

ОАО Респдская

Unaudited interim condensed
consolidated financial statements

Six-month period ended 30 June 2010

ОАО Распадская

Unaudited interim condensed consolidated financial statements

Six-month period ended 30 June 2010

Contents

Report on review of unaudited interim condensed consolidated financial statements

Unaudited interim condensed consolidated financial statements:

Unaudited interim consolidated statement of comprehensive income	1
Unaudited interim consolidated statement of financial position.....	2
Unaudited interim consolidated statement of cash flow.....	3
Unaudited interim consolidated statement of changes in equity	4

Notes to the unaudited interim condensed consolidated financial statements:

1. Corporate information	5
2. Significant accounting policies.....	5
3. Seasonality of operations.....	7
4. Business combination	7
5. Revenue.....	8
6. Income taxes	9
7. Property, plant and equipment	10
8. Other non-current assets	11
9. Short-term bank deposits and cash and cash equivalents.....	11
10. Related party disclosures	12
11. Equity	13
12. Loans and borrowings	14
13. Commitments and contingencies	15
14. Subsequent events.....	16

Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholders and Board of Directors of
ОАО Raspadskaya

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of ОАО Raspadskaya and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at June 30, 2010 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 16, 2010

ОАО Raspadskaya

Unaudited interim consolidated statement of comprehensive income

Six-month period ended 30 June 2010

	Notes	2010 US\$000	2009 US\$000
Revenue			
Sale of goods		457,280	140,480
Other sales		8,759	7,224
	5	<u>466,039</u>	<u>147,704</u>
Cost of sales		(177,259)	(85,317)
Gross profit		<u>288,780</u>	<u>62,387</u>
Selling and distribution costs		(20,143)	(480)
General and administrative expenses		(31,512)	(20,215)
Social and social infrastructure maintenance expenses		(3,282)	(2,825)
Loss on disposal of property, plant and equipment	7	(45,106)	(748)
Foreign exchange losses		(847)	(23,557)
Other operating income		1,616	743
Other operating expenses	2	(27,511)	(5,741)
Operating profit		<u>161,995</u>	<u>9,564</u>
Dividend income		2	11
Interest income		7,992	5,799
Interest expense		(13,709)	(12,624)
Gain from a bargain purchase of subsidiary	4	103,872	–
Profit before income tax		<u>260,152</u>	<u>2,750</u>
Income tax expense	6	(32,603)	(2,395)
Profit for the period		<u>227,549</u>	<u>355</u>
Other comprehensive income:			
Effect of translation to presentation currency		(50,384)	(72,902)
Net (loss)/gain on available-for-sale financial assets		(194)	340
Income tax		30	(71)
		<u>(164)</u>	<u>269</u>
Other comprehensive loss for the period, net of tax		(50,548)	(72,633)
Total comprehensive income/(loss) for the period		<u>177,001</u>	<u>(72,278)</u>
<i>Profit/(loss) for the period attributable to:</i>			
Equity holders of the parent		227,752	197
Minority interests		(203)	158
		<u>227,549</u>	<u>355</u>
<i>Total comprehensive income/(loss) attributable to:</i>			
Equity holders of the parent		177,372	(72,121)
Minority interests		(371)	(157)
		<u>177,001</u>	<u>(72,278)</u>
Earnings per share:			
basic and diluted, for profit for the period attributable to the equity holders of the parent, US dollars (8.64 rubles and 0.01 rubles for the six-month periods ended 30 June 2010 and 2009, respectively)	11	0.29	0.00

