

OJSC Kuzbass Fuel Company

**Consolidated Financial Statements
for the 6 months ended 30 June 2009**

This set of consolidated financial statements of OJSC Kuzbass Fuel Company (the "Company") and its subsidiaries has been prepared in conformity with International Financial Reporting Standards and comprises the consolidated balance sheet as at 30 June 2009, consolidated income statement and consolidated statement of changes in equity for the 6 months ended 30 June 2009, and explanatory notes to the significant line items of these statements.

Consolidated Income Statement for the 6 months ended 30 June 2009

	Note	6 months 2009 Mln RUR	6 months 2008 Mln RUR
Revenue	1	5,187	2,728
Cost of sales	2	(3,655)	(1,963)
Gross profit		1,532	765
Distribution expenses	3	(255)	(191)
Administrative expenses	4	(371)	(206)
Other expenses	5	(15)	(2)
Results from operating activities		891	366
Financial income	6	32	16
Financial expenses	6	(300)	(170)
Profit before income tax		623	212
Income tax expense	7	(132)	(66)
Profit for the period		491	146
Attributable to:			
Shareholders of the Company		469	144
Minority participants in LLC entities		20	-
Equity minority interest		2	2
		491	146

Financial Director

Eduard Alekseenko

Consolidated Balance Sheet as at 30 June 2009

	Note	June 30, 2009 Mln RUR	December 31, 2008 Mln RUR	June 30, 2008 Mln RUR
ASSETS				
Non-current assets				
Property, plant and equipment	8	6,952	6,772	5,873
Goodwill and intangible assets		14	15	4
Investments in equity accounted investees		3	3	-
Long-term receivables		3	2	-
Deferred tax assets		11	72	13
Total non-current assets		6,983	6,864	5,890
Current assets				
Inventories	10	426	855	287
Other investments	9	156	71	206
Income tax receivable		23	17	32
Trade and other receivables	11	1,264	991	982
Prepayments and deferred expenses	12	136	203	62
Cash and cash equivalents	13	119	315	31
Total current assets		2,124	2,452	1,600
Total assets		9,107	9,316	7,490

Consolidated Balance Sheet as at 30 June 2009

	Note	June 30, 2009 Mln RUR	December 31, 2008 Mln RUR	June 30, 2008 Mln RUR
EQUITY AND LIABILITIES				
Equity				
Share capital		17	17	17
Retained earnings		3,120	2,651	1,920
Total equity attributable to shareholders of the Company		3,137	2,668	1,937
Minority interest		34	34	20
Total equity		3,171	2,702	1,957
Non-current liabilities				
Loans and borrowings	14	2,428	2,453	2,303
Net assets attributable to minority participants in LLC entities		71	50	9
Provisions	16	226	217	210
Deferred tax liabilities		339	335	341
Total non-current liabilities		3,064	3,055	2,863
Current liabilities				
Bank overdraft		32	60	111
Loans and borrowings	14	1,682	1,172	1,532
Trade and other payables	15	1,145	2,193	978
Provisions	16	6	7	49
Income tax payable		7	127	-
Total current liabilities		2,872	3,559	2,670
Total liabilities		5,936	6,614	5,533
Total equity and liabilities		9,107	9,316	7,490

Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2009

Mln RUR	Attributable to shareholders of the Company			Minority interest	Total equity
	Share capital	Retained earnings	Total		
Balance at 1 January 2008	17	1,783	1,800	20	1,820
Profit for the period	-	144	144		144
Dividends to shareholders	-	(7)	(7)	-	(7)
Balance at 30 June 2008	17	1,920	1,937	20	1,957
Balance at 1 January 2009	17	2,651	2,668	34	2,702
Profit for the period	-	469	469	2	471
Acquisition of minority interest in subsidiaries	-	-	-	(2)	(2)
Balance at 30 June 2009	17	3,120	3,137	34	3,171

1. Revenue

	6 months 2009	6 months 2008
	<u>Mln RUR</u>	<u>Mln RUR</u>
Sales of coal	4,690	2,390
Compensation from government	220	131
Sales of electrical and heat power	122	106
Provision of transportation services	86	67
Provision of storage services	26	20
Other revenue	43	14
	<u>5,187</u>	<u>2,728</u>

