OAO Raspadskaya

Unaudited interim condensed consolidated financial statements

Six-month period ended 30 June 2013

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Contents

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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 30 June 2013 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

Without qualifying our conclusion, 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

21 August 2013

OAO Raspadskaya

Unaudited interim consolidated statement of comprehensive income

Six-month period ended 30 June 2013

	Notes	2013	2012 *
		US$000	*US$000*
Revenue			
Sales of goods		**295,925**	278,201
Other sales		**4,748**	6,970
	4	**300,673**	285,171
Cost of sales		**(253,933)**	(211,529)
Gross profit		**46,740**	73,642
Selling and distribution costs		**(18,490)**	(2,143)
General and administrative expenses		**(30,585)**	(30,506)
Social expenses		**(2,996)**	(4,314)
Loss on disposal of property, plant and equipment		**(794)**	(1,155)
Foreign exchange losses		**(33,993)**	(30,641)
Other operating income		**2,873**	2,590
Other operating expenses		**(23,789)**	(11,777)
Operating loss		**(61,034)**	(4,304)
Dividend income		**61**	50
Interest income		**2,736**	4,956
Interest expense		**(23,230)**	(20,318)
Loss before income tax		**(81,467)**	(19,616)
Income tax	5	**13,737**	1,035
Loss for the period		**(67,730)**	(18,581)
Other comprehensive income:			
Effect of translation to presentation currency		**(73,089)**	(17,226)
Actuarial gain/(loss)		**–**	2,306
Net gain/(loss) on available-for-sale financial assets		**(124)**	108
Income tax		**(1)**	(29)
		(125)	79
Other comprehensive loss for the period, net of tax		**(73,214)**	(14,841)
Total comprehensive loss for the period, net of tax		**(140,944)**	(33,422)
Profit/(loss) for the period attributable to:			
Equity holders of the parent		**(67,934)**	(18,429)
Non-controlling interests		**204**	(152)
		(67,730)	(18,581)
Total comprehensive loss for the period attributable to:			
Equity holders of the parent		**(140,801)**	(33,194)
Non-controlling interests		**(143)**	(228)
		(140,944)	(33,422)
Loss per share: basic and diluted, for loss for the period attributable to equity holders of the parent, *US dollars* ((3.00) rubles and (0.77) rubles for the six-month periods ended 30 June 2013 and 2012 respectively)	11	**(0.10)**	(0.03)

* 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 2012 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 financial position

30 June 2013

	Notes	30 June 2013	31 December 2012 *
		US$000	*US$000*
Assets			
Non-current assets			
Property, plant and equipment	6	**1,370,287**	1,493,128
Deferred income tax asset		**82,017**	65,355
Other non-current assets	7	**5,335**	5,662
		1,457,639	1,564,145
Current assets			
Inventories	9	**95,376**	107,745
Trade and other receivables		**68,291**	71,803
Prepayments		**7,553**	9,981
Receivables from related parties	10	**26,509**	42,522
Income tax receivable		**1,366**	2,281
Other taxes recoverable		**26,405**	12,962
Short-term bank deposits	8	**–**	112,689
Cash and cash equivalents	8	**100,044**	7,731
		325,544	367,714
Total assets		**1,783,183**	1,931,859
Equity and liabilities			
Equity attributable to equity holders of the parent			
Issued capital	11	**273**	273
Additional paid-in capital		**387,790**	387,790
Reserve capital	11	**7**	7
Accumulated profits		**784,208**	852,142
Unrealized gain on available-for-sale investments		**1,710**	1,835
Translation difference		**(248,898)**	(176,156)
		925,090	1,065,891
Non-controlling interests		**4,569**	4,712
		929,659	1,070,603
Non-current liabilities			
Long-term loans	12	**397,167**	546,533
Deferred income tax liabilities		**121,392**	136,966
Post-employment benefits liabilities		**55,052**	56,955
Site restoration provision		**7,257**	13,576
		580,868	754,030
Current liabilities			
Trade and other payables		**76,622**	69,865
Advances from customers		**6**	20
Short-term loans and current portion of long-term loans	12	**156,114**	7,145
Payables to related parties	10	**11,944**	3,591
Income tax payable		**3,393**	373
Other taxes payable		**24,523**	26,169
Dividends payable		**54**	63
		272,656	107,226
Total equity and liabilities		**1,783,183**	1,931,859

* The amounts shown here do not correspond to those in the consolidated financial statements for the year ended 31 December 2012 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 cash flows

