OAO KOKS

International Financial Reporting Standards
Interim Condensed Consolidated Financial Information
(unaudited)

For the six months ended 30 June 2014

Contents

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Report on Review of Interim Condensed Consolidated Financial Information

To the Shareholders and Board of Directors of OAO Koks

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of OAO Koks and its subsidiaries (the "Group") as of 30 June 2014 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim financial reporting". 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 International Accounting Standard 34, "Interim financial reporting".

ZAO PricewaterhouseCoopers Audit

19 August 2014

Moscow, Russian Federation

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(in million RR unless stated otherwise)

	Note	30 June 2014	31 December 2013
ASSETS			
Non-current assets:			
Property, plant and equipment	6	35,858	36,172
Goodwill		4,497	4,586
Other intangible assets	7	5,431	5,611
Deferred income tax asset		691	504
Non-current loans issued		1,604	1,574
Other non-current assets		944	861
Total non-current assets		**49,025**	**49,308**
Current assets:			
Inventories	8	3,682	3,766
Trade and other receivables	9	1,824	1,345
VAT recoverable and receivable		1,469	1,704
Advances issued	9	432	437
Short-term loans issued		1,036	873
Cash and cash equivalents	10	259	503
Total current assets		**8,702**	**8,628**
Total assets		**57,727**	**57,936**
EQUITY			
Share capital	11	213	213
Treasury shares	11	(5,928)	(5,928)
Retained earnings	12	23,614	23,769
Revaluation reserve		660	702
Currency translation reserve		(16)	37
Equity attributable to the Company's equity holders		**18,543**	**18,793**
Non-controlling interest		**698**	**590**
Total equity		**19,241**	**19,383**
LIABILITIES			
Non-current liabilities:			
Provision for restoration liability		113	130
Deferred income tax liability		2,351	2,189
Long-term borrowings	13	11,977	7,432
Long-term bonds	13	10,772	10,580
Total non-current liabilities		**25,213**	**20,331**
Current liabilities:			
Trade and other payables	14	6,029	7,604
Payables on treasury shares	11	169	289
Current income tax payable		95	33
Other taxes payable	15	839	792
Provision for restoration liability		69	45
Short-term borrowings and current portion of long-term borrowings	13	5,931	4,432
Short-term bonds	13	141	4,630
Derivative financial instruments	24	-	397
Total current liabilities		**13,273**	**18,222**
Total liabilities		**38,486**	**38,553**
Total liabilities and equity		**57,727**	**57,936**

V.P. Morozov
First Vice President
OOO Management Company Industrial Metallurgical Holding

L.V. Arincheva
Chief Accountant
OOO Management Company Industrial Metallurgical Holding

19 August 2014

(in million RR unless stated otherwise)

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013
Revenue	16	21,394	21,046
Cost of sales	17	(14,854)	(15,535)
Gross profit		**6,540**	**5,511**
Distribution costs	19	(1,517)	(2,071)
General and administrative expenses	20	(1,688)	(1,502)
Impairment of property, plant and equipment and intangible assets	6, 7	(891)	-
Impairment of goodwill		(89)	-
Taxes other than income tax	18	(290)	(292)
Other operating expenses, net	21	(303)	(136)
Operating profit		**1,762**	**1,510**
Finance income		86	27
Interest expenses		(1,064)	(1,080)
Loss arising on revaluation of derivative financial instruments, net	24	(137)	(133)
Exchange loss, net		(268)	(1,205)
Profit/(loss) before income tax		**379**	**(881)**
Income tax (expense)/benefit	22	(475)	48
Loss for the period		**(96)**	**(833)**
(Loss)/profit is attributable to:			
Equity holders of the Company		(179)	(803)
Non-controlling interest		83	(30)
Loss for the period		**(96)**	**(833)**
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the period		(53)	43
Loss arising on revaluation of available-for-sale financial assets, net of tax		-	(627)
Total other comprehensive loss for the period		**(53)**	**(584)**
Total comprehensive loss for the period		**(149)**	**(1,417)**
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(232)	(1,387)
Non-controlling interest		83	(30)
Total comprehensive loss for the period		**(149)**	**(1,417)**
Loss per ordinary share, basic and diluted (in RR per share)	28	**(0.59)**	**(2.64)**

(in million RR unless stated otherwise)

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013
Cash flows from operating activities			
Profit/(Loss) before income tax		**379**	**(881)**
Adjustments for:			
Depreciation of property, plant and equipment	17,20	1,661	939
Amortisation of intangible assets	17	136	139
Finance income		(86)	(27)
Interest expenses		1,064	1,080
Loss arising on revaluation of derivative financial instruments, net	24	137	133
Impairment of property, plant and equipment and intangible assets	6,7	891	-
Impairment of goodwill		89	-
Accrual of vacation reserve		18	48
Accrual/Reversal of obsolete stock provision	21	200	(10)
Reversal of bad debt provision	21	(1)	(10)
Exchange loss, net		268	1,205
Other effects		(78)	235
Operating cash flows before working capital changes		**4,678**	**2,851**
Changes in working capital			
Increase in trade and other receivables		(467)	(323)
Increase in inventories		(34)	(16)
(Decrease)/Increase in trade and other payables		(1,183)	692
Increase in taxes other than income tax payable		160	189
(Decrease)/Increase in other liabilities		(1)	1
Cash from operating activities		**3,153**	**3,394**
Income tax paid		(406)	(383)
Net cash from operating activities		**2,747**	**3,011**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,459)	(3,803)
Proceeds from sale of property, plant and equipment		57	4
Acquisition of intangible assets and other non-current assets		(91)	-
Changes in restricted cash		(4)	555
Loans issued		(159)	(810)
Repayment of loans issued		13	-
Interest received on loans issued		22	5
Dividend received		-	3
Net cash used in investing activities		**(2,621)**	**(4,046)**

(in million RR unless stated otherwise)