2. Cost of sales

	6 months 2009	6 months 2008
	<u>Mln RUR</u>	<u>Mln RUR</u>
Materials, including:		
- coal for resale	(346)	(352)
- fuel	(293)	(275)
- spare parts	(169)	(70)
- coal for power generation	(53)	(46)
- other materials	(25)	(23)
Services, including:		
- railway tariff and transportation services	(1,640)	(458)
- extraction, processing and sorting of coal	(290)	(84)
- repair and maintenance	(43)	(26)
- electricity	(20)	(16)
- storage	(24)	(1)
- security	(15)	(9)
- other services	(16)	(30)
Wages, salaries and social charges	(314)	(285)
Depreciation	(293)	(207)
Mining and other environmental taxes	(111)	(74)
Land rent	(14)	(12)
Decrease in provision for unused vacation	15	5
Other costs	(4)	-
	<u>(3,655)</u>	<u>(1,963)</u>

3. Distribution expenses

	6 months 2009	6 months 2008
	<u>Mln RUR</u>	<u>Mln RUR</u>
Services, including:		
- agent fees	(15)	(10)
- custom duties	(13)	(9)
- processing and sorting of coal	(7)	(4)
- security	(4)	(7)
- operating lease	(13)	(9)
- repair and maintenance	(2)	(2)
- other services	(16)	(20)
Wages, salaries and social charges	(115)	(76)
Materials	(18)	(30)
Depreciation	(30)	(21)
Other distribution costs	(22)	(3)
	<u>(255)</u>	<u>(191)</u>

4. Administrative expenses

	6 months 2009	6 months 2008
	<u>Mln RUR</u>	<u>Mln RUR</u>
Wages, salaries and social charges	(147)	(76)
Services	(91)	(26)
Taxes other than income tax	(39)	(29)
Charity and welfare	(8)	(22)
Fees and penalties	(11)	(36)
Materials	(7)	(5)
Depreciation	(10)	(7)
Sundry payments to personnel	(25)	(1)
Other administrative expenses	(33)	(4)
	<u>(371)</u>	<u>(206)</u>

5. Other expenses

	6 months 2009	6 months 2008
	<u>Mln RUR</u>	<u>Mln RUR</u>
Loss on disposal of property, plant and equipment	(2)	(1)
Other expenses	(13)	(1)
	<u>(15)</u>	<u>(2)</u>

6. Financial income and expenses

	6 months 2009	6 months 2008
	Mln RUR	Mln RUR
Interest income on loans granted	6	11
Foreign exchange gain	13	-
Decrease in provision for doubtful debts	13	5
Finance income	32	16
Interest expense	(290)	(160)
Foreign exchange loss	-	(3)
Unwinding of discount on provision for site restoration	(8)	-
Unwinding of discount on long-term promissory notes	(2)	(7)
Finance expense	(300)	(170)
Net finance expense recognised in profit or loss	(268)	(154)

7. Income tax expense

	6 months 2009	6 months 2008
	Mln RUR	Mln RUR
Current tax expense	(67)	(70)
Deferred tax expense	(65)	4
	(132)	(66)

8. Property, plant and equipment

MIn RUR	Land and buildings	Mining assets and mining structures	Other production structures	Production equipment	Earth-moving machinery and vehicles	Fittings and fixtures	Construction in progress and uninstalled equipment	Advances	Total
Cost / deemed cost									
Balance at 1 January 2008	521	337	2,063	303	1,337	5	972	223	5,761
Additions	-	-	-	-	-	-	812	231	1,043
Transfers	30	131	313	26	487	-	(987)	-	-
Disposals	-	-	(8)	-	(1)	-	-	-	(9)
Balance at 30 June 2008	551	468	2,368	329	1,823	5	797	454	6,795
Balance at 1 January 2009	850	918	2,592	418	2,222	6	596	364	7,966
Additions	4	10	-	8	3	1	237	256	519
Transfers	166	19	46	4	396	14	(116)	(529)	-
Disposals	-	-	(2)	-	(13)	-	(6)	-	(21)
Balance at 30 June 2009	1,020	947	2,636	430	2,608	21	711	91	8,464

