

ОАО Распадская

Pro Forma Consolidated Financial Information

*Years ended December 31, 2005 and 2004
with Independent Accountants' Examination Report*

ОАО Raspadskaya

Pro Forma Consolidated Financial Information

Years ended December 31, 2005 and 2004

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Independent Accountants' Examination Report

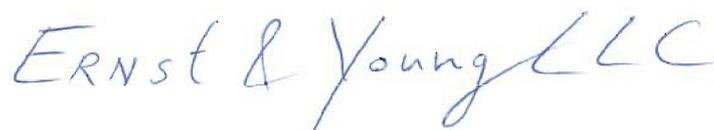
The Board of Directors
OAO Raspadskaya

We have examined the pro forma adjustments reflecting the transaction described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma financial consolidated balance sheets of OAO Raspadskaya (the "Company") as of December 31, 2005 and 2004, and the pro forma consolidated statements of income for the years then ended. The historical financial statements are derived from the historical consolidated financial statements of the Company, historical financial information of OAO Mezhdurechensk Coal Company-96 ("MUK-96"), and historical financial information of ZAO Razrez Raspadsky ("Razrez Raspadsky"), prepared in accordance with International Financial Reporting Standards, appearing elsewhere herein.

The consolidated financial statements of the Company for the years ended December 31, 2005 and 2004 were audited by us and in our report dated June 30, 2006 we expressed an unqualified opinion on them.

The pro forma adjustments referred to above are based upon management's assumptions described in Note 2. The Company's management is responsible for the pro forma financial information. Our responsibility is to express an opinion on the pro forma financial information based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction described in Note 1, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma column reflects the proper application of those adjustments to the historical financial statement amounts in the pro forma consolidated balance sheets as of December 31, 2005 and 2004, and the pro forma consolidated statements of income for the years then ended.



September 14, 2006

OAO Raspadskaya
Pro Forma Consolidated Balance Sheet
As of December 31, 2005
(In thousands of US dollars)

				Elimination adjustments		Pro forma adjustments		Total
	Raspaskaya	MUK-96	Razrez Raspasky	Intragroup sales and purchases (Note 3)	Intragroup dividends (Note 4)	Acquisition of MUK-96 and Razrez Raspasky (Note 5)	Sales through entity under common control (Note 6)	
ASSETS								
Non-current assets								
Property, plant and equipment	\$ 289,258	\$ 18,608	\$ 53,645	\$ –	\$ –	\$ –	\$ –	\$ 361,511
Mineral reserves	–	1,887	2,936	–	–	844,243	–	849,066
Investments in subsidiaries	–	5,271	–	–	–	(5,271)	–	–
Deferred income tax assets	501	–	–	–	–	–	–	501
Other non-current assets	2,081	–	–	–	–	–	–	2,081
	291,840	25,766	56,581	–	–	838,972	–	1,213,159
Current assets								
Inventories	18,552	2,636	2,760	–	–	–	–	23,948
Trade and other receivables	20,279	64	279	–	–	–	–	20,622
Prepayments	3,653	512	567	–	–	–	–	4,732
Receivables from related parties	11,856	4,185	21,016	(28,213)	–	–	–	8,844
Taxes recoverable	47,278	1,725	4,120	–	–	–	–	53,123
Short-term investments	105	5,212	–	–	–	–	–	5,317
Cash and cash equivalents	26,946	2,196	3,231	–	–	–	–	32,373
Dividends receivable	–	15,150	–	–	(15,150)	–	–	–
	128,669	31,680	31,973	(28,213)	(15,150)	–	–	148,959
TOTAL ASSETS	\$ 420,509	\$ 57,446	\$ 88,554	\$ (28,213)	\$ (15,150)	\$ 838,972	\$ –	\$ 1,362,118
EQUITY AND LIABILITIES								
Equity								
Parent shareholders' equity								
Issued capital	\$ 259	\$ 12	\$ 3	\$ –	\$ –	\$ (15)	\$ –	\$ 259
Treasury shares	(6,627)	–	–	–	–	–	–	(6,627)
Additional paid-in capital	1,402	–	–	–	–	769,350	–	770,752
Reserve capital	7	4	–	–	–	(4)	–	7
Accumulated profits/(losses)	(13,518)	46,678	25,957	–	–	(144,488)	–	(85,371)
Unrealised gain on investments available-for-sale	650	–	–	–	–	–	–	650
Translation difference	8,535	(341)	16	–	–	16,570	–	24,780
	(9,292)	46,353	25,976	–	–	641,413	–	704,450
Minority interests	3,684	–	–	–	–	–	–	3,684
	(5,608)	46,353	25,976	–	–	641,413	–	708,134
Non-current liabilities								
Long-term loans	17,326	696	12,209	–	–	–	–	30,231
Long-term loans from related parties	–	–	5,439	–	–	–	–	5,439
Deferred income tax liabilities	12,685	1,488	968	–	–	195,834	–	210,975
Post-employment benefits	8,219	364	–	–	–	–	–	8,583
Other long term liabilities	70	220	926	–	–	–	–	1,216
	38,300	2,768	19,542	–	–	195,834	–	256,444
Current liabilities								
Trade and other payables	11,794	842	4,617	–	–	–	–	17,253
Short-term loans and current portion of long-term loans	46,387	5,733	6,139	–	–	–	–	58,259
Payables to related parties	317,091	9	9,070	(28,213)	–	1,725	–	299,682
Taxes payable	12,545	1,741	8,060	–	–	–	–	22,346
Dividends payable	–	–	15,150	–	(15,150)	–	–	–
	387,817	8,325	43,036	(28,213)	(15,150)	1,725	–	397,540
TOTAL EQUITY AND LIABILITIES	\$ 420,509	\$ 57,446	\$ 88,554	\$ (28,213)	\$ (15,150)	\$ 838,972	\$ –	\$ 1,362,118