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

ОАО Raspadskaya

Unaudited interim consolidated statement of financial position

30 June 2010

	Notes	30 June 2010 US\$000	31 December 2009 US\$000
Assets			
Non-current assets			
Property, plant and equipment	7	1,477,949	1,409,708
Deferred tax asset		3,421	2,108
Other non-current assets		25,388	35,958
		1,506,758	1,447,774
Current assets			
Inventories		52,933	44,274
Trade and other receivables		41,700	73,970
Prepayments		13,319	17,800
Receivables from related parties	10	75,801	73,385
Income tax receivable		10,296	3,406
Other taxes recoverable		20,469	11,136
Short-term bank deposits	9	195,517	149,953
Cash and cash equivalents	9	90,403	28,277
		500,438	402,201
Total assets		2,007,196	1,849,975
Equity and liabilities			
Equity attributable to equity holders of the parent			
Issued capital	11	303	303
Additional paid-in capital		783,862	783,862
Reserve capital		7	7
Accumulated profits		890,357	662,605
Unrealized gain on available-for-sale investments		1,491	1,655
Translation difference		(229,701)	(179,485)
		1,446,319	1,268,947
Minority interests		5,364	5,735
		1,451,683	1,274,682
Non-current liabilities			
Long-term loans	12	299,252	303,343
Deferred income tax liabilities		148,843	140,496
Post-employment benefit liabilities		19,939	19,542
Site restoration provision		1,595	1,567
		469,629	464,948
Current liabilities			
Trade and other payables		44,553	43,410
Advances from customers		278	3,095
Short-term loans and current portion of long-term loans	12	13,619	28,384
Payables to related parties	10	2,624	1,274
Income tax payable		4,089	7,455
Other taxes payable		20,478	26,449
Dividends payable		243	278
		85,884	110,345
Total equity and liabilities		2,007,196	1,849,975

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

OA0 Raspadskaya

Unaudited interim consolidated statement of cash flows

Six-month period ended 30 June 2010

	Notes	2010 US\$000	2009 US\$000
Operating activities			
Profit for the period		227,549	355
Adjustments to reconcile net profit to net cash flows from operating activities:			
Depreciation, depletion and amortization	7	55,951	29,812
Deferred income tax benefit	6	(11,684)	(1,344)
Loss on disposal of property, plant and equipment	7	45,106	748
Foreign exchange losses		847	23,557
Dividend income		(2)	(11)
Interest income		(7,992)	(5,799)
Interest expense		13,709	12,624
Gain from a bargain purchase of subsidiary		(103,872)	–
Net employee benefit		(282)	(181)
Change in bad debt reserve		(658)	87
		218,672	59,848
Changes in working capital:			
Inventories		(10,383)	(563)
Trade and other receivables		35,373	6,243
Prepayments		3,910	2,172
Receivables from / payables to related parties		(2,092)	(58)
Trade and other payables		13,136	(8,845)
Advances from customers		(2,824)	82
Taxes payable, net of taxes receivable		(23,738)	4,666
Net cash flows from operating activities		232,054	63,545
Investing activities			
Purchases of property, plant and equipment		(74,882)	(74,016)
Bank deposits, including interest		(32,466)	22,478
Purchase of subsidiary, net of cash acquired	4	(34,021)	–
Other investing activities, net		1,342	160
Net cash flows used in investing activities		(140,027)	(51,378)
Financing activities			
Proceeds from loans		–	33,597
Repayment of loans, including interest, net of government grants		(28,194)	(43,330)
Dividends paid		(27)	(6,523)
Net cash flows used in financing activities		(28,221)	(16,256)
Effect of foreign exchange rate changes on cash and cash equivalents		(1,680)	(3,933)
Net increase/(decrease) in cash and cash equivalents		62,126	(8,022)
Cash and cash equivalents at the beginning of the period		28,277	71,555
Cash and cash equivalents at the end of the period		90,403	63,533
Supplementary cash flow information:			
Cash flows during the period:			
Interest paid		11,470	12,097
Interest received		8,022	5,688
Income taxes paid		55,291	6,002