	Note	Six months ended 30 June 2014	Six months ended 30 June 2013
Cash flows from financing activities			
Settlement of payables on treasury shares	11	(120)	-
Proceeds from borrowings and bonds issued	13	15,780	9,309
Repayment of borrowings and bonds	13	(14,751)	(7,230)
Interest paid on loans and borrowings		(881)	(1,055)
(Repayment)/Proceeds from derivative financial instruments, net	24	(534)	41
Proceeds from disposal of shares in subsidiary		6	-
Purchase of non-controlling interest in subsidiaries		-	(1)
Net cash (used in)/from financing activities		**(500)**	**1,064**
Net increase in cash and cash equivalents		**(374)**	**29**
Effects of exchange rate changes on cash and cash equivalents		(54)	(30)
Net cash and cash equivalents at the beginning of the period, including		**362**	**102**
Cash and cash equivalents		503	338
Bank overdraft		(141)	(236)
Net cash and cash equivalents at the end of the period, including		**(66)**	**101**
Cash and cash equivalents		255	306
Bank overdraft		(321)	(205)

(in million RR unless stated otherwise)

	Share capital	**Treasury shares**	**Currency translation reserve**	**Revaluation reserve**	**Retained earnings**	**Total attributable to equity holders of the Company**	**Non-controlling interest**	**Total equity**
Balance at 31 December 2012	**213**	**(5,928)**	**(1)**	**1,231**	**26,139**	**21,654**	**583**	**22,237**
Loss for the period	-	-	-	-	(803)	**(803)**	(30)	**(833)**
Other comprehensive income/(loss) for the period	-	-	43	(627)	-	**(584)**	-	**(584)**
Total comprehensive income/(loss) for the period	**-**	**-**	**43**	**(627)**	**(803)**	**(1,387)**	**(30)**	**(1,417)**
Purchase of non-controlling interest in subsidiaries, net	-	-	-	-	1	**1**	(2)	**(1)**
	-	**-**	**-**	**-**	**1**	**1**	**(2)**	**(1)**
Balance at 30 June 2013	**213**	**(5,928)**	**42**	**604**	**25,337**	**20,268**	**551**	**20,819**
Balance at 31 December 2013	**213**	**(5,928)**	**37**	**702**	**23,769**	**18,793**	**590**	**19,383**
(Loss)/Profit for the period	-	-	-	-	(179)	**(179)**	83	**(96)**
Other comprehensive loss for the period	-	-	(53)	-	-	**(53)**	-	**(53)**
Total comprehensive (loss)/income for the period	**-**	**-**	**(53)**	**-**	**(179)**	**(232)**	**83**	**(149)**
Disposal of non-controlling interest in subsidiaries, net	-	-	-	-	(18)	**(18)**	25	**7**
Revaluation reserve written-off to retained earning	-	-	-	(42)	42	**-**	-	**-**
	-	**-**	**-**	**(42)**	**24**	**(18)**	**25**	**7**
Balance at 30 June 2014	**213**	**(5,928)**	**(16)**	**660**	**23,614**	**18,543**	**698**	**19,241**

(in RR, tabular amounts in million RR unless stated otherwise)

1 General information about OAO Koks and its subsidiaries

OAO Koks (the "Company") was established as state-owned enterprise Kemerovski Koksokhimicheski Kombinat in 1924. It was incorporated as an open joint stock company on 30 July 1993 as part of Russia's privatisation programme. The Company's registered office is located at 1st Stakhanovskaya street, 6, Kemerovo, Russian Federation, 650021.

OAO Koks and its subsidiaries' (together, the "Group") principal activities include coal mining, production of coke and coal concentrate, iron-ore concentrate, pig iron, as well as metal powder production (high purity chrome products). The Group's manufacturing facilities are primarily based in the city of Kemerovo, Kemerovo Region, and in the city of Tula, Tula Region, Russia. Products are sold in Russia as well as in other countries.

As at 30 June 2014 and 31 December 2013 85.9% of total issued shares of the Company was ultimately owned by members of the Zubitskiy family: Mr B.D. Zubitskiy, Mr E.B. Zubitskiy and Mr A.B. Zubitskiy.

The Group's main subsidiaries are:

Name	Country of incorporation	Type of activity	Percentage of voting shares	
			30 June 2014	31 December 2013
OAO Mill Berezovskaya	Russia	Production of coal concentrate	97%	98%
OOO Uchastok Koksoviy	Russia	Coal mining	100%	100%
ZAO Sibirskie Resursy	Russia	Coal mining	100%	100%
OOO Butovskaya mine	Russia	Coal mining	100%	100%
OOO Tikhova mine	Russia	Coal mining	100%	100%
ZAO Inertnik	Russia	Production of limestone dust	100%	100%
OAO Tulachermet	Russia	Pig-iron production	95%	95%
OAO Kombinat KMA Ruda	Russia	Mining and concentration of iron-ore	100%	100%
OAO Polema	Russia	Production of chrome	100%	100%
ZAO Krontif-Centre	Russia	Production of cast-iron ware	100%	100%
PTW Ltd.	China	Sales activities	100%	100%
Industrial Metallurgical Trading, S.A.	Switzerland	Sales activities	100%	100%
OOO Consultinvest 2000	Russia	Lease of property	100%	100%
OOO Management Company Industrial Metallurgical Holding	Russia	Management services	100%	100%
OOO BKF Gorizont	Russia	Transactions with securities	100%	100%
OOO Koks-Mining	Russia	Management services for coal mines	100%	100%
Koks Finance Limited	Ireland	Structured entity	-	-

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2014 has been prepared in accordance with IAS 34 "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Each company of the Group registered in Russia maintains its own accounting records and prepares financial statements in accordance with the Russian accounting standards ("RAS"). The attached financial information have been prepared using RAS records and reports that have been adjusted and re-classified in compliance with IFRS.

Each company of the Group registered outside Russia maintains its own accounting records and prepares financial statements in accordance with the local GAAP. The financial statements of companies outside Russia have been adjusted and reclassified in compliance with IFRS.

