OAO KOKS

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

for the year ended 31 December 2014

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Independent Auditor's Report

To the Shareholders and Board of Directors of OAO KOKS

We have audited the accompanying consolidated financial statements of OAO KOKS and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

7 April 2015
Moscow, Russian Federation

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OAO Koks
Consolidated Statement of Financial Position as at 31 December 2014
(in millions of RR unless stated otherwise)

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets:			
Property, plant and equipment	7	38,125	36,172
Goodwill	9	4,497	4,586
Other intangible assets	8	5,298	5,611
Deferred income tax asset	31	2,444	504
Non-current loans issued	14	2,311	1,574
Other non-current assets	11	232	861
Investment in joint venture	10	40	-
Total non-current assets		**52,947**	**49,308**
Current assets:			
Inventories	12	3,961	3,766
Trade and other receivables	15	2,411	1,345
VAT recoverable		1,643	1,704
Advances issued	15	435	437
Current loans issued	13	59	873
Cash and cash equivalents	16	855	503
Total current assets		**9,364**	**8,628**
Total assets		**62,311**	**57,936**
EQUITY			
Share capital	17	213	213
Treasury shares	17	(5,928)	(5,928)
Retained earnings	18	15,245	23,769
Revaluation reserve		624	702
Currency translation reserve		134	37
Equity attributable to the Company's equity holders		**10,288**	**18,793**
Non-controlling interest		**695**	**590**
Total equity		**10,983**	**19,383**
LIABILITIES			
Non-current liabilities:			
Provision for restoration liability	19	141	130
Deferred income tax liability	31	2,146	2,189
Long-term borrowings	20	14,158	7,432
Long-term bonds	20	17,300	10,580
Total non-current liabilities		**33,745**	**20,331**
Current liabilities:			
Trade and other payables	21	8,699	7,604
Payables on treasury shares	17	-	289
Current income tax payable		65	33
Other taxes payable	22	693	792
Provision for restoration liability	19	32	45
Short-term borrowings and current portion of long-term borrowings	20	7,819	4,432
Short-term bonds	20	275	4,630
Derivative financial instruments	34, 36	-	397
Total current liabilities		**17,583**	**18,222**
Total liabilities		**51,328**	**38,553**
Total liabilities and equity		**62,311**	**57,936**

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

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

7 April 2015

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

(in million RR unless stated otherwise)

	Note	2014	2013
Revenue	23	47,233	43,036
Cost of sales	24	(30,616)	(30,842)
Gross profit		**16,617**	**12,194**
Distribution costs	26	(3,492)	(4,093)
General and administrative expenses	27	(3,414)	(3,210)
Impairment of property, plant and equipment and intangible assets	7, 8	(856)	(1,379)
Impairment of goodwill	9	(89)	-
Obsolete stock provision	7, 12	(230)	(16)
Loss on disposal of ownership share in SIJ	36	-	(1,227)
Taxes other than income tax	25	(598)	(597)
Gain on disposal of investment in subsidiary	32	112	-
Other operating income/(expenses), net	28	41	(196)
Operating profit		**8,091**	**1,476**
Finance income	29	1,303	335
Finance expenses	30	(18,196)	(3,694)
Loss before income tax		**(8,802)**	**(1,883)**
Income tax benefit/(expense)	31	1,101	(553)
Loss for the year		**(7,701)**	**(2,436)**
Loss/(profit) is attributable to:			
Shareholders of the parent Company		(7,811)	(2,446)
Non-controlling interest		110	10
Loss for the year		**(7,701)**	**(2,436)**
Loss per ordinary share, basic and diluted (in RR per share)	**39**	**(25.69)**	**(8.04)**

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

(in millions of RR unless stated otherwise)

	Note	2014	2013
Loss for the year		**(7,701)**	**(2,436)**
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations:			
Exchange differences arising during the year, net		116	40
		116	**40**
Revaluation of available-for-sale financial assets:			
Loss arising on revaluation of available-for-sale financial assets during the year, net	36	-	(1,795)
Loss arising on revaluation of available-for-sale financial assets reclassified to profit or loss upon their disposal	36	-	1,227
		-	**(568)**
Income tax relating to components of other comprehensive income/(loss)	31	**(19)**	**112**
Total other comprehensive income/(loss) for the year		**97**	**(416)**
Total comprehensive loss for the year		**(7,604)**	**(2,852)**
Total comprehensive (loss)/income attributable to:			
Shareholders of the parent company		**(7,714)**	**(2,862)**
Non-controlling interest		**110**	**10**
Total comprehensive loss for the year		**(7,604)**	**(2,852)**

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

(in millions of RR unless stated otherwise)