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 2010

	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>
At 31 December 2008	303	783,862	7	546,009	518	(151,527)	1,179,172	5,319	1,184,491
Net profit	–	–	–	197	–	–	197	158	355
Other comprehensive income/(loss)	–	–	–	(11,444)	269	(72,587)	(83,762)	(315)	(84,077)
At 30 June 2009	303	783,862	7	534,762	787	(224,114)	1,095,607	5,162	1,100,769
At 31 December 2009	303	783,862	7	662,605	1,655	(179,485)	1,268,947	5,735	1,274,682
Net profit	–	–	–	227,752	–	–	227,752	(203)	227,549
Other comprehensive income/(loss)	–	–	–	–	(164)	(50,216)	(50,380)	(168)	(50,548)
At 30 June 2010	303	783,862	7	890,357	1,491	(229,701)	1,446,319	5,364	1,451,683

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

ОАО Респадская

Notes to the unaudited interim condensed consolidated financial statements

Six-month period ended 30 June 2009

1. Corporate information

The interim condensed consolidated financial statements of ОАО Респадская (the "Company") for the six-month period ended 30 June 2010 were authorized for issue in accordance with a resolution of the Board of Directors on 16 September 2010.

The Company is an open joint-stock company ("ОАО") 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 periods ended 30 June 2010 and 2009, 25% of the Group's revenue was generated in transactions with related parties. For detailed information on such activities refer to Note 10.

2. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2010 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 2009.

Operating results for the six-month period ended 30 June 2010 are not indicative of the results that may be expected for the year ending 31 December 2010.

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 2009 financial statements to conform to the current period presentation. The Group assesses the remaining useful lives of items of property, plant and equipment at least once a year and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period. In the year ended 31 December 2009, following an independent valuation, the useful lives were reviewed, changed, and necessary adjustments were made. The change resulted in a decrease in depreciation expense by US\$14,305,000 as compared to the amount that was charged in the financial statements for the six-month period ended 30 June 2009.

ОАО Распадская

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

2. Significant accounting policies (continued)

Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

On 9 May 2010, a major accident occurred at Raspadskaya mine resulting in deaths and injuries to employees and rescuers and damage to property, plant and equipment. 68 miners and rescuers have been killed and 23 miners are reported as missing. As a consequence of the accident, the mine has suspended its operations. Management plans to reconstruct the mine and put it into operation. Management is confident that the Group is able to restore the mine and continue its normal course of business.

State authorities are conducting an investigation into the causes of the accident. Management cooperates with the authorities and believes that the investigation will not result in any significant deterioration in the Group's financial position or results of operation.

Accordingly, the Group continues to adopt the going concern basis in preparing these consolidated financial statements.

The accident resulted in an additional loss on disposal of property, plant and equipment in the amount of US\$41,276,000 (Note 7) and an increase in other operating expenses in the amount of US\$20,208,000, which includes compensatory payments to the families of killed and injured employees and rescuers in the amount of US\$4,476,000 and the accrual of future social compensatory expenses in the amount of US\$1,842,000. Based on preliminary management estimate total cost of the mine restoration approximates US\$280,000,000.

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 2009, except for the adoption of the revision of the existing standards:

- **IFRS 2 (revised) *Share-based Payment – Group Cash-settled Share-based Payment Transactions*** effective 1 January 2010. The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes **IFRIC 8** and **IFRIC 11**. The adoption of this amendment had no effect on the financial position or performance of the Group;
- **IFRS 3 (revised) *Business Combinations***. The revised standard introduces significant changes in the accounting for business combinations occurring from 1 January 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes did not have any impact on the financial position or performance of the Group in the reporting period;
- **IAS 27 (revised) *Consolidated Financial Statements*** effective for annual periods beginning on or after 1 July 2009. The revised standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. These amendments had no effect on the accounting policies, financial position or performance of the Group in the reporting period as the Group applied the same principles in the previous periods;
- **IFRIC 17 *Distributions of Non-Cash Assets to Owners*** effective for annual periods beginning on or after 1 July 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes noncash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Group;

ОАО Респадская

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

2. Significant accounting policies (continued)

Changes in accounting policies (continued)

- Amendment to **IAS 39** *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position or performance of the Group;
- Amendments to standards following April 2009 “improvements to IFRS” project (separate transitional provisions for each standard). The amendments did not have any impact on the financial position or performance of the Group.