The accompanying notes form an integral part of these pro-forma consolidated financial information.

OAO Raspadskaya
Pro Forma Consolidated Balance Sheet
As of December 31, 2004
(In thousands of US dollars)

			Elimination adjustments		Pro forma adjustments		Total
	Raspadskaya	MUK-96	Razrez Raspadsky	Intragroup sales and purchases (Note 3)	Intragroup dividends (Note 4)	Acquisition of MUK-96 and Razrez Raspadsky (Note 5)	
ASSETS							
Non-current assets							
Property, plant and equipment	\$ 226,423	\$ 9,116	\$ 55,284	\$ —	\$ —	\$ —	\$ 290,823
Mineral reserves	—	—	—	—	—	917,199	917,199
Investments in subsidiaries	—	3	—	—	—	(3)	—
Other non-current assets	672	—	—	—	—	—	672
	227,095	9,119	55,284	—	—	917,196	1,208,694
Current assets							
Inventories	12,681	1,386	2,031	—	—	—	16,098
Trade and other receivables	15,626	17	399	—	—	—	16,042
Prepayments	4,693	605	1,054	—	—	—	6,352
Receivables from related parties	3,180	4,154	7,204	(7,277)	—	—	7,261
Taxes recoverable	32,645	301	4,779	—	—	—	37,725
Short-term investments	7,440	1,442	—	—	—	—	8,882
Cash and cash equivalents	48,100	3,632	196	—	—	—	51,928
	124,365	11,537	15,663	(7,277)	—	—	144,288
Non-current assets classified as held for sale	2,387	—	—	—	—	—	2,387
	126,752	11,537	15,663	(7,277)	—	—	146,675
TOTAL ASSETS	\$ 353,847	\$ 20,656	\$ 70,947	\$ (7,277)	\$ —	\$ 917,196	\$ —
EQUITY AND LIABILITIES							
Equity							
Parent shareholders' equity							
Issued capital	\$ 256	\$ 12	\$ 3	\$ —	\$ —	\$ (15)	\$ 256
Treasury shares	(5,579)	—	—	—	—	—	(5,579)
Additional paid-in capital	1,338	—	—	—	—	769,350	770,688
Reserve capital	7	4	—	—	—	(4)	7
Accumulated profits/(losses)	(48,267)	17,188	22,530	—	—	(112,260)	(120,809)
Translation difference	6,978	860	917	—	—	41,328	50,083
	(45,267)	18,064	23,450	—	—	698,399	694,646
Minority interests	3,681	—	—	—	—	—	3,681
	(41,586)	18,064	23,450	—	—	698,399	698,327
Non-current liabilities							
Long-term loans	43,018	—	19,001	—	—	—	62,019
Payables to related parties	299,469	—	—	—	—	—	299,469
Deferred income tax liabilities	14,184	536	1,188	—	—	211,804	227,712
Post-employment benefits	2,931	159	—	—	—	—	3,090
Other long term liabilities	224	170	1,119	—	—	—	1,513
	359,826	865	21,308	—	—	211,804	593,803
Current liabilities							
Trade and other payables	10,237	362	10,181	—	—	5,268	26,048
Short-term loans and current portion of long-term loans	855	—	9,291	—	—	—	10,146
Payables to related parties	11,607	—	2,829	(7,277)	—	1,725	8,884
Taxes payable	12,539	1,365	3,888	—	—	—	17,792
	35,238	1,727	26,189	(7,277)	—	6,993	62,870
Liabilities directly associated with non-current assets classified as held for sale	369	—	—	—	—	—	369
	35,607	1,727	26,189	(7,277)	—	6,993	63,239
TOTAL EQUITY AND LIABILITIES	\$ 353,847	\$ 20,656	\$ 70,947	\$ (7,277)	\$ —	\$ 917,196	\$ —