	Note	2014	2013
Cash flows from operating activities			
Loss before income tax		(8,802)	(1,883)
Adjustments for:			
Depreciation of property, plant and equipment	24, 27	2,743	2,141
Amortisation of intangible assets	24	274	280
Gain on disposal of investment in subsidiary	32	(112)	-
Finance income	29	(323)	(90)
Interest expense		1,967	2,174
Loss arising on revaluation of derivative financial instruments, net	34	383	212
Impairment of property, plant and equipment and intangible assets	7, 8	856	1,379
Impairment of goodwill	9	89	-
Gain on disposal of ownership share in SIJ	36	-	1,227
Accrual of vacation reserve		25	5
Obsolete stock provision		230	16
Accrual of bad debt provision		27	25
Exchange loss, net	28, 29, 30	14,417	1,155
Non-cash transactions		(28)	7
Other effects		78	(104)
Operating cash flows before working capital changes		**11,824**	**6,544**
Changes in working capital			
(Increase)/decrease in trade and other receivables		(536)	843
(Increase)/decrease in inventories		(89)	554
Increase in trade and other payables		1,948	2,259
Increase in taxes other than income tax payable		35	218
Decrease in other liabilities		(2)	(3)
Cash from operating activities		**13,180**	**10,415**
Income tax paid		(838)	(618)
Net cash from operating activities		**12,342**	**9,797**
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,204)	(6,007)
Proceeds from sale of property, plant and equipment		97	137
Proceeds from disposal of subsidiaries, net of cash disposed	32	137	-
Changes in restricted cash		-	555
Loans issued		(2,226)	(832)
Repayment of loans issued		3,116	4
Interest received on loans issued		668	31
Dividend received		9	3
Proceeds from disposal of other investments		6	1
Acquisition of intangible assets and other non-current assets		(97)	(1)
Net cash used in investing activities		**(4,494)**	**(6,109)**

(in millions of RR unless stated otherwise)

	Note	2014	2013
Cash flows from financing activities			
Settlement of payables on treasury shares	17	(289)	(71)
Proceeds from borrowings and bonds	20	23,599	16,014
Repayment of borrowings and bonds	20	(26,482)	(17,360)
Interest paid on borrowings and bonds		(2,169)	(2,102)
Dividends paid	18, 21	(1,317)	-
(Repayment)/proceeds from derivative financial instruments, net	34,36	(780)	82
Purchase of non-controlling interest in subsidiaries		(11)	(2)
Net cash used in financing activities		**(7,449)**	**(3,439)**
Net increase in cash and cash equivalents		**399**	**249**
Effects of exchange rate changes on cash and cash equivalents		94	11
Net cash and cash equivalents at the beginning of the year, including		**362**	**102**
Cash and cash equivalents		503	338
Bank overdraft		(141)	(236)
Net cash and cash equivalents at the end of the year, including		**855**	**362**
Cash and cash equivalents		855	503
Bank overdraft		-	(141)

(in millions of RR unless stated otherwise)

	Note	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)/profit for the year		-	-	-	-	(2,446)	**(2,446)**	10	**(2,436)**
Other comprehensive income/(loss) for the year		-	-	38	(454)	-	**(416)**	-	**(416)**
Total comprehensive income/(loss) for the year		**-**	**-**	**38**	**(454)**	**(2,446)**	**(2,862)**	**10**	**(2,852)**
Purchase of non-controlling interest in subsidiaries, net		-	-	-	-	1	**1**	(3)	**(2)**
Revaluation reserve written-off to retained earnings		-	-	-	(75)	75	-	-	-
		-	**-**	**-**	**(75)**	**76**	**1**	**(3)**	**(2)**
Balance at 31 December 2013		**213**	**(5,928)**	**37**	**702**	**23,769**	**18,793**	**590**	**19,383**
(Loss)/profit for the year		-	-	-	-	(7,811)	**(7,811)**	110	**(7,701)**
Other comprehensive income for the year		-	-	97	-	-	**97**	-	**97**
Total comprehensive (loss)/profit for the year		**-**	**-**	**97**	**-**	**(7,811)**	**(7,714)**	**110**	**(7,604)**
Purchase of non-controlling interest in subsidiaries, net		-	-	-	-	-	**-**	(5)	**(5)**
Dividends declared	18	-	-	-	-	(791)	**(791)**	-	**(791)**
Revaluation reserve written-off to retained earnings		-	-	-	(78)	78	-	-	-
		-	**-**	**-**	**(78)**	**(713)**	**(791)**	**(5)**	**(796)**
Balance at 31 December 2014		**213**	**(5,928)**	**134**	**624**	**15,245**	**10,288**	**695**	**10,983**

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

(in RR, tabular amounts in millions of RR unless stated otherwise)

1 General information about OAO Koks and its subsidiaries

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

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

As at 31 December 2014 and 2013, 85.9% of the Company's total issued shares were ultimately owned by the following members of the Zubitskiy family: Boris D. Zubitskiy, Evgeny B. Zubitskiy and Andrey B. Zubitskiy.

