RASPADSKAYA
RASPADSKAYA OJSC

Raspadskaya reports 2006 financial results

Moscow, 16 April 2007 – OAO Raspadskaya, one of the Russia's leading coking coal producers, has announced today its financial results for the year ended 31 December 2006 with a strong pro forma EBITDA margin of 55% despite challenging market environment.

Pro forma, full year to December 31 (US$ in thousand except percentages)	2006	2005	2004
Revenue	468,789	541,174	420,734
Growth, %	*-13%*	*29%*	*NA*
EBITDA (1)	259,714	321,913	258,822
Margin, %	*55%*	*59%*	*62%*
EBIT (1)	166,597	234,684	179,322
Margin, %	*36%*	*43%*	*43%*
Profit before income taxes	149,211	229,225	173,568
Margin, %	*32%*	*42%*	*41%*
Profit for the year (2)	110,946	164,952	127,336
Margin, %	*24%*	*30%*	*30%*
Basic and diluted EPS, US dollars	0.14	0.22	0.17

(1) See Appendix for reconciliation to Profit for the year
(2) Attributable to equity holders of the parent entity

Audited Consolidated Financial Statements of OAO Raspadskaya for the year ended 31 December 2006 as well as Pro Forma Consolidated Financial Information of OAO Raspadskaya for the year ended 31 December 2006 are released today.

Company's highlights of 2006 are as follows:

- Enhanced scale of our operations through consolidation of Razrez Raspadsky and MUK-96 in May 2006; record 10.6 million tonnes of raw coal produced in 2006
- Strong EBITDA of $259.7 million and the corresponding EBITDA margin of 55% (on pro forma basis) despite a 13% drop in revenues because of stagnant prices during 2006
- Sales of coal concentrate by volume up by 16% in a largely flat Russian coking coal market while total raw coal produced up by 9%
- Total cash costs of production down by 13% along with the decline in revenues confirming good grip on costs
- Total cash cost per tonne of coal concentrate produced down to $18.7 per tonne from $24.9 per tonne as result of the cost savings achieved through processing at our own Raspadskaya Preparation Plant
- Improved corporate governance, transparency and accountability in the wake of our successful IPO in November 2006

Commenting on the results, Alexander Vagin, Chairman of the Board of Directors, said:

"*We are proud of our overall results and pleased with the level of profitability achieved in the testing market environment of 2006. Our strong growth in the sluggish Russian coking coal market of 2006 has yet again reinforced our position as the leader of the Russian coking coal industry. Our relentless focus on sustainable growth, stringent cost controls and uncompromising safety underpin our competitive strength and our commitment to delivering shareholders' value under any market circumstances.*"

Summary Results

The table below sets forth our examined pro forma consolidated income statement for the years ended 31 December 2006 and 2005:

Consolidated Pro Forma Income Statement ($ '000, except percentages)	2006	2005	% change
Sale of goods	465,394	531,765	(12)%
Rendering of services	3,395	9,409	(64)%
Revenue	468,789	541,174	(13)%
Cost of revenues	(240,189)	(251,964)	(5)%
Gross profit	228,600	289,210	(21)%
Gross profit margin	*49%*	*53%*	
Selling and distribution costs	(19,235)	(5,255)	266%
General and administrative expenses	(41,198)	(30,190)	36%
Social and social infrastructure maintenance expenses	(6,809)	(7,118)	(4)%
Gain (loss) on disposal of property, plant and equipment	(1,591)	(1,188)	34%
Foreign exchange gains/(losses), net	8,975	(468)	(2018)%
Other operating income (expenses), net	(2,145)	(10,307)	(79)%
EBIT [1]	166,597	234,684	(29)%
EBIT margin	*36%*	*43%*	
Dividend income	15	93	(84)%
Interest income	1,187	3,540	(66)%
Interest expense	(18,588)	(9,092)	104%
Profit before income taxes	149,211	229,225	(35)%
Profit before income taxes margin	*32%*	*42%*	
Income tax expense	(37,678)	(63,813)	(41)%
Profit for the year	111,533	165,412	(33)%
Minority interest	(587)	(460)	28%
Profit for the year attributable to equity holders of the parent entity	110,946	164,952	(33)%
Profit margin	*24%*	*30%*	

