* 4 million were disposed of during the six months ended 30 June 2007, resulting in a loss on disposal of RUR 61 million/ USD* 2 million, which is included in other operating expense.

(b) Leased plant and machinery

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 30 June 2007 the net book value of leased equipment was RUR 392 million / USD* 15 million (31 December 2006: RUR 275 million/ USD* 11 million). The leased equipment secures lease obligations (refer note 10).

(c) Capitalisation rate

During six months ended 30 June 2007 the Group has capitalised borrowing costs as part of the qualifying assets in amount of RUR 222 million /*USD 9 million (during six months ended 30 June 2006: RUR 101 million / USD* 4 million) using a capitalisation rate of 9.3% (2006: 10.9%).

(d) Capital commitments

As at 30 June 2007 the Group is committed to capital expenditure of approximately RUR 2,329 million / USD* 90 million.

(e) Security

Properties with a carrying amount of RUR 750 million / USD* 29 million have been pledged as security for bank loans (refer note 10).

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8 Inventories

	30 June 2007 Mln RUR	31 December 2006 Mln RUR	30 June 2007 Mln USD*	31 December 2006 Mln USD*
Raw materials and consumables	265	213	10	8
Finished goods and goods for resale	1,373	872	53	34
Deferred mine drifting	1,059	627	41	24
Allowance for inventory obsolescence	(6)	(6)	-	-
	2,691	1,706	104	66

9 Equity

(a) Share capital and share premium

In July 2006, the Parent Company issued 1,500,000 ordinary shares for RUR 950 per share (USD* 37 per share) through an initial public offering. The expenses related to the share issue were deducted from share premium.

Mln RUR	Ordinary shares	Share premium	Total
Authorised and issued shares as at 1 January 2006	10	-	10
Additional shares issued for cash	1	1,423	1,424
Transaction costs	-	(17)	(17)
Authorised and issued shares on issue as at 31 December 2006	11	1,406	1,417

Mln USD*	Ordinary shares	Share premium	Total
Authorised and issued shares as at 1 January 2006	-	-	-
Additional shares issued for cash	-	55	55
Transaction costs	-	-	-
Authorised and issued shares on issue as at 31 December 2006	-	55	55

(b) Dividends

In accordance with Russian legislation the Parent Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Parent Company's statutory

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financial statements prepared in accordance with Russian Accounting Principles. As of 30 June 2007 the Parent Company had cumulative retained earnings, including the profit for the reported period, of RUR 3,964 million/ USD* 154 million (31 December 2006: RUR 3,902 million/ USD* 151 million).

In June 2007 the Group paid an annual dividend of RUR 6.96 per share totaling RUR 80 million/ USD*3 million.

(c) Earnings per share

For six months ended 30 June	2007	Restated 2006	As previously reported 2006	2007	Restated 2006	As previously reported 2006
Net profit for the period attributable to ordinary shareholders, RUR million, USD* million	212	1,374	35	8	53	1
Weighted average number of shares in issue for the period	11,500,000	10,000,000	10,000,000	11,500,000	10,000,000	10,000,000
Earnings per share (RUR / USD)	18.43	137.40	3.07	0.70	5.30	0.12

There are no potential dilutive instruments.

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10 Loans and borrowings

The following loans and borrowing (non-current and current) were issued and repaid during the six months ended 30 June 2007:

Mln RUR	Currency	Nominal interest rate	Effective interest rate	Face value	Carrying amount	Year of maturity
Balance as at 1 January 2007					**6,368**	
New issues						
Secured bank loans	RUR	8-11%	8-11%	413	458	2007-2008
Secured bank loans	RUR	Mosibor + 2.5%	Mosibor + 2.5%	242	246	2007-2008
Unsecured bank loans	RUR	9-12%	9-12%	4,008	4,071	2007-2008
Unsecured bank loans	RUR	Mosprime +3 %	Mosprime +3 %	500	500	2012
Unsecured bank loans	RUR	8.5-10.5%	8.5-10.5%	512	528	2015
Unsecured bonds	RUR	9.25%	9.25%	2,000	2,058	2012
Finance lease liabilities	EUR	17%	17%	141	141	2010-2012
Other loans	RUR	10%	10%	90	90	2007-2008
Repayments						
Secured bank loans	RUR	8-.11%	8-.11%	(406)	(451)	
Secured bank loans	RUR	Mosibor + 2.5%	Mosibor + 2.5%	(169)	(173)	
Secured bank loans	RUR	9.8-13.5%	9.8-13.5%	(65)	(94)	
Unsecured bank loans	EUR	Euribor + 2.25%	Euribor + 2.25%	(29)	(25)	
Unsecured bank loans	RUR	6.7-14%	6.7-14%	(4,221)	(4,300)	
Finance lease liabilities	USD	11-14%	11-14%	(36)	(36)	
Finance lease liabilities	EUR	12.80%	12.80%	(24)	(24)	
Other loans	RUR	10.5-12%	10.5-12%	(37)	(23)	
Change in interest accrued on existing loans					(49)	
Balance as at 30 June 2007					**9,285**	