Six-month period ended 30 June 2013

	Notes	2013	2012
		US$000	*US$000*
Operating activities			
Loss for the period		**(67,730)**	(18,581)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Depreciation, depletion and amortization	6	**52,585**	68,222
Deferred income tax benefit	5	**(28,602)**	(19,201)
Loss on disposal of property, plant and equipment		**794**	1,155
Foreign exchange losses		**33,993**	30,641
Dividend income		**(61)**	(50)
Interest income		**(2,736)**	(4,956)
Interest expense		**23,230**	20,318
Net employee benefit expense		**1,407**	96
Change in bad debt allowance		**53**	576
		12,933	78,220
Changes in working capital:			
Inventories		**4,928**	(33,564)
Trade and other receivables		**(495)**	2,869
Prepayments		**1,791**	(2,379)
Receivables from / payables to related parties		**22,763**	9,946
Trade and other payables		**4,012**	15,511
Advances from customers		**(13)**	699
Taxes payable, net of taxes receivable		**(10,913)**	1,838
Net cash flows from operating activities		**35,006**	73,140
Investing activities			
Purchases of property, plant and equipment		**(35,631)**	(36,118)
Bank deposits, including interest		**115,120**	9,975
Dividends received		**61**	–
Other investing activities, net		**417**	544
Net cash flows from/(used) in investing activities		**79,967**	(25,599)
Financing activities			
Proceeds from loans		**–**	522,621
Repayment of loans, including interest, net of government grants		**(21,192)**	(322,375)
Purchase of treasury shares		**–**	(396,379)
Dividends paid		**(5)**	(57)
Net cash flows used in financing activities		**(21,197)**	(196,190)
Effect of foreign exchange rate changes on cash and cash equivalents		**(1,463)**	41,823
Net increase/(decrease) in cash and cash equivalents		**92,313**	(106,826)
Cash and cash equivalents at the beginning of the period		**7,731**	180,100
Cash and cash equivalents at the end of the period		**100,044**	73,274
Supplementary cash flow information			
Cash flows during the period:			
Interest paid		**20,316**	15,309
Interest received		**3,586**	6,957
Income tax paid		**10,970**	19,288

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 2013

	Attributable to equity holders of the parent									
	Issued capital	**Treasury shares**	**Additional paid-in capital**	**Reserve capital**	**Accumu-lated profits**	**Unrealized gain on available-for-sale investments**	**Translation difference**	**Parent share-holders' equity**	**Non-controlling interests**	**Total**
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
At 31 December 2012 *	**273**	**–**	**387,790**	**7**	**852,142**	**1,835**	**(176,156)**	**1,065,891**	**4,712**	**1,070,603**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**(67,934)**	**–**	**–**	**(67,934)**	**204**	**(67,730)**
Other comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(125)**	**(72,742)**	**(72,867)**	**(347)**	**(73,214)**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(67,934)**	**(125)**	**(72,742)**	**(140,801)**	**(143)**	**(140,944)**
At 30 June 2013	**273**	**–**	**387,790**	**7**	**784,208**	**1,710**	**(248,898)**	**925,090**	**4,569**	**929,659**
At 31 December 2011 **	303	–	784,139	7	522,480	1,487	(272,382)	1,036,034	4,486	1,040,520
Loss for the period **	–	–	–	–	(18,429)	–	–	(18,429)	(152)	(18,581)
Other comprehensive income/(loss) **	–	–	–	–	2,306	79	(17,150)	(14,765)	(76)	(14,841)
Total comprehensive income/(loss) **	–	–	–	–	(16,123)	79	(17,150)	(33,194)	(228)	(33,422)
Share buyback	–	(396,379)	–	–	363,771	–	34,806	2,198	–	2,198
At 30 June 2012 **	303	(396,379)	784,139	7	870,128	1,566	(254,726)	1,005,038	4,258	1,009,296

* The amounts shown here do not correspond to those in the consolidated financial statements for the year ended 31 December 2012 and reflect restatements made as detailed in Note 2.

** 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 2012 and reflect restatements made as detailed in Note 2.

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

1. Corporate information

The unaudited interim condensed consolidated financial statements of OAO Raspadskaya (the "Company") for the six-month period ended 30 June 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 21 August 2013.

The Company is an open joint-stock company ("OAO") registered under 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"). Before 16 January 2013, Corber was 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 plc (UK) ("Evraz"). On 16 January 2013, Adroliv sold to Evraz its ownership interest in Corber. The Company therefore has become a subsidiary of Evraz. Corber owns approx. 81.95% of the Company's shares. The Company's shares are traded on the Russian stock exchange RTS-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 and other services.