Our pro forma domestic and export revenues by product types were as follows:

Pro forma revenue ($ '000, except percentages)	2006		2005		% change
Sales of coal concentrate Russia	309 298	66%	376 036	69%	(18)%
Sales of coal concentrate export	74 335	16%	60 266	11%	23%
Total sales of coal concentrate	383 633	82%	436 302	80%	(12)%
Sales of raw coal Russia	55 366	12%	41 122	8%	35%
Sales of raw coal export	8 127	2%	49 443	9%	(84)%
Total sales of raw coal	63 493	14%	90 565	17%	(30)%
Sale of other goods and rendering of services	21 663	4%	14 307	3%	51%
Total sales	468 789	100%	541 174	100%	(13)%

Approximately 96% of our pro forma revenues in 2006 were derived from sales of raw coal and coal concentrate. Our pro forma coal concentrate sales increased from 80% of total revenues in 2005 to 82% in 2006 in line with our strategy of substituting raw coal with higher value-added concentrate. Pro forma revenues in 2006 decreased by 13% primarily due to the decline of average prices for coal and coal concentrate despite the fact that our total raw coal production by volume increased by 9%.

Pro forma Cost of Revenues (US$ '000, except percentages)	2006		2005		% change
Depreciation, depletion and amortisation	92,386	39%	86,861	34%	6%
Payroll	50,115	21%	40,877	16%	23%
Materials	36,970	15%	35,280	14%	5%
Mineral resources tax and other taxes in production costs	14,382	6%	15,238	6%	(6)%
Payroll tax	12,953	5%	11,053	4%	17%
Electricity	10,276	4%	6,297	2%	63%
Preparation services from third parties	5,437	2%	27,914	11%	(81)%
Pension costs	4,759	2%	4,251	2%	12%
Transportation	2,006	1%	14,554	6%	(86)%
Other services and costs	9,995	5%	13,129	5%	(24)%
Cost of production	239,279	100%	255,454	100%	(6)%
Cost of resold coal and coal concentrate	-		2,117		(100)%
Cost of other resold goods	639		1,131		(44)%
Change in finished goods	271		(6,738)		(104)%
Cost of revenues	240,189		251,964		(5)%

Despite significant increase of our pro forma raw coal production in 2006, our pro forma cost of production, including cost of coal mining and subsequent coal concentrate preparation, decreased over the reviewed period. This decrease is primarily due to reduction of third parties' preparation services and related transportation expenses. Depreciation, amortisation and depletion were the major component of our pro forma cost of production, comprising 39% and 34% in 2006 and 2005, respectively. The increase of depreciation and amortisation in 2006 was caused by the commencement of operations at our preparation plant in the fourth quarter of 2005. Payroll and related payroll taxes accounted for 26% and 20% of production costs in 2006 and 2005, respectively. The increase of the pro forma payroll costs in 2006 resulted from a 6% increase in the number of our employees and 15% growth of the average monthly salary of employees (including 4% rouble appreciation) reflecting the labour cost inflation in the period. Prior to the fourth quarter 2005, all our coal preparation was outsourced to third parties. After Raspadskaya Preparation Plant commenced operations in the fourth quarter 2005, we started coal preparation internally. As a result of this, the volumes of coal preparation outsourced to third parties' plants decreased in 2006, which has positively impacted our results.

Selling and distributions costs increased to approximately $19.2 million in 2006 from $5.3 million in 2005 and included customs fees pertaining to the export sales as well as various expenses related to transportation of our products, mainly the transportation of coal concentrate sold to NLMK on terms FCA Lipetsk and FOB and DAF for our export sales.