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Mln USD *	**Currency**	**Nominal interest rate**	**Effective interest rate**	**Face value**	**Carrying amount**	**Year of maturity**
Balance as at 1 January 2007					**246**	
New issues						
Secured bank loans	RUR	8-11%	8-11%	16	18	2007-2008
Secured bank loans	RUR	Mosibor + 2.5%	Mosibor + 2.5%	9	10	2007-2008
Unsecured bank loans	RUR	9-12%	9-12%	154	158	2007-2008
Unsecured bank loans	RUR	Mosprime +3 %	Mosprime +3 %	19	19	2012
Unsecured bank loans	RUR	8.5-10.5%	8.5-10.5%	20	20	2015
Unsecured bonds	RUR	9.25%	9.25%	76	80	2012
Finance lease liabilities	EUR	17%	17%	5	5	2010-2012
Other loans	RUR	10%	10%	3	3	2007-2008
Repayments						
Secured bank loans	RUR	8-.11%	8-.11%	(16)	(17)	
Secured bank loans	RUR	Mosibor + 2.5%	Mosibor + 2.5 %	(7)	(7)	
Secured bank loans	RUR	9.8-13.5%	9.8-13.5%	(3)	(4)	
Unsecured bank loans	EUR	Euribor + 2.25%	Euribor + 2.25%	(1)	(1)	
Unsecured bank loans	RUR	6.7-14%	6.7-14%	(164)	(166)	
Finance lease liabilities	USD	11-14%	11-14%	(1)	(1)	
Finance lease liabilities	EUR	12.80%	12.80%	(1)	(1)	
Other loans	RUR	10.5-12%	10.5-12%	(1)	(1)	
Change in interest accrued on existing loans					(2)	
Balance as at 30 June 2007					**359**	

11 Contingencies

(a) Ownership of coal reserves acquired through business combination

In 2006 the Group acquired the mining businesses of mines Chertinskaya-Yuzhnaya and Novaya-2. Part of the value assigned to the mining assets within the fair value assessment of RUR 1,199 million / USD* 46 million at the date of acquisition related to the coal reserves for which the title of ownership was not obtained with reference to the appropriate mineral extraction license. Management believes that the mining license will be obtained within the period normally required to obtain similar licenses. However, the outcome could differ from this assessment and may change the appropriateness of including these coal reserves in the fair value of the mining asset on acquisition.

(b) Environmental contingencies

The Group is obligated to undertake certain environmental remediation activities to ensure site restoration of coal extraction mines in the Kemerovo and Belovo regions. In accordance with the permission granted by the regional authorities, the Group utilises production waste to fill the mines where this waste does not exceed a prescribed toxicity level. Group management believes that the future costs associated with the restoration of the mines will not be material. These costs, and other environmental compliance costs associated with air and water pollution are included in the normal operating expenses of the Group as they are incurred.

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Environmental regulations are currently under consideration in the Russian Federation and the Group is continuously evaluating its obligations relating to new and changing legislation. The likelihood and amount of liabilities relating to environmental obligations under proposed or any future legislation cannot be reasonably estimated at present and could become material.

Under existing legislation, management believes that there are no material unrecorded liabilities or contingencies, which could have a significant adverse effect on the operating results and / or financial position of the Group.

(c) Bankruptcy law

The bankruptcy law in Russia is relatively new, often unclear and subject to interpretation. Application of bankruptcy procedures in practice is often contradictory, and the legality of such procedures is often challenged by different groups of stakeholders.

A part of the assets of the Group was acquired as a result of bankruptcy procedures. This fact might create uncertainty with respect to the title to such assets, which potentially may be subject to challenge by former legal owners of these assets or their shareholders. The effect of such potential challenge could be significant, and materially impact the financial position of the Group.

(d) Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(e) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

12 Related party transactions

(a) Control relationships

The Parent Company's ultimate controlling party is Mr. Andrei P. Dobrov.

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(b) Transactions with management and close family members

(i) Management remuneration

Key management received the following remuneration during the period, which is included in personnel costs:

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Salaries	61	47	2	2
Bonuses	5	12	-	-
Related social taxes	2	2	-	-
	68	61	2	2

(ii) Other transactions

During 6 months ended the Company has forgiven a loan to the General Director in the amount of RUR 100 million/ USD* 4 million which is included in administrative expenses.

Loans to executive directors amounting to RUR 347 million / USD* 13 million (31 December 2006: RUR 437 million / USD* 17 million) are included in "trade and other receivables". The loans bear interest of 6% p.a.

Deposits held by directors and key management in Group bank KB Belon as at 30 June 2007 amounted to RUR 133 million / USD* 5 million (31 December 2006: RUR 137 million/ USD* 5 million).

(c) Transactions with other related parties

Related parties comprise the shareholders of the Parent Company and all other companies in which those shareholders, either individually or together, have a controlling interest or significant influence.

The Group's other related party transactions are disclosed below.

Sales with related parties for the period were as follows:

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Sales of goods	6	46	-	2

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Purchases of raw materials and services from related parties for the period were as follows:

	2007 Mln RUR	2006 Mln RUR	2007 Mln USD*	2006 Mln USD*
Purchases of raw materials and equipment	1	-	-	-
Purchases of services	10	17	-	1
	11	17	-	1

Trade and other receivables owing by related parties at the end of the period were as follows:

	30 June 2007 Mln RUR	31 December 2006 Mln RUR	30 June 2007 Mln USD*	31 December 2006 Mln USD*
Receivables from associates	5	4	-	-

Trade and other payables owing to related parties at the end of the period were as follows:

	30 June 2007 Mln RUR	31 December 2006 Mln RUR	30 June 2007 Mln USD*	31 December 2006 Mln USD*
Payables to associates	-	45	-	2
Customer deposits held by the bank due to associates	43		2	-
	43	45	2	2

13 Events subsequent to the balance sheet date

As at 19 July 2007 the Group sold total interest in its associate "Sibirskiy Spas" for RUR 78 million / USD* 3 million. The carrying value of the investment at 30 June 2007 at the date of disposal approximated RUR 63 million / USD* 2 million.

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