The accompanying notes form an integral part of these pro-forma consolidated financial information.

OA0 Raspadskaya
Pro Forma Consolidated Income Statement
Year ended December 31, 2005

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

			<u>Elimination adjustments</u>		<u>Pro forma adjustments</u>			<u>Total</u>
	<u>Raspadskaya</u>	<u>MUK-96</u>	<u>Razrez Raspadsky</u>	<u>Intragroup sales and purchases (Note 3)</u>	<u>Intragroup dividends (Note 4)</u>	<u>Acquisition of MUK-96 and Razrez Raspadsky (Note 5)</u>	<u>Sales through entity under common control (Note 6)</u>	
Revenue								
Sale of goods	\$ 534,291	\$ 40,537	\$ 41,332	\$ (148,887)	\$ –	\$ –	\$ 64,492	\$ 531,765
Rendering of services	14,600	108	71,737	(77,036)	–	–	–	9,409
	<u>548,891</u>	<u>40,645</u>	<u>113,069</u>	<u>(225,923)</u>	<u>–</u>	<u>–</u>	<u>64,492</u>	<u>541,174</u>
Cost of revenues	<u>(315,422)</u>	<u>(17,636)</u>	<u>(55,799)</u>	<u>224,871</u>	<u>–</u>	<u>(40,858)</u>	<u>(47,120)</u>	<u>(251,964)</u>
Gross profit	<u>233,469</u>	<u>23,009</u>	<u>57,270</u>	<u>(1,052)</u>	<u>–</u>	<u>(40,858)</u>	<u>17,372</u>	<u>289,210</u>
Selling and distribution costs	(5,255)	–	–	–	–	–	–	(5,255)
General and administrative expenses	(25,587)	(640)	(5,015)	1,052	–	–	–	(30,190)
Social and social infrastructure maintenance expenses	(7,118)	–	–	–	–	–	–	(7,118)
Loss on disposal of property, plant and equipment	(1,188)	–	–	–	–	–	–	(1,188)
Foreign exchange gains/ (losses), net	113	–	(581)	–	–	–	–	(468)
Other operating income/ (expenses), net	(9,639)	(399)	(269)	–	–	–	–	(10,307)
Profit (loss) from operating activities	<u>184,795</u>	<u>21,970</u>	<u>51,405</u>	<u>–</u>	<u>–</u>	<u>(40,858)</u>	<u>17,372</u>	<u>234,684</u>
Dividend income	93	15,416	–	–	(15,416)	–	–	93
Interest income	3,294	246	–	–	–	–	–	3,540
Interest expense	(5,665)	(100)	(3,327)	–	–	–	–	(9,092)
Profit (loss) before income taxes	<u>182,517</u>	<u>37,532</u>	<u>48,078</u>	<u>–</u>	<u>(15,416)</u>	<u>(40,858)</u>	<u>17,372</u>	<u>229,225</u>
Income tax (expense) credit	(49,909)	(6,887)	(11,979)	–	–	9,131	(4,169)	(63,813)
Net profit (loss)	<u>\$ 132,608</u>	<u>\$ 30,645</u>	<u>\$ 36,099</u>	<u>\$ –</u>	<u>\$ (15,416)</u>	<u>\$ (31,727)</u>	<u>\$ 13,203</u>	<u>\$ 165,412</u>
Attributable to:								
Equity holders of the parent entity	\$ 132,148	\$ 30,645	\$ 36,099	\$ –	\$ (15,416)	\$ (31,727)	\$ 13,203	\$ 164,952
Minority interests	460	–	–	–	–	–	–	460
	<u>\$ 132,608</u>	<u>\$ 30,645</u>	<u>\$ 36,099</u>	<u>\$ –</u>	<u>\$ (15,416)</u>	<u>\$ (31,727)</u>	<u>\$ 13,203</u>	<u>\$ 165,412</u>
Earnings per share:								
Basic and diluted, for profit attributable to equity holders of the parent entity, US dollars (Note 7)	\$ 0.29							\$ 0.22