3. Seasonality of operations

There are no significant seasonal effects in the business activities of the Group. The Group’s performance depends on commodity prices. The market price of coal concentrate was higher in the first half of 2010 than in the first half of 2009.

4. Business combination

On 28 April 2010, the Group acquired a 100% ownership interest in ZAO Koksovaya, an coking coal mine located in Mezhdurechensk, from Evraz, for a cash consideration of 1,162,492,000 rubles (US\$40,000,000 at the exchange rate of the Bank of Russia as at the date of the transaction). As a result, the financial position and the results of operations of ZAO Koksovaya were included in the Group’s consolidated financial statements beginning 28 April 2010. ZAO Koksovaya owns the license for Tomusinskaya 5-6 coking coal deposit. Under the deal, in May 2010 we signed a 10-year contract for delivery of a part of coal produced by Koksovaya and Rospadskaya-Koksovaya mines to Evraz at market price and in accordance with existing commercial practice.

The acquisition of the subsidiary was accounted for based on provisional values as the Group, at the date of authorization for issue of these financial statements, has not completed purchase price allocation in accordance with **IFRS 3** *Business Combinations*.

The provisional fair values of the identifiable assets, liabilities and contingent liabilities of ZAO Koksovaya as at the date of the acquisition were as follows:

	28 April 2010
	<i>US\$000</i>
Mineral reserve	95,884
Other property, plant and equipment	62,612
Property, plant and equipment (Note 7)	158,496
Receivables	3,761
Cash and cash equivalents	5,979
Total assets	168,236
Deferred income tax liabilities	24,198
Current liabilities	166
Total liabilities	24,364
Net assets	143,872
Fair value of consideration transferred	40,000
Gain from a bargain purchase of subsidiary	103,872

OAO Raspadskaya

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

4. Business combination (continued)

The amount of provisional fair values of net identifiable assets exceeds the fair value of consideration transferred. The Group reviewed the procedures it used to identify and measure the assets acquired and liabilities assumed and the consideration transferred. After that review, the Group decided that the procedures and resulting measures were appropriate. As a result, the Group recognized gain on a bargain purchase of subsidiary in the six-month period ended 30 June 2010. Management believes that this transaction resulted in gain due to the ability of the Group to extract the coal reserves of ZAO Koksovaya using existing mining facilities of ZAO Raspadskaya-Koksovaya without any significant additional capital expenditures.

Cash flow on the acquisition was as follows:

	<i>US\$000</i>
Net cash acquired with the subsidiary	5,979
Cash paid	<u>(40,000)</u>
Net cash outflow	<u><u>(34,021)</u></u>

For the period from 28 April 2010 to 30 June 2010, ZAO Koksovaya reported net loss amounting to US\$2,475,000.

As the acquired subsidiary did not prepare financial statements in accordance with IFRS before the business combination, it is impracticable to determine revenues and net profit of the combined entity for the six-month period ended 30 June 2010 assuming that the business combination had occurred at the beginning of the period.

5. Revenue

In the six-month period ended 30 June 2010, significant increase in revenues is attributable to both higher sales volumes and higher sales prices.

