

OAO Raspadskaya

Unaudited Interim Condensed
Consolidated Financial Statements

Six-month period ended 30 June 2008

OAO Raspadskaya

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Six-month period ended 30 June 2008

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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 balance sheet of OAO Raspadskaya and its subsidiaries (the Group) as at 30 June 2008 and the related interim condensed consolidated statements of 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 this interim condensed consolidated financial information in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with 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 accompanying interim condensed consolidated financial information is 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

18 September 2008

OAO Raspadskaya

Unaudited Interim Condensed Consolidated Income Statement

Six-month period ended 30 June 2008

(In thousands of US dollars, except for per share information)

	Notes	2008	2007
Revenue			
Sale of goods		\$ 602,957	\$ 335,761
Rendering of services		3,656	3,073
	4	<u>606,613</u>	338,834
Cost of sales		<u>(189,695)</u>	(164,688)
Gross profit		416,918	174,146
Selling and distribution costs		(3,490)	(9,542)
General and administrative expenses		(33,026)	(25,619)
Social and social infrastructure maintenance expenses		(12,679)	(3,215)
Loss on disposal of property, plant and equipment		(430)	(1,114)
Foreign exchange gains, net		11,000	5,505
Other operating income		453	446
Other operating expenses		<u>(10,656)</u>	(3,027)
Operating profit		368,090	137,580
Dividend income		–	4
Interest income		4,230	2,068
Interest expense		<u>(13,526)</u>	(15,659)
Profit before tax		358,794	123,993
Income tax expense	5	<u>(97,009)</u>	(32,470)
Profit for the period		<u>\$ 261,785</u>	<u>\$ 91,523</u>
Attributable to:			
Equity holders of the parent		\$ 261,441	\$ 90,838
Minority interests		344	685
		<u>\$ 261,785</u>	<u>\$ 91,523</u>
Earnings per share:			
basic and diluted, for profit attributable to equity holders of the parent entity, US dollars (8.02 roubles and 3.05 roubles for the six-month periods ended 30 June 2008 and 2007, respectively)	9	\$ 0.33	\$ 0.12

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

OAO Raspadskaya

Unaudited Interim Condensed Consolidated Balance Sheet

(In thousands of US dollars)

	Notes	30 June 2008 <i>(Unaudited)</i>	31 December 2007 <i>(Audited)</i>
Assets			
Non-current assets			
Property, plant and equipment	6	\$ 1,632,545	\$ 1,479,207
Deferred tax asset		2,156	2,919
Other non-current assets		6,232	6,585
		<u>1,640,933</u>	<u>1,488,711</u>
Current assets			
Inventories		51,382	50,758
Trade and other receivables		42,527	41,995
Receivables from related parties	8	19,045	25,319
Income tax receivable		1,090	4,726
Other taxes recoverable		26,451	31,906
Short-term bank deposits		45,530	–
Cash and cash equivalents	7	110,910	82,311
		<u>296,935</u>	<u>237,015</u>
Total Assets		<u>\$ 1,937,868</u>	<u>\$ 1,725,726</u>
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Issued capital	9	\$ 303	\$ 303
Additional paid-in capital		783,862	783,862
Reserve capital		7	7
Accumulated profits		317,985	179,888
Unrealised gain on available-for-sale investments		1,874	2,438
Translation difference		150,908	97,680
		<u>1,254,939</u>	<u>1,064,178</u>
Minority interests		<u>6,697</u>	<u>6,064</u>
		<u>1,261,636</u>	<u>1,070,242</u>
Non-current liabilities			
Long-term loans	10	300,848	307,896
Deferred tax liabilities		224,864	225,521
Post-employment benefit liabilities		19,232	17,374
Other long-term liabilities		1,839	1,694
		<u>546,783</u>	<u>552,485</u>
Current liabilities			
Trade and other payables		47,428	37,016
Short-term loans and current portion of long-term loans	10	26,296	39,458
Payables to related parties	8	4,290	568
Income tax payable		14,014	11,774
Other taxes payable		15,406	11,420
Finance lease		–	47
Dividends payable		22,015	2,716
		<u>129,449</u>	<u>102,999</u>
Total Equity and Liabilities		<u>\$ 1,937,868</u>	<u>\$ 1,725,726</u>