As at 30 June 2014, the official exchange rate set by the Central Bank of the Russian Federation for transactions denominated in foreign currencies was RR 33.6306 per 1 US dollar ("USD") (as at 31 December 2013: RR 32.7292 per 1 US dollar) and RR 45.8251 per 1 euro ("EUR") (as at 31 December 2013: RR 44.9699 per 1 euro).

2 Basis of preparation (continued)

At 30 June 2014, the Group's current liabilities exceeded its current assets by RR 4,571 million (as at 31 December 2013 – by RR 9,594 million), principally as a result of borrowings due to be repaid within one year after the end of the reporting period. As the Group has long-term undrawn borrowing facilities in the amount of RR 17,621 million (see note 13) as at 30 June 2014, management believes the Group can meet its liquidity requirements.

3 Summary of significant accounting policies

The principal accounting policies and methods of computation followed by the Group and the critical accounting judgments in applying accounting policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2013 with the exception of income tax expense, which is recognised based on management's best estimate of the annual effective income tax rate expected for the full financial year (which excludes the impact of deferred tax asset impairment which was recorded for the six months ended 30 June 2014 and 30 June 2013, see note 22).

The Group has adopted all new standards and interpretations that were effective from 1 January 2014. The application of these new standards and interpretations did not affect this interim condensed consolidated financial information.

Certain new standards, interpretations and amendments to standards and interpretations, as disclosed in the consolidated financial statements for the year ended 31 December 2013, have been issued but are not yet effective and have not been early adopted by the Group. The Group is currently considering the implications of these new accounting pronouncements, their impact on its consolidated financial statements and the timing of their adoption by the Group.

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying accounting policies. Judgements that have the most significant effect on the amounts recognised in the interim condensed consolidated financial information and estimates that could cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include the following:

4.1 Estimated useful lives of property, plant and equipment

The Group applies a range of useful lives to buildings, installations, plant and equipment, transport vehicles and other assets classified as property, plant and equipment. Significant judgement is required in estimating the useful life of such assets. If management's estimates of useful lives were to decrease by 10%, profit before tax for the six months ended 30 June 2014 would decrease by RR 183 million (for the six months ended 30 June 2013: loss before tax would increase by RR 103 million). An increase in useful lives by 10% would result in an increase of profit before tax for the six months ended 30 June 2014 by RR 149 million (for the six months ended 30 June 2013: decrease of loss before tax by RR 84 million).

4.2 Recognition of deferred tax asset

The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimates based on taxable profits of the previous three years and expectations of future income that are believed to be reasonable under the circumstances.

(in RR, tabular amounts in million RR unless stated otherwise)

5 Segment information

The Group operates as a vertically integrated business. Chief Executive Officer of OOO Management company "Industrial Metallurgical Holding" is considered to be the Chief Operating Decision Maker ("CODM"). The CODM is responsible for decision-making, results estimation and resources distribution, relying on internal financial information, prepared in compliance with IFRS accounting policy and organizational structure of the Group, among the segments listed below:

- Coal – coal mining;
- Coke – coke production;
- Ore & Pig iron – production of iron ore concentrate, pig iron, crushed pig iron and cast iron ware;
- Polema – production of powder metallurgy articles (chrome articles);
- IMT – sale of Group's products before September 2013 (mainly coke and pig iron);
- Other – other segments.

Inter-segment sales are generally composed of:

- Sales of coal to the "Coke" segment;
- Sales of coke to the "Ore & Pig iron" segment;
- Sales of coke and pig iron to the "IMT" segment; and
- Management services rendered to the segments "Coke", "Ore & Pig iron" and "Polema".

Segment revenue and segment results include transfers between business segments.

Analyses of revenue generated from external sales by the products and services are included in Note 16.

Management of the Group assesses the performance of operating segments based on a measure of adjusted EBITDA.

The CODM reviews sales and profit/(loss) before income tax by the segments:

	Coal	Coke	Ore & Pig iron	Polema	IMT	Other	Total
Six months ended 30 June 2014							
Inter-segment revenue	2,872	4,385	41	1	-	435	**7,734**
External revenue	821	4,380	15,549	644	-	-	**21,394**
Segment revenue, total	**3,693**	**8,765**	**15,590**	**645**	**-**	**435**	**29,128**
Segment (loss)/profit before income tax	**(1,952)**	**(74)**	**2,253**	**58**	**-**	**94**	**379**
Six months ended 30 June 2013							
Inter-segment revenue	2,822	4,895	434	2	-	392	**8,545**
External revenue	767	4,639	13,005	482	2,146	7	**21,046**
Segment revenue, total	**3,589**	**9,534**	**13,439**	**484**	**2,146**	**399**	**29,591**
Segment profit/(loss) before income tax	**83**	**(1,410)**	**348**	**1**	**71**	**26**	**(881)**

For the six months ended 30 June 2014 revenue from the largest customer, which is a related party, of the Group's "Coke" and "Ore & Pig iron" segments represents RR 14,122 million of the Group's total revenues (for the six months ended 30 June 2013 revenue from the largest customer, which is a related party, of the Group's "Coke", "Ore & Pig iron" and "IMT" segments represents RR 10,558 million of the Group's total revenues), see note 23.