The accompanying notes form an integral part of these pro-forma consolidated financial information.

OAO Raspadskaya
Pro Forma Consolidated Income Statement

Year ended December 31, 2004

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

	<u>Elimination adjustments</u>				<u>Pro forma adjustments</u>			<u>Total</u>
	<u>Raspadskaya</u>	<u>MUK-96</u>	<u>Razrez</u> <u>Raspadsky</u>	<u>Intragroup</u> <u>sales and</u> <u>purchases</u> <i>(Note 3)</i>	<u>Intragroup</u> <u>dividends</u> <i>(Note 4)</i>	<u>Acquisition</u> <u>of MUK-96</u> <u>and Razrez</u> <u>Raspadsky</u> <i>(Note 5)</i>	<u>Sales</u> <u>through</u> <u>entity under</u> <u>common</u> <u>control</u> <i>(Note 6)</i>	
Revenue								
Sale of goods	\$ 378,920	\$ 20,391	\$ 29,785	\$ (91,210)	–	\$ –	\$ 75,390	\$ 413,276
Rendering of services	12,729	325	30,158	(35,754)	–	–	–	7,458
	391,649	20,716	59,943	(126,964)	–	–	75,390	420,734
Cost of revenues	(214,658)	(9,528)	(35,436)	126,422	–	(28,538)	(49,054)	(210,792)
Gross profit	176,991	11,188	24,507	(542)	–	(28,538)	26,336	209,942
Selling and distribution costs	(5,476)	–	–	–	–	–	–	(5,476)
General and administrative expenses	(16,986)	(1,125)	(2,981)	542	–	–	–	(20,550)
Social and social infrastructure maintenance expenses	(3,956)	–	–	–	–	–	–	(3,956)
Gainloss on disposal of property, plant and equipment	133	–	–	–	–	–	–	133
Foreign exchange gains/ (losses), net	(92)	–	986	–	–	–	–	894
Other operating income/ (expenses), net	(811)	(306)	(548)	–	–	–	–	(1,665)
Profit (loss) from operating activities	149,803	9,757	21,964	–	–	(28,538)	26,336	179,322
Interest income	2,297	–	43	–	–	–	–	2,340
Interest expense	(4,715)	(184)	(3,195)	–	–	–	–	(8,094)
Profit (loss) before income taxes	147,385	9,573	18,812	–	–	(28,538)	26,336	173,568
Income tax (expense) credit	(39,241)	(2,472)	(4,174)	–	–	6,590	(6,321)	(45,618)
Net profit (loss)	<u>\$ 108,144</u>	<u>\$ 7,101</u>	<u>\$ 14,638</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ (21,948)</u>	<u>\$ 20,015</u>	<u>\$ 127,950</u>
Attributable to:								
Equity holders of the parent entity	\$ 107,530	\$ 7,101	\$ 14,638	\$ –	\$ –	\$ (21,948)	\$ 20,015	\$ 127,336
Minority interests	614	–	–	–	–	–	–	614
	<u>\$ 108,144</u>	<u>\$ 7,101</u>	<u>\$ 14,638</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ (21,948)</u>	<u>\$ 20,015</u>	<u>\$ 127,950</u>
Earnings per share:								
Basic and diluted, for profit attributable to equity holders of the parent entity, US dollars <i>(Note 7)</i>	\$ 0.24							\$ 0.17