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

OAO Raspadskaya

Unaudited Interim Condensed Consolidated Cash Flow Statement

Six-month period ended 30 June 2008

(In thousands of US dollars)

	Notes	2008	2007
Cash flows from operating activities			
Profit for the period		\$ 261,785	\$ 91,523
Adjustments to reconcile net profit to net cash flows from operating activities:			
Depreciation, depletion and amortisation	6	67,716	64,742
Deferred income tax benefit	5	(9,811)	(7,498)
Loss on disposal of property, plant and equipment		430	1,114
Foreign exchange (gains)/loss		(11,000)	(5,505)
Dividend income		–	(4)
Interest income		(4,230)	(2,068)
Interest expense		13,526	15,659
Employee benefits		(48)	159
Bad debt expense		190	351
		318,558	158,473
Changes in working capital:			
Inventories		1,697	(4,918)
Trade and other receivables		(1,198)	(21,646)
Receivables from / payables to related parties		10,919	(1,523)
Trade and other payables		5,403	(7,138)
Taxes payable		15,617	(5,886)
Net cash flows from operating activities		350,996	117,362
Cash flows from investing activities			
Purchases of property, plant and equipment		(151,245)	(59,308)
Short-term deposits at banks, including interest, net		(40,622)	2,034
Other investing activities		148	487
Net cash flows used in investing activities		(191,719)	(56,787)
Cash flows from financing activities			
Proceeds from loans		3,299	305,706
Repayment of loans, including interest		(37,233)	(326,648)
Dividends paid		(101,019)	(23,091)
Payments under finance leases, including interest		(47)	(744)
Net cash flows used in financing activities		(135,000)	(44,777)
Effect of foreign exchange rate changes on cash and cash equivalents		4,322	1,245
Net increase in cash and cash equivalents		28,599	17,043
Cash and cash equivalents at beginning of period		82,311	49,219
Cash and cash equivalents at end of period		\$ 110,910	\$ 66,262
Supplementary cash flow information:			
Cash flows during the period:			
Interest paid		\$ 12,522	\$ 12,268
Interest received		3,978	1,941
Income taxes paid		100,290	46,160

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

OA O Raspadskaya

Unaudited Condensed Consolidated Statement of Changes in Equity

(In thousands of US dollars)

	Attributable to equity holders of the parent									Total equity
	Issued capital	Treasury shares	Additional paid-in capital	Reserve capital	Accumulated profits	Unrealised gain on available-for-sale investments	Translation difference	Total	Minority interests	
At 31 December 2007	\$ 303	\$ –	\$ 783,862	\$ 7	\$ 179,888	\$ 2,438	\$ 97,680	\$ 1,064,178	\$ 6,064	\$ 1,070,242
Net gains on available-for-sale financial investments	–	–	–	–	–	(564)	–	(564)	–	(564)
Foreign currency translation	–	–	–	–	–	–	53,228	53,228	289	53,517
Total income and expense for the period recognised directly in equity	–	–	–	–	–	(564)	53,228	52,664	289	52,953
Profit for the period	–	–	–	–	261,441	–	–	261,441	344	261,785
Total income and expense for the period	–	–	–	–	261,441	(564)	53,228	314,105	633	314,738
Dividends declared (Note 9)	–	–	–	–	(123,344)	–	–	(123,344)	–	(123,344)
At 30 June 2008	\$ 303	\$ –	\$ 783,862	\$ 7	\$ 317,985	\$ 1,874	\$ 150,908	\$ 1,254,939	\$ 6,697	\$ 1,261,636

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

ОАО Raspadskaya

Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

(In thousands of US dollars)