Pro forma general and administrative expenses (US$ '000, except percentages)	2006		2005		% change
Payroll	18,827	46%	15,594	52%	21%
Property and other taxes	6,500	16%	3,932	13%	65%
Payroll tax	3,631	9%	3,211	11%	13%
Pensions costs	1,099	3%	1,187	4%	(7)%
Raw materials	953	2%	809	3%	18%
Insurance	764	2%	605	2%	26%
Depreciation	731	2%	368	1%	99%
Electricity	80	0%	80	0%	0%
Other services and costs	8,613	20%	4,404	15%	96%
Total	41,198	100%	30,190	100%	36%

The increase of our pro forma G&A expenses in 2006 resulted primarily from the increased activity of our managing company, Raspadskaya Coal Company, relating to the costs incurred in the course of our initial public offering in November 2006. The increases in pro forma payroll and payroll tax in 2006 in comparison to 2005 was primarily due to the increase in the employees' headcount and bonuses at Raspadskaya Coal Company and Raspadskaya Preparation Plant. Pro forma property and other taxes accounted for 16% and 13% of the general and administrative expenses in 2006 and 2005, respectively, and included property tax, environmental tax, land tax, transportation tax and land lease costs. The increase in 2006 was due to the increase in the property tax as a result of the commencement of operation by our own preparation plant and a higher pollution tax compared to 2005.

Review of Operational Results

In 2006, coking coal output in Russia increased by only about 0.6% to 70.3 million tonnes compared to approximately 69.9 million tonnes in 2005 according to Rosinformugol. Nevertheless, we managed to increase our sales volume in 2006 by 13% as compared with 2005 (restated in tonnes of coal concentrate).

Pro forma sales volumes ('000 tonnes, except percentages)	2006	2005	% change
Sales of coal concentrate Russia	5,125	4,706	9%
Sales of coal concentrate export	1,423	925	54%
Total sales of concentrate	6,548	5,631	16%
Sales of raw coal Russia	1,694	842	101%
Sales of raw coal export	250	1,106	(77)%
Total sales of raw coal	1,944	1,948	(0)%
Total raw coal and coal concentrate (1)	8,021	7,097	13%

(1) Raw coal restated in tonnes of coal concentrate at output ratio of app. 76% in 2006 and 75% in 2005 (rounded)

Our pro forma total sales volumes increased by 13% in terms of coal concentrate. Our pro forma sales volumes of coal concentrate and of raw coal to Russian customers increased by 9% and 101% in 2006 and 2005, respectively. The increase of the domestic sales allowed us to benefit from more favourable prices on the Russian market in comparison with export sales prices. The pro forma volumes of our export concentrate sales were 54% higher in 2006 than in 2005 in line with our strategy to strengthen our position in the export markets.

Coking Coal Realised Prices	2006	2005	% change
($ per tonne, except percentages)			
Coal concentrate—average domestic price	60.4	79.9	(24)%
Coal concentrate—average export price	52.2	65.2	(20)%
Average sales price of concentrate	58.6	77.5	(24)%
Raw coal—average domestic price	32.7	48.8	(33)%
Raw coal—average export price	32.5	44.7	(27)%
Average sales price of raw coal	32.7	46.5	(30)%

Domestic prices for our raw coal and coal concentrate were generally significantly higher than export prices. The average prices for our raw coal and coal concentrate reached their peak during 2005 following the trends of the steel market. The prices started to decrease in the second half of 2005 which was a result of the temporary decline in the steel market, and as such, had a material impact on our trading results. Due to this unfavourable market development, our weighted average sales price of coal concentrate and of raw coal in 2006 decreased by 24% and 30%, respectively, as compared to 2005.