The distribution of the Group's revenue by geographical area based on the location of customers was as follows:

	Six-month periods ended 30 June	
	2010	2009
	<i>US\$000</i>	<i>US\$000</i>
Russia	294,842	105,756
China	74,119	–
Republic of Korea	59,129	–
Ukraine	37,949	36,049
Japan	–	2,857
Hungary	–	3,042
	<u>466,039</u>	<u>147,704</u>

OAO Raspadskaya

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

5. Revenue (continued)

Revenues from the Group's major customers were as follows:

	Six-month periods ended 30 June			
	2010		2009	
	Amount	Portion of revenue	Amount	Portion of revenue
	<i>US\$000</i>		<i>US\$000</i>	
Evraz	116,825	25%	36,018	24%
Kemerovo-Koks	68,541	15%	13,733	9%
Citic Metal	58,077	12%	–	–
MMK	43,493	9%	23,773	16%
NLMK (including Altay-Koks)	43,211	9%	15,871	11%
Daewoo	40,917	9%	–	–
Mechel	26,091	6%	11,780	8%
Alcheevskkoks	–	–	12,807	9%
	397,155	85%	113,982	77%

6. Income taxes

Major components of income tax expense were as follows:

	Six-month periods ended 30 June	
	2010	2009
	<i>US\$000</i>	<i>US\$000</i>
Current income tax:		
Current income tax charge	(44,287)	(3,739)
Deferred income tax benefit:		
Relating to origination and reversal of temporary differences	11,684	1,344
Income tax expense	(32,603)	(2,395)

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

At 30 June 2010, the Group has not recognized a deferred income tax liability in respect of temporary differences of \$103,872,000. These differences are associated with investments in subsidiaries and were not recognized because the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

OA0 Rspadskaya

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

7. Property, plant and equipment

	30 June 2010	31 December 2009
	<i>US\$000</i>	<i>US\$000</i>
Cost:		
Land	56	58
Mining assets	1,110,388	1,023,699
Buildings and constructions	119,449	109,482
Machinery and equipment	461,280	512,959
Transport and motor vehicles	44,720	32,573
Other assets	9,186	9,803
Assets under construction	229,871	204,499
	1,974,950	1,893,073
Accumulated depreciation and depletion:		
Mining assets	(227,995)	(211,722)
Buildings and constructions	(17,558)	(13,598)
Machinery and equipment	(228,635)	(236,595)
Transport and motor vehicles	(16,024)	(14,326)
Other assets	(5,486)	(5,714)
	(495,698)	(481,955)
Government grants:		
Mining assets, net	(1,149)	(1,214)
Machinery and equipment, net	(62)	(96)
Other assets, net	(92)	(100)
	(1,303)	(1,410)
	1,477,949	1,409,708

On 1 April 2010, following an independent valuation, the useful lives of property, plant and equipment were reviewed, changed, and necessary adjustments were made. The change resulted in a decrease in depreciation expense by US\$3,650,000 as compared to the amount that would have been charged in the financial statements for the six-month period ended 30 June 2010 if useful lives had not been changed.

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of US\$16,710,000 and US\$3,439,000 as at 30 June 2010 and 31 December 2009, 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>
At 31 December 2009 cost, net of accumulated depreciation, depletion and government grants	58	810,763	95,884	276,268	18,247	3,989	204,499	1,409,708
Additions	–	7,961	–	–	–	–	58,711	66,672
Assets put into operation	–	–	822	22,064	13,023	492	(36,401)	–
Assets acquired in business combination (Note 4)	–	117,126	11,597	17,035	863	19	11,856	158,496
Disposals	–	–	(325)	(45,162)	(310)	(61)	(589)	(46,447)
Reclassification	–	–	(1)	393	(4)	(1)	(387)	–
Depreciation and depletion charge	–	(22,427)	(2,440)	(30,378)	(2,125)	(723)	–	(58,093)
Amortization of government grants	–	29	–	33	–	5	–	67
Translation difference	(2)	(32,208)	(3,646)	(7,670)	(998)	(112)	(7,818)	(52,454)
At 30 June 2010 cost, net of accumulated depreciation, depletion and government grants	56	881,244	101,891	232,583	28,696	3,608	229,871	1,477,949

OAO Raspadskaya

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

7. Property, plant and equipment

As a result of the accident at Raspadskaya mine in May 2010, the Group recognized a disposal of property, plant and equipment in the amount of US\$41,276,000. The disposal was estimated based on inspections conducted by management. As at 30 June 2010, because of the continuing fire in certain areas of the mine, management was not able to inspect all the items of property, plant and equipment located in the disaster area. As at 30 June 2010, the carrying value of all the items located in the disaster area, was US\$85,498,000. Disposals and carrying values of the items of property, plant and equipment located in the disaster area will be reassessed upon getting the access to the disaster area.