	Attributable to equity holders of the parent									
	Issued capital	Treasury shares	Additional paid-in capital	Reserve capital	Accumulated profits	Unrealised gain on available-for-sale investments	Translation difference	Total	Minority interests	Total equity
At 31 December 2006	\$ 304	\$(1,131)	\$ 783,862	\$ 7	\$ 39,796	\$ 1,580	\$ 29,523	\$ 853,941	\$ 4,290	\$ 858,231
Net gains on available-for-sale financial investments	–	–	–	–	–	255	–	255	–	255
Foreign currency translation	–	–	–	–	–	–	17,149	17,149	383	17,532
Total income and expense for the period recognised directly in equity	–	–	–	–	–	255	17,149	17,404	383	17,787
Profit for the period	–	–	–	–	90,838	–	–	90,838	685	91,523
Total income and expense for the period	–	–	–	–	90,838	255	17,149	108,242	1,068	109,310
Treasure shares cancelled	(1)	1,131	–	–	(1,130)	–	–	–	–	–
Dividends declared	–	–	–	–	(58,156)	–	–	(58,156)	–	(58,156)
At 30 June 2007	\$ 303	–	\$ 783,862	\$ 7	\$ 71,348	\$ 1,835	\$ 46,672	\$ 904,027	\$ 5,358	\$ 909,385

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

OAO RASPADSKAYA
Selected Notes to the Interim Condensed Consolidated
Financial Statements

Six-month period ended 30 June 2008

(In thousands of US dollars, unless specified otherwise)

1. Corporate Information

The interim condensed consolidated financial statements of OAO RASPADSKAYA (the "Company") for the six-month period ended 30 June 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 18 September 2008.

The Company is an open joint-stock company ("OAO") registered under the law of the Russian Federation. The Company commenced operations in 1973. The registered office of the Company is 106, Mira Street, Mezhdurechensk, the Kemerovo region, the Russian Federation. The Company's controlling shareholder is Corber Enterprises Limited (Cyprus) ("Corber"), a 50/50 joint venture set up by Mastercroft Mining Limited, a subsidiary of Evraz Group S.A. (Luxembourg), and Adroliv Investments Limited (Cyprus) ("Adroliv").

The Company and its subsidiaries (the "Group") derive approximately 99% of their revenues from sales of coal and coal concentrate. Other revenue sources include transport-handling services and other non-production revenues.

In the six-month periods ended 30 June 2008 and 2007, approximately 27% and 13%, respectively, of the Group's revenues were generated in transactions with related parties. For detailed information related to such activities refer to Note 8.

2. Basis of preparation and accounting policies

Basis of Preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2008 have been prepared in accordance with 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 2007.

Operating results for the six-month period ended 30 June 2008 are not necessary indicative of the results that may be expected for the year ended 31 December 2008.

Certain reclassifications have been made to the six-month period ended 30 June 2007 financial statements to conform to the current period presentation.

OAO Raspadskaya

Selected Notes to the Interim Condensed Consolidated Financial Statements (continued)

2. Basis of preparation and accounting policies (continued)

Changes in Significant 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 2007, except for the adoption of new standards and interpretations and revision of the existing IAS:

- The Group has early adopted the revised IAS 23 “Borrowing Costs” as of 1 January 2008. The revised standard requires that all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset must be capitalised. In accordance with the transitional requirements of this standard, this has been adopted as a prospective change. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 1 January 2008. No changes have been made for borrowing costs incurred prior to this date. During the six-month period ended 30 June 2008, borrowing costs in the amount of \$121 have been capitalised.

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. Market price of coking coal was higher in the first half of 2008, as compared to the first half of 2007.

4. Segment Information

The Group operates as a vertically integrated business and reports its activities as a single business segment. All of the Group’s assets are located and capital expenditures incurred in the Russian Federation.