(in RR, tabular amounts in million RR unless stated otherwise)

5 Segment information (continued)

Other material items of the segments in the interim condensed consolidated statement of profit or loss are the following:

	Coal	Coke	Ore & Pig iron	Polema	IMT	Other	Total
Six months ended 30 June 2014							
Amortisation and depreciation	(973)	(164)	(623)	(27)	-	(10)	**(1,797)**
Finance income	3	41	39	2	-	1	**86**
Inter-segment interest income	-	113	81	1	-	-	**195**
Interest expense	(268)	(707)	(89)	-	-	-	**(1,064)**
Inter-segment interest expense	(151)	(38)	(1)	-	-	(5)	**(195)**
Impairment of property, plant and equipment and intangible assets	(891)	-	-	-	-	-	**(891)**
Impairment of goodwill	(89)	-	-	-	-	-	**(89)**
Exchange (loss)/gain, net	1	(198)	(72)	1	-	-	**(268)**
Loss arising on revaluation of derivative financial instruments, net	-	(137)	-	-	-	-	**(137)**
Six months ended 30 June 2013							
Amortisation and depreciation	(275)	(158)	(597)	(27)	(1)	(20)	**(1,078)**
Finance income	2	21	3	-	-	1	**27**
Inter-segment interest income	-	56	5	1	-	-	**62**
Interest expense	(130)	(851)	(98)	-	(1)	-	**(1,080)**
Inter-segment interest expense	(56)	-	(1)	-	-	(5)	**(62)**
Exchange (loss)/gain, net	(33)	(812)	(340)	5	(25)	-	**(1,205)**
Loss arising on revaluation of derivative financial instruments, net	-	(133)	-	-	-	-	**(133)**

Adjusted EBITDA

To provide a further insight into the Group’s profit measurements, additional information on earnings before income tax, finance income, interest expense, depreciation, amortisation and impairments and exchange gain/loss (adjusted EBITDA) analysed by CODM for each operating segment is presented below.

Adjusted EBITDA	Coal	Coke	Ore & Pig iron	Polema	IMT	Other	Total
Six months ended 30 June 2014	416	1,016	2,918	81	-	108	**4,539**
Six months ended 30 June 2013	575	467	1,376	22	98	50	**2,588**

The reconciliation between profit (loss) before income tax and total Group's adjusted EBITDA:

	Six months ended	
	30 June 2014	**30 June 2013**
Profit/(Loss) before income tax	**379**	**(881)**
Finance income	(86)	(27)
Interest expenses	1,064	1,080
Exchange loss, net	268	1,205
Amortisation and depreciation	1,797	1,078
Impairment of property, plant and equipment and intangible assets	891	-
Impairment of goodwill	89	-
Loss arising on revaluation of derivative financial instruments, net	137	133
Total Group's adjusted EBITDA	**4,539**	**2,588**

Segment assets and liabilities

Segment assets consist primarily of property, plant and equipment, other intangible assets, inventories, trade and other receivables, advances issued, loans issued, VAT recoverable and cash and cash equivalents.

Segment liabilities include accounts payable arising during operating activities, borrowings and interest payable.

(in RR, tabular amounts in million RR unless stated otherwise)

5 Segment information (continued)

Capital expenditures comprise additions to property, plant and equipment and intangible assets, including acquisitions resulting from business combinations.

Segment assets and liabilities and capital expenditures are presented below:

	Coal	Coke	Ore & Pig iron	Polema	IMT	Other	Total
At 30 June 2014							
Segment assets	18,241	18,038	26,315	1,234	75	1,023	**64,926**
Segment liabilities	16,134	21,062	9,809	251	-	264	**47,520**
Capital expenditures for the six months ended 30 June 2014	1,376	71	916	22	-	80	**2,465**
At 31 December 2013							
Segment assets	19,335	17,189	25,091	1,086	457	949	**64,107**
Segment liabilities	15,331	20,691	10,219	181	1	278	**46,701**
Capital expenditures for the six months ended 30 June 2013	2,619	90	961	28	-	36	**3,734**

The reconciliation between operational segments' assets and total assets in the interim condensed consolidated statement of financial position is presented below:

	At 30 June 2014	At 31 December 2013
Segment assets	**64,926**	**64,107**
Items not included in segment assets:		
Goodwill	4,497	4,586
Deferred income tax asset	691	504
Other non-current assets	144	76
Elimination of intersegment balances	(12,501)	(11,337)
Total assets	**57,727**	**57,936**

The reconciliation between operational segments' liabilities and total liabilities in the interim condensed consolidated statement of financial position is presented below:

	At 30 June 2014	At 31 December 2013
Segment liabilities	**47,520**	**46,701**
Items not included in segment liabilities:		
Deferred income tax liability	2,351	2,189
Taxes payable	934	825
Provision for restoration liability	182	175
Elimination of intersegment balances	(12,501)	(11,337)
Total liabilities	**38,486**	**38,553**

Information about geographical areas

The following table presents breakdown of export revenues per locations of the Group's customers:

	Six months ended	
	30 June 2014	**30 June 2013**
Export sales:	**15,190**	**14,770**
including:		
Switzerland	14,153	10,593
Belarus	352	183
Germany	264	11
USA	79	164
Ukraine	16	1,413

(in RR, tabular amounts in million RR unless stated otherwise)

5 Segment information (continued)

The following table presents information about non-current assets of the Group (different from financial instruments and deferred income tax asset) located in Russian Federation and abroad:

	At 30 June 2014	At 31 December 2013
Russian Federation	**45,780**	**46,362**
Foreign countries	**6**	**7**
including:		
China	6	7
Total non-current assets	**45,786**	**46,369**

6 Property, plant and equipment

	Six months ended 30 June 2014	Six months ended 30 June 2013
Cost at the beginning of the period	**51,886**	**45,867**
Additions	2,465	3,734
Disposals	(2,122)	(229)
Effect of changes in exchange rates	-	1
Cost at the end of the period	**52,229**	**49,373**
Accumulated depreciation and impairment at the beginning of the period	**(15,714)**	**(11,952)**
Depreciation charges	(1,955)	(1,256)
Accumulated depreciation and impairment related to disposals	2 054	166
Impairment	(756)	-
Accumulated depreciation and impairment at the end of the period	**(16,371)**	**(13, 042)**
Net book value at the beginning of the period	**36,172**	**33,915**
Net book value at the end of the period	**35,858**	**36,331**

During the six months ended 30 June 2014 depreciation expense of RR 1,561 million (six months ended 30 June 2013: RR 865 million) was included in cost of sales, a depreciation expense of RR 100 million (six months ended 30 June 2013: RR 74 million) was included in general and administrative expenses and depreciation expense of RR 294 million (six months ended 30 June 2013: RR 317 million) was capitalised.