Mln RUR	Land and buildings	Mining assets and mining structures	Other production structures	Production equipment	Earth-moving machinery and vehicles	Fittings and fixtures	Construction in progress and uninstalled equipment	Advances	Total
Depreciation									
Balance at 1 January 2008	(35)	(20)	(217)	(56)	(363)	(2)	-	-	(693)
Depreciation charge	(11)	(4)	(63)	(20)	(136)	(1)	-	-	(235)
Disposals	-	-	5	-	1	-	-	-	6
Balance at 30 June 2008	(46)	(24)	(275)	(76)	(498)	(3)	-	-	(922)
Balance at 1 January 2009	(52)	(33)	(369)	(103)	(634)	(3)	-	-	(1,194)
Depreciation charge	(12)	(8)	(83)	(26)	(203)	(1)	-	-	(333)
Disposals	-	-	2	-	13	-	-	-	15
Balance at 30 June 2009	(64)	(41)	(450)	(129)	(824)	(4)	-	-	(1,512)
Net book value									
At 1 January 2008	486	317	1,846	247	974	3	972	223	5,068
At 30 June 2008	505	444	2,093	253	1,325	2	797	454	5,873
At 1 January 2009	798	885	2,223	315	1,588	3	596	364	6,772
At 30 June 2009	956	906	2,186	301	1,784	17	711	91	6,952

9. Other investments

	June 30, 2009 Mln RUR	Dec 31, 2008 Mln RUR	June 30, 2008 Mln RUR
Loan granted to shareholder	126	69	200
Loans granted to other companies	30	2	6
	156	71	206

10. Inventories

	June 30, 2009 Mln RUR	Dec 31, 2008 Mln RUR	June 30, 2008 Mln RUR
Raw materials and consumables	85	114	79
Coal in stock	290	167	92
Coal in transit	51	574	116
	426	855	287

11. Trade and other receivables

	June 30, 2009 Mln RUR	Dec 31, 2008 Mln RUR	June 30, 2008 Mln RUR
Trade receivables	572	328	407
Overpayment of VAT to budget	400	221	165
Input VAT receivable	73	210	153
Receivables for railway tariff	39	56	76
Compensation receivable from budget	42	46	29
Receivable from personnel	18	21	11
Other receivables	143	145	143
Provision for doubtful debts	(23)	(36)	(2)
	1,264	991	982

12. Prepayments and deferred expenses

	June 30, 2009 Mln RUR	Dec 31, 2008 Mln RUR	June 30, 2008 Mln RUR
Prepaid customs duties	-	70	-
Advances given	114	117	46
Deferred expenses	22	16	16
	136	203	62

13. Cash and cash equivalents

	June 30, 2009 Mln RUR	Dec 31, 2008 Mln RUR	June 30, 2008 Mln RUR
Petty cash	2	1	1
Bank balances	109	314	30
Short-term deposits	8	-	-
	119	315	31

14. Loans and borrowings

	June 30, 2009 Mln RUR	Dec 31, 2008 Mln RUR	June 30, 2008 Mln RUR
<i>Non-current liabilities</i>			
Bank loans	2,334	2,371	2,256
Loans from other companies	51	41	13
Promissory notes issued	43	41	34
	2,428	2,453	2,303
<i>Current liabilities</i>			
Bank loans	1,668	1,156	1,432
Loans from other companies	-	2	100
Promissory notes issued	14	14	-
	1,682	1,172	1,532

15. Trade and other payables

	June 30, 2009 Mln RUR	Dec 31, 2008 Mln RUR	June 30, 2008 Mln RUR
Trade payables	630	864	427
Advances received	161	909	229
Taxes (other than income tax) payable	201	259	108
Payables for property, plant and equipment	34	53	130
Payables to personnel	47	44	39
Accrual for unused vacation	16	31	22
Other payables	56	33	23
	1,145	2,193	978

16. Provisions

	June 30, 2009 Mln RUR	Dec 31, 2008 Mln RUR	June 30, 2008 Mln RUR
<i>Non-current provisions</i>			
Site restoration	226	217	210
	226	217	210
<i>Current provisions</i>			
Site restoration	6	7	-
Tax claims	-	-	49
	6	7	49