Distribution of the Group’s revenues by geographical area based on the location of the customers was as follows in the six-month periods ended 30 June:

	2008	2007
Russia	\$ 441,975	\$ 223,785
Ukraine	133,881	52,902
Romania	15,197	35,361
Hungary	13,902	10,419
Bulgaria	1,658	5,382
Japan	–	6,875
Korea	–	2,532
Slovakia	–	1,578
	\$ 606,613	\$ 338,834

OAO Raspadskaya

Selected Notes to the Interim Condensed Consolidated
Financial Statements (continued)

5. Income Taxes

The major components of income tax expense were as follows in the six-month periods ended 30 June:

	<u>2008</u>	<u>2007</u>
<i>Current income tax</i>		
Current income tax charge	\$ (106,820)	\$ (39,968)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	9,811	7,498
Income tax expense	<u>\$ (97,009)</u>	<u>\$ (32,470)</u>

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	<u>30 June 2008</u>	<u>31 December 2007</u>
Cost:		
Land	\$ 69	\$ 63
Mining assets	1,250,372	1,181,396
Buildings and constructions	89,075	85,437
Machinery and equipment	391,664	346,967
Transport and motor vehicles	39,657	32,864
Other assets	8,645	8,020
Assets under construction	323,280	210,222
	<u>2,102,762</u>	<u>1,864,969</u>
Accumulated depreciation, depletion and amortisation:		
Mining assets	(193,372)	(156,323)
Buildings and constructions	(10,641)	(8,492)
Machinery and equipment	(247,556)	(205,613)
Transport and motor vehicles	(12,164)	(9,738)
Other assets	(3,934)	(2,808)
	<u>(467,667)</u>	<u>(382,974)</u>
Government grants:		
Machinery and equipment, net	(2,550)	(2,788)
	<u>\$ 1,632,545</u>	<u>\$ 1,479,207</u>

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of \$64,787 and \$40,777 as of 30 June 2008 and 31 December 2007.

OAO Raspadskaya

Selected Notes to the Interim Condensed Consolidated Financial Statements (continued)

6. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the six-month period ended 30 June 2008 was as follows:

	Land	Mining assets	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Other assets	Assets under construction	Total
At 31 December 2007	\$ 63	\$ 1,025,073	\$ 76,945	\$ 138,566	\$ 23,126	\$ 5,212	\$ 210,222	\$ 1,479,207
Additions	-	13,689	-	-	-	-	137,556	151,245
Assets put into operation	3	-	64	29,592	6,180	349	(36,188)	-
Disposals	-	-	(155)	(243)	(98)	(10)	(71)	(577)
Reclassification	-	-	(24)	589	(483)	15	(97)	-
Depreciation & depletion charge	-	(29,028)	(1,926)	(33,668)	(2,373)	(1,081)	-	(68,076)
Amortisation of government grants	-	-	-	360	-	-	-	360
Translation difference	3	47,266	3,530	6,362	1,141	226	11,858	70,386
At 30 June 2008	\$ 69	\$ 1,057,000	\$ 78,434	\$ 141,558	\$ 27,493	\$ 4,711	\$ 323,280	\$ 1,632,545

As of 30 June 2008 and 31 December 2007 certain items of production equipment with an approximate carrying value of \$20,941 and \$27,758, respectively, were pledged to banks as collateral against loans to the Group (Note 10).

7. Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

	30 June 2008	31 December 2007
Russian roubles	\$ 101,196	\$ 73,877
US dollars	9,234	8,433
Other currencies	480	1
	\$ 110,910	\$ 82,311

The above cash and cash equivalents mainly consist of cash at banks. Cash equivalents (maturity is less than 3 months) as of 30 June 2008 include restricted short term bank deposits, maturing within three months from the date of deposit, amounting to 965,000,000 roubles (\$41,139 at the exchange rate as of 30 June 2008).

8. Related Party Disclosures

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or 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.

OAO Rospadskaya

Selected Notes to the Interim Condensed Consolidated Financial Statements (continued)

8. Related Party Disclosures (continued)

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.