Additions to property, plant and equipment during the six months ended 30 June 2014 include capitalised interest of RR 52 million (six months ended 30 June 2013: RR 237 million) directly attributable to the qualifying assets. The capitalisation rate used to determine the amount of capitalised interest for the six months ended 30 June 2014 was 8.6% (six months ended 30 June 2013: 8.6%).

In April 2014 the Group management made a decision that the further production activities at Kedrovsko-Krohalevskoe coal field (Vladimirskaya mine and Vladimirskaya-2 mine operated by ZAO Sibirskie resursy, a subsidiary of the Group) are economically not feasible due to existence of unfavorable geological conditions which could not be predicted earlier. Following this decision the Group management decided to liquidate ZAO Sibirskie resursy and early terminate the respective production licenses and developed actions plan related to liquidation of the above mentioned subsidiary and conservation of the respective mine. As a result of this as at 30 June 2014 the Group recognised an impairment loss in respect to property, plant and equipment of ZAO Sibirskie resursy in the amount of RR 756 million, intangible assets (licenses for coal mining) in the amount of RR 135 million (see note 7), goodwill in the amount of RR 89 million, obsolete inventories in the amount of RR 200 million (see note 8) and deferred income tax asset in the amount of RR 380 million (see note 22). The remaining assets (property, plant and equipment in the amount of RR 46 million and inventory in the amount of RR 36 million) will be transferred to other Group entities or sold to third parties at a price exceeding their book value, accordingly management believes that these assets are not impaired.

The Group management is going to complete the major actions related to liquidation of ZAO Sibirskie resursy during one year following the respective decision and does not expect that the Group will incur any significant expenses associated with this liquidation in addition to those already recognised in this interim condensed consolidated financial information.

(in RR, tabular amounts in million RR unless stated otherwise)

7 Other intangible assets

Movements of other intangible assets are provided below:

	Six months ended 30 June 2014	Six months ended 30 June 2013
Cost as at the beginning of the period	**7,493**	**7,487**
Accumulated amortisation and impairment	**(1,882)**	**(1,552)**
Net book value as at the beginning of the period	**5,611**	**5,935**
Additions	91	-
Amortisation charge	(136)	(139)
Impairment loss (see note 6)	(135)	-
Net book value at the end of the period	**5,431**	**5,796**
Cost as at the end of the period	**7,584**	**7,487**
Accumulated amortisation and impairment	**(2,153)**	**(1,691)**

8 Inventories

	At 30 June 2014	At 31 December 2013
Raw materials and supplies held for production purposes	2,913	3,142
Finished goods	461	322
Work in progress	308	302
Total inventories	**3,682**	**3,766**

Raw materials and supplies held for production purposes are recorded at net realisable value, net of obsolete stock provision which amounted to RR 226 million as at 30 June 2014 (RR 26 million as at 31 December 2013).

9 Trade and other receivables and advances issued

	At 30 June 2014	At 31 December 2013
Trade receivables (net of impairment amounting to RR 0 million as at 30 June 2014; RR 1 million as at 31 December 2013)	1,306	891
Trade receivables from related parties	180	79
Other accounts receivable (net of impairment amounting to RR 49 million as at 30 June 2014; RR 51 milion as at 31 December 2013)	243	253
Other accounts receivable from related parties (net of impairment amounting to 1 milion as at 30 June 2014; RR 1 million as at 31 December 2013)	19	19
Interest on loans issued to related parties (net of impairment amounting to 8 million as at 30 June 2014; 7 milion as at 31 December 2013)	47	24
Taxes receivable	29	79
Total trade and other receivables	**1,824**	**1,345**
Advances issued	437	442
Less impairment	(5)	(5)
Total advances issued	**432**	**437**

10 Cash and cash equivalents

	At 30 June 2014	At 31 December 2013
Bank balances denominated in foreign currencies	201	478
RR denominated cash in hand and bank balances	58	25
Total cash and cash equivalents	**259**	**503**

(in RR, tabular amounts in million RR unless stated otherwise)

11 Share capital

As at 30 June 2014 and 31 December 2013 share capital authorised, issued and paid in totalled RR 213 million and consisted of 330,046,400 ordinary shares with nominal value of RR 0.1 per share. As at 30 June 2014 and 31 December 2013 share capital includes hyperinflation adjustment totaling RR 180 million, which was calculated in accordance with requirements of IAS 29 “Financial Reporting in Hyperinflationary Economies” and relates to the reporting periods prior to 1 January 2003.

In June 2010 the Group’s subsidiary bought 26,000,278 of the Company’s shares from its shareholders for RR 5,928 million. These shares are classified as treasury shares and deducted from equity at cost. RR 5,593 million was paid in cash, RR 46 million was offset during 2010, and RR 120 million was paid in cash during 2014 with respect to the resultant obligation. The closing obligation of RR 169 million (31 December 2013: RR 289 million) is payable on demand.

12 Retained earnings

The Russian statutory financial statements is the basis for the Company’s profit distribution and other appropriations. The basis of distribution is defined by Russian legislation as a company’s net profit. The net loss recognised in the Company’s published Russian statutory financial statements for the six months ended 30 June 2014 was RR 1,025 million (for the six months ended 30 June 2013: net loss equaled RR 880 million) and the accumulated profit after dividends as at 30 June 2014 was equal to RR 7,356 million (31 December 2013: RR 8,381 million). However, legislation and other statutory laws and regulations dealing with profit distribution are open to legal interpretation and, accordingly, management believes that at present it would not be appropriate to disclose the amount for distributable reserves in the interim condensed consolidated financial information.

During the six months ended 30 June 2014 and 30 June 2013 no dividends were declared and paid.