8. Other non-current assets

	30 June 2010	31 December 2009
	<i>US\$000</i>	<i>US\$000</i>
Available-for-sale investments:		
Quoted equity shares	1,867	2,072
Unquoted equity shares	239	246
	2,106	2,318
Long-term bank deposits	21,000	31,242
Loans to employees	2,036	2,091
Other non-current assets	246	307
	25,388	35,958

The above long-term deposits are non-restricted deposits placed in Russian state banks.

9. Short-term bank deposits and cash and cash equivalents

Short-term bank deposits

	30 June 2010	31 December 2009
	<i>US\$000</i>	<i>US\$000</i>
Russian rubles	89,917	83,348
US dollars	105,600	64,970
Euro	–	1,635
	195,517	149,953

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

Cash and cash equivalents

	30 June 2010	31 December 2009
	<i>US\$000</i>	<i>US\$000</i>
Russian rubles	72,029	19,338
US dollars	18,303	7,498
Euro	71	1,441
	90,403	28,277

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

ОАО Респадская

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

10. 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.

Amounts owed by/to related parties

	Amounts due from related parties		Amounts due to related parties	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	US\$000	US\$000	US\$000	US\$000
ООО Trade Company EvrazHolding	43,584	52,005	2,324	579
ООО EvrazResource Ukraine	31,901	20,993	–	–
ОАО Yuzhny Kuzbass	271	67	–	–
ЗАО IC Sibirsky Spas	4	81	19	–
ООО Raspadskaya Constructing Industrial Company	32	152	9	8
ООО Trade House EvrazResource	–	80	–	–
ОАО Nakhodka Port	–	–	–	546
Other entities	9	7	272	141
	75,801	73,385	2,624	1,274

Transactions with related parties

	Sales to related parties		Purchases from related parties	
	Six-month periods ended 30 June		Six-month periods ended 30 June	
	2010	2009	2010	2009
	US\$000	US\$000	US\$000	US\$000
ООО Trade Company EvrazHolding	82,113	5,701	5,634	5,520
ООО EvrazResource Ukraine	34,712	15,108	–	–
ОАО Yuzhny Kuzbass	1,288	1,275	–	–
ЗАО IC Sibirsky Spas	2	–	1,152	–
ООО Raspadskaya Constructing Industrial Company	–	–	225	23
ООО Trade House EvrazResource	–	15,209	–	–
ОАО Nakhodka Port	–	–	514	546
Other entities	141	19	1,091	71
	118,256	37,312	8,616	6,160

ООО Trade Company EvrazHolding is an entity under control of Evraz. During the six-month periods ended 30 June 2010 and 2009, the Group sold to the entity coal concentrate and bought from it certain steel products. During the six-month periods ended 30 June 2010 and 2009, the Group sold to the entity approximately 19% and 4% of the sales volumes of coal concentrate and raw coal, respectively.

ООО EvrazResource Ukraine is an entity under control of Evraz. During the six-month periods ended 30 June 2010 and 2009, the Group sold to the entity approximately 8% and 15% of the sales volumes of coal concentrate, respectively.

ОАО Распадская

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

10. Related party disclosures (continued)

ОАО Южный Кузбасс ("Южный Кузбасс"), a Russian coal mining company, is a minority shareholder of a subsidiary of the Group, a subsidiary of the Group. The subsidiary renders transportation services to the Group and to Южный Кузбасс.

ЗАО ИС Сибирский Спас is an entity under control of the shareholders of Адролив. The entity provided insurance services to the Group.