Amounts owed by/to related parties were as follows:

	Amounts due from related parties		Amounts due to related parties	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
OOO Trade House Evrazresource	\$ 10,396	\$ 9,520	\$ -	\$ -
Greyridge Coal and Shipping	7,958	14,651	-	-
OAO Yuzhny Kuzbass	360	490	-	29
OOO Rospadskaya Constructing Industrial Company	19	-	439	-
Evrazresource Ukraine	-	-	3,517	-
Other entities	312	658	334	539
	\$ 19,045	\$ 25,319	\$ 4,290	\$ 568

Assets under construction include prepayments to related parties - constructors and suppliers of property, plant and equipment in the amount of \$2,448 and \$4,173 as of 30 June 2008 and 31 December 2007, respectively.

Transactions with related parties in the six-month periods ended 30 June 2008 and 2007 were as follows:

	Sales to related parties		Purchases from related parties	
	2008	2007	2008	2007
OOO Trade House Evrazresource	\$ 88,786	\$ 42,692	\$ -	\$ -
Greyridge Coal and Shipping	47,261	-	-	-
OAO Yuzhny Kuzbass	2,536	2,318	-	-
OOO Rospadskaya Constructing Industrial Company	31	-	7,939	-
Evrazresource Ukraine	27,495	-	-	-
Other entities	435	81	349	550
	\$ 166,544	\$ 45,091	\$ 8,288	\$ 550

OOO Trade House Evrazresource ("Evrazresource") is an entity under control of one of major ultimate shareholders of the Company. During the six-month periods ended 30 June 2008 and 2007, the Group sold to Evrazresource approximately 15% and 14% of sales volumes of coal and coal concentrate, respectively.

Greyridge Coal and Shipping is an entity under control of one of the major ultimate shareholders of the Company. During the six-month periods ended 30 June 2008 the Group sold to the entity approximately 7% of sales volumes of coal concentrate.

OAO Yuzhny Kuzbass ("Yuzhny Kuzbass"), a Russian coal mining company, is a minority shareholder of OAO TPTU, the subsidiary of the Group. Yuzhny Kuzbass exercises a significant influence over that subsidiary. OAO TPTU sells transportation services to Yuzhny Kuzbass.

OAO Raspadskaya

Selected Notes to the Interim Condensed Consolidated Financial Statements (continued)

8. Related Party Disclosures (continued)

OOO Raspadskaya Constructing Industrial Company ("RSPK") is an entity under control of one of the major ultimate shareholders of the Company. RSPK provided construction and catering services to the Group.

OOO Evrazresource Ukraine is an entity under control of one of major ultimate shareholders of the Company. During the six-month periods ended 30 June 2008 and 2007, the Group sold to Evrazresource Ukraine approximately 5% and nil of sales volumes of coal concentrate, respectively.

Compensation to Key Management Personnel

Key management personnel totalled 9 persons as at 30 June 2008 and 2007, respectively. Total compensation to key management personnel in the six-month periods ended 30 June 2008 and 2007 was included in general and administrative expenses in the accompanying income statement and consisted of the following:

	2008	2007
Short-term benefits:		
Salary	\$ 1,173	\$ 968
Bonus	630	53
Social security taxes	79	103
	\$ 1,882	\$ 1,124

9. Equity

Share capital

As of 30 June 2008 and 31 December 2007, the Company's issued and fully paid number of shares consisted of 780,799,809 ordinary shares with par value 0.004 roubles each; the authorised 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 basic earnings per share:

	Six-month period ended 30 June	
	2008	2007
Weighted average number of ordinary shares in issue	780,799,809	780,799,809
Profit for the period attributable to equity holders of the parent	\$ 261,441	\$ 90,838
Basic and diluted earnings per share, US dollars (8.02 roubles and 3.05 roubles for the six-month periods ended 30 June 2008 and 2007, respectively)	\$ 0.33	\$ 0.12

OAO Raspadskaya

Selected Notes to the Interim Condensed Consolidated Financial Statements (continued)

9. Equity (continued)

Dividends Declared

On 02 June 2008, shareholders of the Company approved distribution of final dividends for 2007 in the amount of 2,927,999,284 roubles (\$123,344 at the exchange rate as of the date of transaction), which represents 3.75 roubles of dividends per share.