13 Borrowings

Short-term borrowings and current portion of long-term borrowings

	At 30 June 2014	At 31 December 2013
USD denominated bank loans, fixed	4,534	4,286
RR denominated bank loans, fixed	1,071	-
RR denominated bank overdraft, fixed	321	141
Other RR denominated borrowings, fixed	5	5
Total short term borrowings and current portion of long-term borrowings	**5,931**	**4,432**

As at 30 June 2014 and 31 December 2013 there were no short-term borrowings secured with the assets of the Group.

Long-term borrowings

	At 30 June 2014	At 31 December 2013
RR denominated bank loans, fixed	11,977	7,432
Total long-term borrowings	**11,977**	**7,432**

As at 30 June 2014 long-term borrowings of RR 7,302 million (as at 31 December 2013: RR 7,432 million) were secured by assets of the Group. As separate loan agreements do not specify individual pledged assets, the carrying amount of pledged assets is not disclosed in the interim condensed consolidated financial information.

Borrowings of the Group are due for repayment as follows:

	At 30 June 2014	At 31 December 2013
Borrowings to be repaid – within one year	5,931	4,432
- between one and five years	9,821	4,503
- after five years	2,156	2,929
Total borrowings	**17,908**	**11,864**

(in RR, tabular amounts in million RR unless stated otherwise)

13 Borrowings (continued)

Movements in borrowings are analysed as follows:

	Six months ended 30 June 2014	Six months ended 30 June 2013
Short-term borrowings:		
Balance at the beginning of the period	**4,432**	**5,730**
Borrowings received	11,104	7,355
Borrowings repaid	(9,979)	(7,230)
Reclassification of borrowings	131	227
Bank overdrafts received	5,152	4,037
Bank overdrafts repaid	(4,972)	(4,068)
Effect of changes in exchange rates	63	500
Balance at the end of the period	**5,931**	**6,551**
Long-term borrowings:		
Balance at the beginning of the period	**7,432**	**6,955**
Borrowings received	4,676	1,420
Reclassification of borrowings	(131)	(227)
Effect of changes in exchange rates	-	13
Balance at the end of the period	**11,977**	**8,161**

As at 30 June 2014 the Group has the undrawn borrowing facilities in the amount of RR 18,455 million, including long-term facilities in amount of RR17,621 million (as at 31 December 2013: RR 28,527 million, including long-term: RR 27,489 million).

Bonds

5 billion (series BO-02) bonds

On 1 June 2011 the Group issued three year maturity bonds with a value of RR 5 billion (series BO-02 bonds). These bonds have an annual interest rate of 8.7%, payable every six months for the 1^{st} – 6^{th} coupon periods. No put offer has been contemplated for the new issue. On 1 June 2014 these bonds were repaid.

Eurobonds

On 23 June 2011 the Group issued five year maturity 350,000,000 eurobonds in the amount of USD 350 million at a coupon rate of 7.75% through its special purpose entity, Koks Finance Ltd. The coupons are payable semi-annually. In November-December 2011 the Group repurchased 34,000,000 eurobonds for the total amount of USD 31 million. In February 2013 the Group sold 18,000,000 of repurchased eurobonds for USD 17.6 million. In July-August 2013 the Group repurchased 4,000,000 eurobonds for USD 3.8 million. In March 2014 the Group repurchased 2,279,000 eurobonds for USD 2.7 million.

In March 2013 the Group amended the consolidated leverage ratio, which is the covenant relating to the Eurobonds. In connection with this amendment the Group recorded additional interest expense in the amount of RR 159 million.

As at 30 June 2014, the carrying value of the eurobonds amounts to RR 10,913 million (including the current portion of the bonds, which is equal to RR 141 million), net of transaction costs of USD 7.7 million (as at 31 December 2013, the carrying value of the eurobonds is RR 10,695 million (including the current portion of the bonds, which is equal to RR 115 million), net of transaction costs of USD 7.7 million.

(in RR, tabular amounts in million RR unless stated otherwise)

14 Trade and other payables

	At 30 June 2014	At 31 December 2013
Financial liabilities		
Trade payables	2,293	3,511
Dividends payable	530	530
Other accounts payable	109	131
Interest payable	18	19
Total financial liabilities	**2,950**	**4,191**
Non-financial liabilities		
Advances received	2,248	2,613
Wages and salaries payable	831	800
Total non-financial liabilities	**3,079**	**3,413**
Total trade and other payables	**6,029**	**7,604**

15 Other taxes payable

	At 30 June 2014	At 31 December 2013
VAT	538	504
Contributions to the state pension and social insurance funds	150	126
Property tax	80	87
Individual income tax	54	55
Other taxes	17	20
Total other taxes payable	**839**	**792**

16 Revenue

	Six months ended	
	30 June 2014	**30 June 2013**
Sales in Russia:		
Sales of coke and coking products	2,984	2,873
Sales of coal and coal concentrate	810	558
Sales of pig iron	774	1,283
Sales of cast-iron ware	669	587
Sales of powder metallurgy products	335	228
Sales of services	305	293
Sales of crushed pig iron	145	155
Other sales	182	299
Total sales in Russia	**6,204**	**6,276**
Sales to other countries:		
Sales of pig iron	13,605	11,378
Sales of coke and coking products	1,244	2,413
Sales of powder metallurgy products	142	58
Sales of chrome	72	59
Sales of cast-iron ware	47	95
Sales of coal and coal concentrate	15	711
Other sales	65	56
Total sales to other countries	**15,190**	**14,770**
Total revenues	**21,394**	**21,046**

17 Cost of sales

	Six months ended	
	30 June 2014	**30 June 2013**
Raw materials and supplies	9,823	10,576
Wages and salaries including associated taxes	2,494	2,599
Depreciation of property, plant and equipment	1,561	865
Energy	639	538
Other expenses	275	242
Amortisation of intangible assets	136	139
Other services	102	312
Changes in finished goods and work in progress	(176)	264
Total of cost of sales	**14,854**	**15,535**