18% and 22% of the Group's revenue was generated in transactions with related parties in the six-month periods ended 30 June 2013 and 2012 respectively (Note 10).

2. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2013 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 2012.

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.

Going concern

These unaudited interim condensed 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.

The current economic conditions create uncertainty particularly over (a) the level of demand and prices for the Group's products; and (b) the exchange rate between the US dollar and the Russian ruble. The Group's activities have been adversely affected by these uncertainties and resulted in a net loss of US$67,730,000 for the six-month period ended 30 June 2013, while during the six-month period ended 30 June 2012 it recognized a net loss of US$18,581,000.

In addition, the Group's performance in the reporting period has been also affected by adverse mining conditions at Raspadskaya mine, which resulted in temporary suspension of extraction of coal in this mine. Under current plans, the Group resumed production there in July 2013. As a result, the Group expects that total extraction for 2013 will be approx. 7.9 million tonnes of raw coal.

2. Significant accounting policies (continued)

Going concern (continued)

Nonetheless, in the next 12 months, the Group expects to finance its operating and investing activities primarily by cash generated from operations. If necessary, management may postpone certain investment projects and capital repairs to provide the Group with sufficient resources to meet its obligations when they fall due. In the event the Group experiences a shortage of its own resources, the Group expects to receive financial assistance from its parent Evraz.

After considering the facts described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Changes in accounting policies

The accounting policies adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as at 1 January 2013.

New standards, interpretations and amendments adopted by the Group

IAS 19 *Employee Benefits* (revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

In case of the Group, IAS 19R has been applied retrospectively from 1 January 2012. As a result, unvested past service costs can no longer be deferred and recognized over the future vesting period. Instead, all past service costs are recognized at the earlier of when the amendment occurs and when the Group recognizes related restructuring or termination costs. Until 2012, the Group's unvested past service costs were recognized as an expense on a straight-line basis over the average period until the benefits become vested. Upon transition to IAS 19R, past service costs are recognized immediately if the benefits have vested immediately following the introduction of, or changes to, a pension plan.

Impact of transition to IAS 19R on interim condensed consolidated statement of financial position

	30 June 2013	**31 December 2012**
	US$000	*US$000*
Increase in Post-employment benefits liabilities	**(24,220)**	(25,901)
Net impact on equity	**(24,220)**	(25,901)

2. Significant accounting policies (continued)

Changes in accounting policies (continued)

Impact of transition to IAS 19R on interim condensed consolidated statement of comprehensive income

	Six-month periods ended 30 June	
	2013	**2012**
	US$000	*US$000*
Translation difference	–	(558)
Increase in actuarial movements in OCI	–	2,306
Net increase in OCI, net of tax	–	1,748
Net increase in total comprehensive income	–	1,748

All the above impacts are attributable to equity holders of parent.

There was no material impact on the Group's interim condensed consolidated statement of cash flows or basic and diluted EPS.

IAS 1 *Presentation of Items of Other Comprehensive Income* – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 *Clarification of the Requirement for Comparative Information* (amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 16 *Property, Plant and Equipment* (improvement)

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

2. Significant accounting policies (continued)

Changes in accounting policies (continued)

IAS 32 *Tax Effects of Distributions to Holders of Equity Instruments* (amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment had no impact on these financial statements, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 *Interim Financial Reporting and Segment Information for Total Assets and Liabilities* (amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. As the Group has no segments, the amendment had no impact on the Group.

IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* – Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment had no impact on the Group.

IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 *Joint Arrangements* and IAS 28 *Investment in Associates and Joint Ventures*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. As the Group has no interests in joint ventures, the amendment had no impact on the Group.

2. Significant accounting policies (continued)

Changes in accounting policies (continued)

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. The application of IFRS 13 has not impacted the fair value measurements carried out by the Group.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Seasonality of operations

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

4. Revenue

Distribution of revenue by country

	Six-month periods ended 30 June			
	2013		**2012**	
	Amount	**Portion**	**Amount**	**Portion**
	US$000		*US$000*	
Russia	**179,064**	**59%**	249,382	87%
China	**71,807**	**24%**	11,454	4%
Ukraine	**23,113**	**8%**	20,099	7%
South Korea	**12,935**	**4%**	4,236	2%
Japan	**9,233**	**3%**	–	–
North Korea	**4,521**	**2%**	–	–
	300,673	**100%**	285,171	100%