10. Loans and Borrowings

Short-term and long-term loans and borrowings were as follows as of:

	30 June 2008	31 December 2007
7.50 per cent notes due 2012	\$ 300,000	\$ 300,000
Russian banks	25,635	44,121
Ministry of Finance of the Russian Federation	–	428
BSGV	1,149	2,511
Interest payable	2,469	2,568
Unamortised debt issue costs	(2,109)	(2,274)
	\$ 327,144	\$ 347,354

On 17 May 2007 the Group issued loan participation notes amounting to \$300,000. The note bear 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 financial ratios, including restrictions in respect of indebtedness and profitability.

As of 30 June 2008 and 31 December 2007, total interest bearing loans and borrowings consisted of short-term loans and borrowings in the amount of \$3,903 and \$19,799, respectively, and long-term loans and borrowings in the amount of \$322,881 and \$327,261, respectively, including the current portion of long-term liabilities of \$19,954 and \$17,119, respectively.

In the six-month period ended 30 June 2008, average annual interest rates were 8.7% and 7.6% for short-term loans denominated in US dollars and Euro, and 8.0%, 7.5% and 6.7% for long-term loans denominated in roubles, US dollars and Euro, respectively.

The Loans and borrowings are denominated in the following currencies:

	30 June 2008	31 December 2007
Roubles	\$ 22,940	\$ 35,184
US dollars	305,164	305,055
Euro	1,149	9,389
Unamortised debt issue costs	(2,109)	(2,274)
	\$ 327,144	\$ 347,354

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Selected Notes to the Interim Condensed Consolidated Financial Statements (continued)

10. Loans and Borrowings (continued)

The Loans and borrowings are contractually repayable after the balance sheet date as follows:

	30 June 2008	31 December 2007
Less than one year	\$ 26,326	\$ 39,486
Between one year and two years	2,927	10,142
Between two years and five years	300,000	300,000
Unamortised debt issue costs	(2,109)	(2,274)
	\$ 327,144	\$ 347,354

11. Commitments and Contingencies

Operating Environment of the Group

Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product, 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 upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Taxation

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 the Russian Federation 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.

As at 30 June 2008 management believes that its interpretations of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Contractual Commitments

The Group was a party to executory contracts for the purchase of production equipment and construction works for an approximate amount of \$121,786 as of 30 June 2008.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, health care and social infrastructure development in towns where the Group's assets are located. As of 30 June 2008, the Group has spent \$12,679 including \$5,534 of unplanned expenses. In the second half of 2008 the Group committed to spend an additional amount of approximately \$7,400 under these programmes.

OAO Raspadskaya

Selected Notes to the Interim Condensed Consolidated Financial Statements (continued)

11. Commitments and Contingencies (continued)

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. During the next four years, the Group expects to spend \$38,723 under the Plan on Environmental Protection for the years 2008-2011 authorized by management. As of 30 June 2008, the Group has spent \$965.

Insurance Policies

The Group maintains obligatory insurance policies required by the Russian Law and insurance policies in respect of certain assets pledged under loan agreements. The Group holds no insurance policies in relation to its major production facilities, or in respect of public liability.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position.

12. Subsequent Events

Proposed Dividends

On 18 September 2008, the Board of Directors of the Company, decided to recommend to shareholders of the Company to approve distribution of interim dividends in the amount of 4,684,798,854 roubles (\$183,541 at the exchange rate as of 18 September 2008), which represents 6.00 roubles (0.24 U.S. dollars at the exchange rate as of 18 September 2008) of dividends per share.