The accompanying notes form an integral part of these pro-forma consolidated financial information.

ОАО Респдская

Notes to Pro Forma Consolidated Financial Information

Years ended December 31, 2005 and 2004

(All amounts are in thousands of US dollars, unless specified otherwise)

1. Corporate Information

ОАО Респдская (“Респдская” or the “Company”) is an open joint stock company registered under the laws of the Russian Federation on March 21, 2006. The registered address of the Company is 109, Mira street, Mezhdurechensk, the Kemerovo region, the Russian Federation.

The parent of ОАО Респдская is Corber Enterprises Limited (“Corber”), a Cypriot limited liability company, which is under the joint control of Evraz Group S.A., a Luxembourg limited liability company, and Adroliv Investments Limited (“Adroliv”), a Cypriot limited liability company.

The Company (together with its subsidiaries the “Group”) is a one of the major coal mining groups in Russia. It commenced operations in 1973. The Company was registered as a closed joint stock company following its privatization in 1991.

On September 14, 2006, the Company acquired controlling ownership interest in ОАО Mezhdurechensk Coal Company-96 (“MUK-96”) in a transaction with Corber which acquired controlling interest in MUK-96 on May 31, 2006 (Note 5). Prior to Corber’s acquisition of a controlling interest in MUK-96 and Razrez Rеспдский, both were controlled by Adroliv.

MUK-96, an open joint stock company registered in the Russian Federation, is mainly involved in coal mining.

MUK-96 and one of the Company’s subsidiaries hold 99 shares (99% ownership interest) and 1 share (1% ownership interest) in ЗАО Разрез Респдский (“Разрез Респдский”), respectively. Разрез Респдский, a closed joint stock company registered in the Russian Federation, is mainly involved in rendering mining services to the Company, including open mine works at Респдская mine.

2. Basis of Preparation

This pro forma consolidated financial information is based on the Company’s historical consolidated financial statements included elsewhere in this document and MUK-96’s and Разрез Респдский’s historical financial information prepared in accordance with International Financial Reporting Standards (“IFRS”) except for the matters as discussed below.

This historical financial information was adjusted to give effect to the May 31, 2006 MUK-96 acquisition and subsequent reorganization of the Group in a transaction under common control. The pro forma consolidated income statements for the twelve months ended December 31, 2005 and 2004 give effect to the MUK-96 acquisition as if it had occurred on January 1, 2004. The pro forma consolidated balance sheets as of December 31, 2005 and 2004 give effect to the MUK-96 acquisition on May 31, 2006.

ОАО Респдская

Notes to Pro Forma Consolidated Financial Information (continued)

(All amounts are in thousands of US dollars, unless specified otherwise)

2. Basis of Preparation (continued)

MUK-96 and Razrez Rapsdsky do not prepare historical IFRS financial statements. For the purposes of preparation of this pro forma consolidated financial information, MUK-96 and Razrez Rapsdsky compiled their historical financial information in accordance with IFRS except for property, plant and equipment which were accounted for at their fair values determined at May 31, 2006. The carrying value of property, plant and equipment at December 31, 2005 and 2004, and depreciation and depletion charges for the years ended December 31, 2005 and 2004 were determined through a roll-back of property, plant and equipment from May 31, 2006 to January 1, 2004.