4. Revenue (continued)

Revenues from major customers

	Six-month periods ended 30 June			
	2013		2012	
	Amount	Portion	Amount	Portion
	US$000		*US$000*	
MMK	**59,600**	**20%**	65,949	23%
Evraz	**47,409**	**16%**	59,254	21%
Mechel	**37,711**	**13%**	22,978	8%
Koks	**17,671**	**6%**	47,060	17%
Hong Kong Winner	**17,551**	**6%**	–	–
Heilongjiang Harbin Railway	**15,635**	**5%**	–	–
NLMK	**14,377**	**5%**	37,409	13%
Hyundai	**12,935**	**4%**	4,236	1%
Rizhao Changbin	**11,023**	**4%**	–	–
Other	**66,761**	**21%**	48,285	17%
	300,673	**100%**	285,171	100%

5. Income tax

Major components of income tax

	Six-month periods ended 30 June	
	2013	2012
	US$000	*US$000*
Current income tax:		
Current income tax charge	**(14,865)**	(18,166)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**28,602**	19,201
	13,737	1,035

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

6. Property, plant and equipment

	30 June 2013	31 December 2012
	US$000	*US$000*
Cost:		
Land	**57**	61
Mining assets	**1,034,894**	1,113,905
Buildings and constructions	**131,231**	140,813
Machinery and equipment	**535,925**	584,921
Transport and motor vehicles	**83,990**	82,993
Other assets	**14,278**	16,080
Assets under construction	**236,444**	242,609
	2,036,819	2,181,382
Accumulated depreciation and depletion:		
Mining assets	**(264,813)**	(272,048)
Buildings and constructions	**(29,251)**	(28,868)
Machinery and equipment	**(323,434)**	(341,239)
Transport and motor vehicles	**(40,872)**	(38,125)
Other assets	**(8,162)**	(7,974)
	(666,532)	(688,254)
	1,370,287	1,493,128

6. Property, plant and equipment (continued)

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of US$10,883,000 and US$4,740,000 as at 30 June 2013 and 31 December 2012 respectively.

Movement in property, plant and equipment

	Land	Mining assets	Buildings and construc-tions	Machinery and equipment	Transport and motor vehicles	Other assets	Assets under construc-tion	Total
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
At 31 December 2012, cost, net of accumulated depreciation, depletion and government grants	**61**	**841,857**	**111,945**	**243,682**	**44,868**	**8,106**	**242,609**	**1,493,128**
Additions	**–**	**3,400**	**–**	**–**	**–**	**–**	**39,891**	**43,291**
Assets put into operation	**–**	**–**	**782**	**17,523**	**8,171**	**1,168**	**(27,644)**	**–**
Disposals	**–**	**–**	**(170)**	**(741)**	**(281)**	**(2)**	**(16)**	**(1,210)**
Reclassification	**–**	**459**	**–**	**–**	**–**	**–**	**(459)**	**–**
Depreciation and depletion charge	**–**	**(12,861)**	**(2,689)**	**(31,319)**	**(6,356)**	**(984)**	**–**	**(54,209)**
Change in site restoration provision	**–**	**(3,277)**	**–**	**–**	**–**	**(1,668)**	**–**	**(4,945)**
Translation difference	**(4)**	**(59,497)**	**(7,888)**	**(16,654)**	**(3,284)**	**(504)**	**(17,937)**	**(105,768)**
At 30 June 2013, cost, net of accumulated depreciation, depletion and government grants	**57**	**770,081**	**101,980**	**212,491**	**43,118**	**6,116**	**236,444**	**1,370,287**

In the six-month period ended 30 June 2013, the Group changed estimation of mineral reserve, future capital expenditures and site restoration costs, which resulted in a decrease in depletion expenses by US$14,841,000 and a decrease in site restoration provision by US$6,024,000, as compared to the amounts that would have been recognized had no change in estimates occurred. No such changes took place in 2012.

7. Other non-current assets

	30 June 2013	31 December 2012
	US$000	*US$000*
Available-for-sale investments:		
Quoted equity shares	**2,140**	2,299
Unquoted equity shares	**227**	244
	2,367	2,543
Loans to employees	**2,968**	3,119
	5,335	5,662

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

Short-term bank deposits

	30 June 2013	31 December 2012
	US$000	*US$000*
US dollars	**–**	86,679
Russian rubles	**–**	26,010
	–	112,689

The above short-term deposits are non-restricted deposits placed in Russian banks and affiliates of international banks with initial maturity of more than 90 days.