(in RR, tabular amounts in million RR unless stated otherwise)

18 Taxes other than income tax

	Six months ended	
	30 June 2014	**30 June 2013**
Property tax	151	140
Land tax	57	76
Mineral resources extraction tax	53	57
Accrual of other taxes	29	19
Total taxes other than income tax	**290**	**292**

19 Distribution costs

	Six months ended	
	30 June 2014	**30 June 2013**
Transportation services	1,492	1,980
Other selling expenses	25	91
Total distribution costs	**1,517**	**2,071**

20 General and administrative expenses

	Six months ended	
	30 June 2014	**30 June 2013**
Wages and salaries including associated taxes	1,157	1,116
Other purchased services	347	197
Depreciation of property, plant and equipment	100	74
Materials	51	41
Other	33	74
Total general and administrative expenses	**1,688**	**1,502**

21 Other operating expenses, net

	Six months ended	
	30 June 2014	**30 June 2013**
Accrual/(reversal) of obsolete stock provision	200	(10)
Charity payments	89	49
Losses on disposal of property, plant and equipment	41	20
Reverse of bad debt provision	(1)	(10)
Other	(26)	87
Other operating expenses, net	**303**	**136**

22 Income tax expense

Income tax expense (benefit) recorded in the interim condensed consolidated statement of profit or loss comprises the following:

	Six months ended	
	30 June 2014	**30 June 2013**
Current income tax expense	501	310
Impairment of deferred tax asset (note 6)	395	136
Deferred income tax benefit	(421)	(494)
Income tax expense/(benefit)	**475**	**(48)**

Income tax expense is accrued based on management's best estimates of annual effective income tax rate. The estimated effective income tax rate for the six months ended 30 June 2014 is 20% (it excludes the impact deferred tax asset impairment recorded in the reporting period). The estimated effective income tax rate for the six months ended 30 June 2013 is 20%.

(in RR, tabular amounts in million RR unless stated otherwise)

23 Balances and transactions with related parties

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Information about the parties who ultimately own and control the Company is disclosed in Note 1.

Accounts receivable and accounts payable – related parties, as at 30 June 2014

	Companies under common control	Ultimate shareholders	Total
Loans issued	2,634	-	2,634
Interest on loans issued (including long-term)	517	-	517
Long-term accounts receivable from shareholders for available-for-sale financial assets	-	290	290
Trade and other receivables	180	-	180
Advances issued	156	-	156
Other accounts receivable	19	-	19
Advances received	(2,005)	-	(2,005)
Dividends payable	-	(454)	(454)
Payables on treasury shares	-	(169)	(169)
Trade and other payables	(15)	-	(15)
Loans received	(5)	-	(5)
Interest payable	(3)	-	(3)

Accounts receivable and accounts payable – related parties, as at 31 December 2013

	Companies under common control	Ultimate shareholders	Total
Loans issued	2,441	-	2,441
Interest on loans issued (including long-term)	464	-	464
Long-term accounts receivable from shareholders for available-for-sale financial assets	-	274	274
Advances issued	139	-	139
Trade and other receivables	79	-	79
Other accounts receivable	19	-	19
Advances received	(2,275)	-	(2,275)
Dividends payable	-	(454)	(454)
Payables on treasury shares	-	(289)	(289)
Trade and other payables	(65)	-	(65)
Loans received	(5)	-	(5)
Interest payable	(3)	-	(3)

Related party transactions

	Companies under common control	
	Six months ended	
	30 June 2014	30 June 2013
Sales in Russia:		
Services	195	178
Other sales	2	-
Sales to other countries:		
Sales of pig iron	13,279	10,424
Sales of coke and coking products	843	134
Other income:		
Interest income	50	22
Purchase of goods and services:		
Transportation services	(495)	-
Purchase of raw materials and supplies	(206)	(183)
Other operating (expense)/income, net	(21)	1

(in RR, tabular amounts in million RR unless stated otherwise)

23 Balances and transactions with related parties (continued)

Payments to key management personnel

Payments to key management personnel included in general and administrative expenses amounted to RR 185 million for the six months ended 30 June 2014 (RR 183 million for the six months ended 30 June 2013). All these payments are short-term employee benefits. The number of people to whom this compensation relates is 35 for the six months ended 30 June 2014 and 33 for the six months ended 30 June 2013.

Financial guarantees

The Group provided financial guarantees to finance institutions on behalf of its related party in respect to the loans received by it. As at 30 June 2014 the amount of these guarantees totalled RR 1,187 million (as at 31 December 2013: RR 1,354 million). The financial guarantees were issued without any premium. The Group expects that the probability of financial guarantees repayment is negligible. Therefore, no liability is expected to arise.

24 Derivative financial instruments

On 7 July 2011 the Group entered into a currency and interest rate swap contract that was settled net in cash maturing on 23 May 2014. The currency and interest rate swap was not designated as a hedging instrument. Under that currency and interest rate swap the Group was liable to USD denominated interest payments at the fixed rate of 4.7% with the notional amount equal to USD 89,317,613 in exchange for RR denominated interest payments at the fixed rate of 8.7% with the notional amount equal to RR 2,500 million. As at 31 December 2013 the fair value of currency and interest rate swap was equal to RR 397 million.

On 23 May 2014 the Group repaid RR 534 million under currency and interest swap contract and recognised loss arising on revaluation of derivative financial instruments equal to RR 137 million.