The pro forma consolidated financial information is based on the assumption that all mining licenses owned by MUK-96 and Razrez Rapsdsky on May 31, 2006 were acquired before January 1, 2004.

3. Intragroup Sales and Purchases

In the years ended December 31, 2005 and 2004, Razrez Rapsdsky, MUK-96 and ZAO Rapsdskaya Financial Industrial Company ("RFPK") purchased coal from the Company and sold coal concentrate to the Company. In addition, Razrez Rapsdsky provided mining and other services to the Company.

Accounts receivable and payable, revenues and expenses, unrealised profit and transactions between MUK-96, Razrez Rapsdsky and the Company were eliminated in the pro forma consolidated financial information.

4. Intragroup Dividends

On August 18, 2005, directors of Razrez Rapsdsky approved the distribution of dividends for MUK-96 and ZAO Lease Company Respect in the amount of \$29,706, of which \$15,416 became payable to MUK-96. For the purposes of preparation of this pro forma consolidated financial information, intragroup dividends were eliminated.

5. Acquisition of MUK-96 and Razrez Rapsdsky

On May 31, 2006, as part of the Group's reorganization, Corber, the Company's parent, acquired 350,000 ordinary shares with a par value of 1 Russian rouble each (100% ownership interest) in MUK-96 from Adroliv in exchange for its own 7,200 ordinary shares with par value 1 US dollar each and 4,800 preferred shares with par value of 1 US dollar each. Based on contractual agreements between the shareholders of Corber, the cost of the shares in MUK-96 was \$769,350.

In addition, in April 2006, one of the Company's subsidiaries purchased 1% ownership interest in Razrez Rapsdsky from MUK-96 for \$1,725.

On September 14, 2006, Corber contributed all of MUK-96's shares to the Company in exchange for the Company's 300,650,000 newly issued ordinary shares with a par value of 0.004 roubles each. This exchange was accounted for using the pooling of interests method, under which assets, liabilities and contingent liabilities of MUK-96 and Razrez Rapsdsky were recognised in the Company's pro forma consolidated financial information at the values recorded in Corber's consolidated financial statements.

OAO Raspadskaya

Notes to Pro Forma Consolidated Financial Information (continued)

(All amounts are in thousands of US dollars, unless specified otherwise)

6. Sales through Entity under Common Control

In the years ended December 31, 2005 and 2004, the Company, MUK-96 and Razrez Raspadsky had sales transactions with RFPK, an entity under control of Adroliv. This entity was a trader of the Group in those years and earned trading margins on reselling activities. Commencing June 1, 2006, the Group ceased its trading activities with this entity.

For the purpose of presentation of income statements comparative with the income statement for the six months ended June 30, 2006, the Group recognised trading margins earned by the entity under control of Adroliv in the pro forma consolidated income statements. Related income tax effect was recognised at the Russian statutory profit tax rate of 24%. Net profit recognised on these transactions in the pro forma consolidated income statements was considered as a distribution to Adroliv in the pro forma consolidated balance sheet.

7. Earnings per Share

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

The Group has no potentially dilutive ordinary shares; therefore, the diluted earnings per share equal to basic earnings per share.

As the number of shares has increased as a result of the 2006 reorganisation of the Group involving business combinations and transactions between entities under common control and issuance of the Company's shares to minority shareholders, the earnings per share for the years ended December 31, 2005 and 2004 have been calculated based on the assumption that the number of shares issued on September 14, 2006 was outstanding from the beginning of the earliest period presented.

	Historical basis		Pro forma basis	
	2005	2004	2005	2004
Weighted average number of ordinary shares for basic earnings per share	450,477,000	456,130,000	450,477,000	456,130,000
Assumed issue of new shares in exchange for controlling interest in MUK-96 (Note 5), including the shares issued to minority shareholders	–	–	301,988,713	301,988,713
	450,477,000	456,130,000	752,465,713	758,118,713
Profit for the year attributable to equity holders of the parent	\$ 132,148	\$ 107,530	\$ 164,952	\$ 127,336
Basic and diluted earnings per share, US dollars	\$ 0.29	\$ 0.24	\$ 0.22	\$ 0.17