8. Short-term bank deposits, cash and cash equivalents (continued)

Cash and cash equivalents

	30 June 2013	31 December 2012
	US$000	*US$000*
US dollars	**63,453**	5,028
Russian rubles	**36,591**	2,703
	100,044	7,731

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

9. Inventories

	30 June 2013	31 December 2012
	US$000	*US$000*
Raw materials and spare parts (at cost)	**72,726**	78,513
Finished goods (at cost)	**21,216**	27,443
Finished goods (at net realizable value)	**1,434**	1,789
	95,376	107,745

In the six-month period ended 30 June 2013, write-down of finished goods to net realizable value amounted to US$1,928,000.

10. Related party disclosures

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with related parties

	Sales to related parties		Purchases from related parties	
	Six-month periods ended 30 June		Six-month periods ended 30 June	
	2013	2012	2013	2012
	US$000	*US$000*	*US$000*	*US$000*
Evraz ZSMK	**24,548**	35,903	**–**	4
Evraz DMZ Petrovskogo	**10,389**	–	**–**	–
Evraz Bagliykoks	**10,026**	–	**–**	–
Southern Kuzbass	**2,824**	2,798	**–**	–
TH Evraz Ukraine	**2,705**	–	**–**	–
Evraz NTMK	**2,396**	9,854	**140**	–
SPK	**216**	196	**3,529**	3,055
Sibirsky Spas	**4**	4	**897**	618
TC EvrazHolding	**–**	–	**4,590**	4,825
Metallenergofinance	**–**	–	**3,065**	–
TH EvrazResource-Ukraine	**–**	13,498	**–**	–
Other entities	**50**	49	**1,796**	830
	53,158	62,302	**14,017**	9,332

10. Related party disclosures (continued)

Amounts owed by/to related parties

	Amounts due from related parties		Amounts due to related parties	
	30 June 2013	**31 December 2012**	**30 June 2013**	**31 December 2012**
	US$000	*US$000*	*US$000*	*US$000*
Evraz ZSMK	**19,544**	21,563	**184**	–
Evraz DMZ Petrovskogo	**2,395**	–	**–**	–
Evraz Bagliykoks	**3,295**	–	**–**	–
Southern Kuzbass	**508**	445	**–**	–
TH Evraz Ukraine	**1**	10,157	**–**	–
Evraz NTMK	**–**	9,889	**–**	–
SPK	**158**	80	**494**	1,262
Sibirsky Spas	**465**	241	**102**	126
TC EvrazHolding	**5**	–	**6,176**	1,981
Metallenergofinance	**–**	–	**3,429**	–
TH EvrazResource-Ukraine	**–**	4	**–**	–
Other entities	**138**	143	**1,559**	222
	26,509	42,522	**11,944**	3,591

Evraz ZSMK is an entity under control of Evraz. In the six-month periods ended 30 June 2013 and 2012, the Group sold to the steel plant raw coal and coal concentrate. The sales accounted for approx. 10% and 16% of the Group's total sales volumes of coal products in the six-month periods ended 30 June 2013 and 2012, respectively.

Evraz DMZ Petrovskogo is an entity under control of Evraz. In the six-month period ended 30 June 2013, the Group sold coal concentrate to the steel plant. The sales accounted for approx. 5% of the Group's total sales volumes of coal products in the period.

Evraz Bagliykoks is an entity under control of Evraz. In the six-month period ended 30 June 2013, the Group sold coal concentrate to the coke plant. The sales accounted for approx. 5% of the Group's total sales volumes of coal products in the period.

Southern Kuzbass, a 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.

TH Evraz Ukraine is an entity under control of Evraz. In the six-month period ended 30 June 2013, the Group sold coal concentrate to the trade house. The sales accounted for approx. 1% of the Group's total sales volumes of coal products in the period.

Evraz NTMK is an entity under control of Evraz. In the six-month periods ended 30 June 2013 and 2012, the Group sold coal concentrate to the steel plant. The sales accounted for approx. 1% and 3% of the Group's total sales volumes of coal products in the six-month periods ended 30 June 2013 and 2012, respectively.

SPK (before 15 October 2012, RSPK) is an entity under control of the Company's management. The entity provides cleaning and renovating services to the Group.

Sibirsky Spas is an entity under control of the Company's management. The insurance company provides insurance services to the Group.

TC EvrazHolding is an entity under control of Evraz. In the six-month periods ended 30 June 2013 and 2012, the Group bought from the trade company certain steel products.