Cash Cost of Production	2006	2005	% change
($ '000, except percentages)			
Cash cost of raw coal produced by Raspadskaya mine	85,331	84,170	1%
Cash cost of raw coal produced by Razrez Raspadsky	25,434	27,167	(6)%
Cash cost of raw coal produced by MUK-96	16,689	12,957	29%
Total cash cost of raw coal production	127,454	124,294	3%
Total cash cost of preparation	19,439	44,299	(56)%
Total cash cost of production (1)	146,893	168,593	(13)%
($ per tonne, except percentages)			
Cash cost per tonne of raw coal produced by Raspadskaya mine	11.6	13.2	(12)%
Cash cost per tonne of raw coal produced by Razrez Raspadsky	12.1	12.3	(2)%
Cash cost per tonne of raw coal produced by MUK-96	14.6	11.7	25%
Average cash cost per tonne of raw coal produced	12.0	12.8	(6)%
($ per tonne, except percentages)			
Preparation cash cost per tonne of raw coal used	2.2	5.9	(63)%
Preparation cash cost per tonne of coal concentrate produced	3.0	7.9	(62)%
Total cash cost per tonne of coal concentrate produced	18.8	24.9	(24)%

(1) See Appendix for reconciliation to Cost of revenue

Pro forma cash costs associated with raw coal production comprise the major portion of our costs and increased by 3% in 2006.

Decrease of equipment maintenance expense and the mineral resources tax expense had the most effect on the decrease of the cash cost of raw coal production at Raspadskaya mine in 2006. In addition, we cancelled outsourcing the overburden removal services to third parties in 2006 which allowed us to reduce the cash cost per tonne mined at Razrez Raspadsky. Increase of the cash cost of raw coal production at MUK-96 mine was due to the lengthening of the period of the equipment reassembly at the mining complex up to the end of the year 2006 and substantial fixed costs during the period caused by the lack of coal production during such equipment reassembling.

In 2006, we have increased processing at our own Raspadskaya Preparation Plant from 16% by volume in 2005 up to 87% by volume in 2006. This decrease in the use of the third parties' preparation services resulted in significant cost reduction benefits at the coal preparation stage bringing down our cash cost per tonne of coal concentrate produced from $24.9 per tonne in 2005 to $18.7 per tonne of concentrate in 2006. The effect of the decrease of cash cost of coal preparation was approximately $24.9 million or $4.9 per tonne.

Net Debt and Total Assets

Net debt [1] increased by $272.9 million to $309.6 million in 2006, mainly due to $300.0 million loan from Natixis and its affiliates used for the purposes of the group reorganisation. Cash reserves [2] increased by $23.3 million to $50.4 million.

According to Consolidated Financial Statements, total assets have increased by $1,081.7 million in 2005 to $1,502.2 million as result of the acquisition of controlling interest in MUK-96 and Razrez Raspadsky.

Capital Expenditures

Capital Expenditures ($ '000, except percentages)	2006	2005	% change
OAO (ZAO) "Raspadskaya"	53,022	69,317	(24)%
Raspadskaya Preparation Plant	15,928	21,597	(26)%
MUK-96	16,265	13,626	19%
Raspadskaya Koksovaya	13,973	10,440	34%
Razrez Raspadsky	11,574	19,866	(42)%
Other	5,333	3,549	50%
Total capital expenditures	116,095	138,395	(16)%

Our capital expenditures in 2006 amounted to $116.1 million as compared with $138.4 million in 2005 in line with our “Investment Programme 2004-2010”.

Gennady Kozovoy, Raspadskaya’s CEO, commented on the 2006 results and 2007 outlook:

“*In 2006, we have firmly established ourselves as supplier of choice to the Russian steel industry distinguished through our quality and reliability of supply. In 2007, we will have to build up on this achievement while facing a challenge to further strengthen our position as a leading low cost player in Russia and globally. We have set ourselves an ambitious target of 12.8 million tonnes of raw coal. So far, we have enjoyed a solid first quarter with stronger domestic prices promising a good 2007 for our business and we are confident of achieving our targets.*”

[1] Please refer to Appendix for calculation of Net debt.
[2] Defined as Cash and cash equivalents plus Short-term bank deposits

APPENDIX

EBIT and EBITDA

EBITDA represents earnings before interest and tax (EBIT) and depreciation, amortisation and depletion. EBIT and EBITDA are not measures of financial performance under IFRS, and it should not be considered as an alternative to net profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Raspadskaya's calculation of EBIT and EBITDA may differ from the calculation used by other companies and therefore comparability may be limited. We present pro forma EBIT and EBITDA because we consider it an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Pro forma EBIT and EBITDA have limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results as reported under pro forma financial statements and historical consolidated IFRS financial statements.