25 Financial instruments at fair value

The Group financial instruments are presented below:

	Note	30 June 2014	31 December 2013
Assets			
Non-current:			
Loans issued		1,604	1,574
Other non-current accounts receivable		829	785
Other non-current assets		70	70
Current:			
Trade and other accounts receivable	9	1,795	1,266
Loans issued		1,036	873
Cash and cash equivalents	10	259	503
Total carrying value		**5,593**	**5,071**
Liabilities			
Long-term:			
Long-term borrowings	13	11,977	7,432
Long-term bonds	13	10,772	10,580
Short-term:			
Short-term borrowings and current portion of long-term borrowings	13	5,931	4,432
Trade accounts payable	14	2,293	3,511
Dividends payable	14	530	530
Payables on treasury shares	11	169	289
Short-term bonds	13	141	4,630
Other accounts payable	14	109	131
Bank interest payable	14	18	19
Derivative financial instruments	24	-	397
Total carrying value		**31,940**	**31,951**

(in RR, tabular amounts in million RR unless stated otherwise)

25 Financial instruments at fair value (continued)

Fair value measurements are analysed by level in the fair value hierarchy as follows:

(i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
(ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
(iii) level 3 measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets carried at amortised cost.

The fair value of floating rate instruments is normally their carrying amount. Carrying amounts of trade and other financial receivables, loans issued approximate fair values.

Liabilities carried at amortised cost.

The fair value of Eurobonds as of 30 June 2014 was RR 10,264 million and was based on quoted market prices which are level 1 measurements.

Fair values of other long-term and short-term debt carried at amortised cost was determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on level 2 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The fair values of term loans and bonds are presented in the following table.

	30 June 2014		31 December 2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Term loans (excluding overdrafts)	17,587	16,891	11,723	10,997
Bonds	10,913	10,264	15,210	14,356
Total borrowings	**28,500**	**27,155**	**26,933**	**25,353**

The carrying amounts of overdrafts carried at amortised cost in the consolidated statement of financial position approximate its fair value.

Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities in the consolidated statement of financial position approximate their fair value determined based on level 3 measurements.

26 Financial risks

The Group’s risk management is based on determining risks to which the Group is exposed in the course of ordinary operations. The Group is exposed to the following major risks: (a) credit risk, (b) market risk (including foreign currency risk, interest rate risk), and (c) liquidity risk. Management works proactively to control and manage all opportunities, threats and risks arising in connection with the objectives of the Group’s operations.

The condensed interim consolidated financial information do not include all the financial risk management information and disclosures (other than the changes in the Group’s liquidity discussed in note 2) required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013. There have been no significant changes in the risk management policies since 2013 year end.

27 Contingencies, commitments and operating risks

Taxes

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.

The Russian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. In particular, it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, it is possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the tax authorities for three calendar years preceding the year of the tax audit. Under certain circumstances audits may cover longer periods.

Russian transfer pricing legislation was amended starting from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related party and some types of transactions with unrelated party), provided that the transaction price is not arm's length. Management exercises its judgement about whether or not the transfer pricing documentation that the entity has prepared, as required by the new legislation, provides sufficient evidence to support the entity's tax positions and related tax returns. Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the entity's transfer prices cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Management of the Group believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained.

Insurance policies

At 30 June 2014 and 31 December 2013 the Group held limited insurance policies on its assets and operations, or in respect of public liability or other insurable risks.

Environmental matters

The Group periodically evaluates its obligations under environmental regulations. As obligations are determined and reasonably estimated, they are recognised immediately. Potential liabilities which might arise as a result of changes in existing regulations, civil litigation or legislation cannot be estimated but could be material. In the current enforcement climate under the existing legislation, management believes that there are no significant liabilities for environmental damage in addition to those already reflected in the interim condensed consolidated financial information.

Legal proceedings

The Group is involved in a number of court proceedings (both as a plaintiff and as a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding that could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in this interim condensed consolidated financial information.

Licences

The Group is subject to periodic reviews of its activities by government authorities with respect to compliance with the requirements of its mining licences. Management responds promptly, provides reports based on the reviews results and, if necessary, cooperates with the government authorities to agree on remedial actions necessary to resolve any findings resulting from these reviews. Failure to comply with the terms of a licence could result in fines, penalties or licence limitation, suspension or revocation. Management believes any issues of non-compliance, including changes in the work plan or financial measures, will be resolved by negotiations, eliminating weaknesses or corrective actions without any adverse effect on the Group's financial position, results of operations or cash flows. The Group may extend its licences beyond the original expiration date if meet the license agreements terms. Accordingly, depreciation of property, plant and equipment related to the licenced areas takes into account that the licences will be prolonged in the future.

27 Contingencies, commitments and operating risks (continued)

The Group's coal fields are situated on land belonging to the Kemerovo Regional Administration; and ferruginous quartzite fields are in the territory of the Belgorod Regional Administration. Licences are issued by the Russian Ministry of Natural Resources, and the Group pays mineral resources extraction tax to explore and mine mineral resources from these fields.

Licence holder	Field	Expiry date
OOO Butovskaya mine	Butovskoe-Zapadnoe and Chesnokovskoe areas of Kemerovo coal field (Butovskaya mine)	January 2016
OOO Uchastok Koksoviy	Koksoviy area (Vakhrusheva coal mine)	December 2020
OOO Uchastok Koksoviy	Koksoviy area (Glubokiy)	April 2034
OOO Tikhova Mine	Nikitinsky coal area-2	September 2025
OAO Kombinat KMA Ruda	Licence to produce ferruginous quartzite from Korobkovsky mine	January 2026

Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

The recent political and economic turmoil witnessed in the region, in particular the developments in Ukraine, have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Rouble, higher interest rates, reduced liquidity and making it harder to raise international funding. These events, including current and future international sanctions against Russian companies and individuals and the related uncertainty and volatility of the financial markets, may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from management's expectations.

28 Earnings/(Loss) per Share

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

The Company has no dilutive potential ordinary shares; therefore, the diluted earnings/ (loss) per share equal to the basic earnings/ (loss) per share.

Loss per share is calculated as follows:

		Six months ended	
	Note	**30 June 2014**	**30 June 2013**
Loss for the period		(179)	(803)
Weighted average number of ordinary shares in issue (millions of shares)	11	304.05	304.05
Basic and diluted loss per ordinary share (expressed in RR per share)		**(0.59)**	**(2.64)**