ООО Распадская Строительная Индустриальная Компания is an entity under control of the shareholders of Адролив. The entity provided construction services to the Group.

ООО Trade House EvrazResource is an entity under control of Evraz. During the six-month periods ended 30 June 2010 and 2009, the Group sold to the entity approximately 0% and 10% of the sales volumes of coal concentrate and raw coal, respectively.

ОАО Накходка Порт is an entity under control of Evraz. The entity rendered port services to the Group.

Compensation to key management personnel

Key management personnel totaled 9 persons as at 30 June 2010 and 2009. 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	
	2010	2009
	US\$000	US\$000
Short-term benefits:		
Salary	1,535	947
Payroll taxes	51	50
	<u>1,586</u>	<u>997</u>

Related party transactions are also disclosed in Note 4.

11. Equity

Share capital

As at 30 June 2010 and 31 December 2009, 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.

Dividends declared and paid

On 2 June 2010, shareholders of the Company decided to pay no final dividends for 2009 because of the accident at Распадская mine in May 2010.

ОАО Распадская

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

12. Loans and borrowings

Loans and borrowings by source

	30 June 2010	31 December 2009
	<i>US\$000</i>	<i>US\$000</i>
7.5% notes due 2012	300,000	300,000
Raiffeisenbank	11,071	21,624
BSGV	–	8,495
Other Russian banks	22	23
Interest payable	2,548	2,590
Unamortized debt issue costs	(770)	(1,005)
	312,871	331,727

On 17 May 2007 the Group issued loan participation notes amounting to US\$300,000,000. The notes bear the interest of 7.5% per annum payable semi-annually and mature on 22 May 2012. 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.

Average annual interest rates

	Six-month periods ended 30 June			
	2010		2009	
	Short-term	Long-term	Short-term	Long-term
US dollars	n/a	7.5%	n/a	7.2%
Euro	n/a	2.9%	n/a	4.5%

Loans and borrowings by currency

	30 June 2010	31 December 2009
	<i>US\$000</i>	<i>US\$000</i>
Russian rubles	23	25
US dollars	302,408	311,012
Euro	11,210	21,695
Unamortized debt issue costs	(770)	(1,005)
	312,871	331,727

Loans and borrowings by period of repayment

	30 June 2010	31 December 2009
	<i>US\$000</i>	<i>US\$000</i>
Not more than one year	13,641	28,407
After one year but not more than two years	300,000	4,325
After two years but not more than five years	–	300,000
Unamortized debt issue costs	(770)	(1,005)
	312,871	331,727

ОАО Респадская

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

13. Commitments and contingencies

Operating environment of the Group

The Group is one of the biggest coking coal producers in Russia. Russia is considered a developing market with higher economic and political risks. Developing economies are vulnerable to market downturns and economic slowdowns elsewhere in the world. The Russian economy is characterized by relatively high inflation and the existence of currency controls which cause the national currency to be illiquid outside of the country. The country continues economic reforms and development of legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy largely depend on these reforms and developments and on the effectiveness of economic, financial and monetary measures undertaken by the government.

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 the 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, penalties and interest 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 the 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 the statement of financial position date as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in the accompanying financial statements could be up to US\$400,000.

Contractual commitments

The Group was a party to executory contracts for the purchase of production equipment and construction works for the amount of US\$44,728,000 as at 30 June 2010.

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 2010, the Group spent US\$3,282,000, and in the second half of 2010 the Group plans to spend US\$3,560,000 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 2009-2011 authorized by management, the Group expects to spend US\$31,600,000 starting 1 July 2010.

ОАО Raspadskaya

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

13. Commitments and contingencies (continued)

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.

14. Subsequent events

Commitments on purchase of property, plant and equipment

Subsequent to 30 June 2010, the Group signed a bank letter of credit relating to the Group's commitments on purchases of property, plant and equipment. The amount of the letter of credit is EUR 3,522,240 and the interest rate is EURIBOR + 3.7%.