Reconciliation of EBIT and EBITDA to Profit for the year is as follows:

Pro forma EBIT and EBITDA (US$ in thousand except percentages)	2006	2005
Profit for the year	111,533	165,412
Adjusted for:		
Dividend income	(15)	(93)
Interest income	(1,187)	(3,540)
Interest expense	18,588	9,092
Income tax expense	37,678	63,813
EBIT	166,597	234,684
EBIT, % of revenue	*36%*	*43%*
Adjusted for:		
Depreciation, вepletion and amortisation	93,117	87,229
EBITDA	259,714	321,913
EBITDA, % of revenue	*55%*	*59%*

Cash cost of production

Cash cost of production represents Cost of production less Depreciation, depletion and amortisation. We present cash cost of production and other measures calculated using cash cost of production because we consider them important supplemental measures of our operating performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Cash cost of production and other measures calculated using cash cost of production are measures of our operating performance that is not required by, or presented in accordance with, IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS. Cash cost of production and other measures calculated using cash cost of production have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our operating results as reported under IFRS. We compensate for these limitations by relying primarily on our IFRS operating results and using cash cost measures only as a supplement.

Reconciliation of Total cash cost of production to Cost of revenues is as follows:

Cash cost of production (US$ in thousand except percentages)	2006	2005
Cost of revenue	240,189	251,964
Less:		
Cost of resold concentrate	-	(2,117)
Cost of other resold goods	(639)	(1,131)
Change in finished goods	(271)	6,738
Depreciation, depletion and amortisation	(92,386)	(86,861)
Total cash cost of production	146,893	168,593

Net Debt

Net Debt represents long-term loans, net of current portion, long-term loans to related parties, plus short-term loans and current portion of long term loans less cash and cash equivalents and short-term bank deposits. Net Debt is not a balance sheet measure under IFRS, and it should not be considered as an alternative to other measures of financial position. Raspadskaya's calculation of Net Debt may differ from the calculation used by other companies and therefore comparability may be limited.

Net Debt has been calculated on the basis of Consolidated Financial Statements for both 2006 and 2005 as follows:

Net Debt	As of 31 December		% change
($ '000, except percentages)	2006	2005	
Add:			
Long-term loans	28,934	17,326	67%
Long-term loans to related parties	5,887	-	NM
Current portion of long-term loans to related parties	883	-	NM
Finance lease	880	-	NM
Short-term loans and current portion of long-term loans	323,351	46,387	597%
Less:			
Cash and cash equivalents	49,219	26,946	83%
Short-term bank deposits	1,140	105	986%
Net debt	309,576	36,662	744%

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About Company

OJSC Raspadskaya is situated in the Kemerovo region of Russia. Company comprises two active underground mines, an active open-pit mine, a coal preparation plant and one underground mine under construction, as well as a coal transportation network and a number of integrated infrastructure companies. Raspadskaya is one of the leading Russian coking coal producers whose customers include major steel and coking plants in Russia, Ukraine as well as Central & Eastern Europe. In 2006, Raspadskaya produced 10.6 million tonnes of raw coal. Pro forma Revenues amounted to nearly $469 million; EBITDA was about $260 million with the corresponding EBITDA margin of 55%. 80% of Raspadskaya's ordinary shares are held by Corber Enterprises Limited, an entity ultimately owned by Raspadskaya management and Evraz Group on a parity basis.

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