10. Related party disclosures (continued)

Metallenergofinance is an entity under control of Evraz. In the six-month period ended 30 June 2013, the Group bought electricity from the entity.

TH EvrazResource-Ukraine is an entity under control of Evraz. In the six-month period ended 30 June 2012, the Group sold coal concentrate to the trade house. The sales accounted for approx. 6% of the Group's total sales volumes of coal products in the period.

One of the directors of the Company has a significant influence on ZAO Commercial Bank Garant-Invest. The bank is therefore a related party. The Group held at the bank cash equivalents in the amount of US$19,566,000 at 30 June 2013 and US$26,019,000 at 31 December 2012 on market terms. Interest income amounted to US$910,000 and US$946,000 for the six-month periods ended 30 June 2013 and 2012 respectively.

Compensation to key management personnel

Key management personnel totaled 9 people as at 30 June 2013 and 2012. 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 period ended 30 June	
	2013	**2012**
	US$000	*US$000*
Short-term benefits:		
Salary	**1,999**	2,130
Payroll taxes	**239**	254
	2,238	2,384

11. Equity

Share capital

As at 30 June 2013 and 31 December 2012, the Company's issued and fully paid share capital consisted of 703,191,443 ordinary shares with par value 0.004 rubles each; the authorized share capital consisted of 1,478,811,096 ordinary shares.

Reserve capital

According to Russian law, the Group creates a reserve capital in the amount of 5% of share capital per Russian statutory accounts by annual appropriations which should be at least 5% of the annual net profit per statutory financial statements. The reserve capital can be used only for covering losses and for redemption of the Company's bonds and purchase of own shares if there are no other sources of financing.

11. Equity (continued)

Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. The Company has no potentially dilutive ordinary shares, diluted earnings per share is therefore equal to basic earnings per share.

	Six-month period ended 30 June	
	2013	**2012**
Loss for the period attributable to equity holders of the parent, *US$000*	**(67,934)**	(18,429)
Weighted average number of outstanding ordinary shares	**703,191,443**	731,861,421
Basic and diluted loss per share, *US dollars*	**(0.10)**	(0.03)

Dividends

On 27 May 2013 shareholders of the Company approved no final dividends for 2012.

12. Loans and borrowings

Loans and borrowings by source

	30 June 2013	**31 December 2012**
	US$000	*US$000*
7.75% notes due 2017	**397,167**	396,551
Raiffeisenbank	**149,986**	149,982
Russian banks	**418**	1,272
Interest payable	**5,710**	5,873
	553,281	553,678

Loans and borrowings by currency

	30 June 2013	**31 December 2012**
	US$000	*US$000*
US dollars	**552,863**	552,406
Euro	**418**	1,272
	553,281	553,678

Loans and borrowings by period of repayment

	30 June 2013	**31 December 2012**
	US$000	*US$000*
Not more than one year	**156,114**	7,145
After two years but not more than five years	**397,167**	546,533
	553,281	553,678

At 30 June 2013 the Group classified a long-term loan from Raiffeisenbank with principal outstanding amount of US$150,000,000 as short-term loan as the Group expects to repay this loan during next twelve-month period or replace it with lower-cost financing.

12. Loans and borrowings (continued)

Average annual interest rates

	Six-month period ended 30 June	
	2013	**2012**
US dollars	**7.4%**	7.2%
Euro	**3.9%**	4.8%

Inability to increase indebtedness

The Loan Agreement on 7.75% Eurobonds and the Loan Agreement with Raiffeisenbank stipulate a number of covenants. One of these is an obligation not to incur indebtedness if a ratio in respect of indebtedness and profitability exceeds 3. Based on the financial results for the six-month period ended 30 June 2013, the ratio equaled 8.0. The Group therefore may not incur additional indebtedness.

13. 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 2013 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 frequent changes. 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 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 interpretation of relevant legislation is appropriate and that the Group has paid or accrued all applicable taxes. Where 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.

13. Commitments and contingencies (continued)

Contractual commitments

The Group was a party to executory contracts for the purchase of production equipment and construction works in the amount of US$26,118,000 as at 30 June 2013.

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 second half of 2013 the Group plans to spend US$3,437,000 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 the Group's financial position or results of operations. Under the Plan on environmental protection for the years 2011-15 authorized by management, the Group expects to spend US$2,828,000 in the second half of 2013.

Insurance policies

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

14. Subsequent events

Downgrading of the Company's rating

On 19 August 2013, Moody's downgraded the Company's corporate family rating from B1 to B2.