The Group's main subsidiaries are:

				Percentage of voting shares held by the Group	
Name	**Country of incorporation**	**Type of activity**	**Note**	**31 December 2014**	**31 December 2013**
OAO Mill Berezovskaya	Russia	Production of coal concentrate		97.2 %	98.2%
OOO Uchastok Koksoviy	Russia	Coal mining		100.0%	100.0%
OOO Gornyak	Russia	Coal mining		100.0%	100.0%
ZAO Sibirskie Resursy	Russia	Coal mining		100.0%	100.0%
OOO Butovskaya mine	Russia	Coal mining		100.0%	100.0%
OOO Tikhova mine	Russia	Coal mining		100.0%	100.0%
OOO Inertnik	Russia	Production of limestone dust	(1.1)	-	100.0%
OAO Tulachermet	Russia	Pig-iron production		95.0%	94.9%
OAO Kombinat KMA Ruda	Russia	Mining and concentration of iron-ore		100.0%	100.0%
OAO Polema	Russia	Production of chrome		100.0%	100.0%
ZAO Krontif-Centre	Russia	Production of cast-iron ware		100.0%	100.0%
PTW Ltd.	China	Sales activities		100.0%	100.0%
Industrial Metallurgical Trading, S.A.	Switzerland	Sales activities	(1.2)	-	100.0%
OOO Consultinvest 2000	Russia	Lease of property		100.0%	100.0%
OOO Management Company Industrial Metallurgical Holding	Russia	Management services		100.0%	100.0%
OOO BKF Gorizont	Russia	Transactions with securities		100.0%	100.0%
OOO Koks-Mining	Russia	Management services for coal mines		100.0%	100.0%
Koks Finance Limited	Ireland	Structured entity	(1.3)	-	-

1.1. In December 2014, the Group sold a 100% interest in OOO Inertnik for RR 140 million (see note 32).

1.2. In December 2014, the Group liquidated its subsidiary Industrial Metallurgical Trading, S.A. No substantial costs were incurred as a result of this liquidation.

1.3. In April 2011, Koks Finance Limited was incorporated in Dublin, Ireland. Koks Finance Limited then issued loan participation notes at 7.75% interest with an aggregate principal amount of USD 350 million and maturing in 2016. The sole purpose of the issue was to finance a loan to the Company (see note 20).

As at 31 December 2014 and 31 December 2013, the percentage of the Group's ownership interest in its subsidiaries was equal to the percentage of its voting interest, with the exception of OAO Tulachermet, the percentage of the Group's ownership in which was 93,7% at 31 December 2014 and 93,4% at 31 December 2013.

Establishment of joint venture

In 2014, OAO Tulachermet established a new company, OOO Tulachermet-Stal, as a joint venture with OOO Stal and DILON Cooperatief U.A. (both companies are under common control with the Group). Each participant holds a 33.33% stake in the joint venture. The value of the Group's share in the joint venture's net assets as at 31 December 2014 was RR 40 million (see Note 10).

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the measurement of financial instruments including available-for-sale financial assets and derivative financial instruments based on fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

Each Group company incorporated in Russia maintains its own accounting records and prepares financial statements in accordance with Russian Accounting Standards (RAS). The consolidated financial statements have been prepared using RAS records and reports that have been adjusted and reclassified to ensure accurate presentation in compliance with IFRS.

Each Group company incorporated outside of Russia maintains its own accounting records and prepares financial statements in accordance with the local generally accepted accounting principles (GAAP) in its home jurisdiction. The financial statements of companies outside of Russia have been adjusted and reclassified to ensure accurate presentation and compliance with IFRS.

As at 31 December 2014, the official Central Bank of the Russian Federation (CBRF) exchange rates for transactions denominated in foreign currencies were RR 56.2584/USD 1 (as at 31 December 2013: RR 32.7292/USD 1) and RR 68.3427/EUR 1 (as at 31 December 2013: RR 44.9699/EUR 1).

Management has prepared these consolidated financial statements on a going concern basis.

As at 31 December 2014, the Group's current liabilities exceeded its current assets by RR 8,219 million (as at 31 December 2013 by RR 9,594 million) principally as a result of the fact that a significant portion of borrowings mature in 2015. As the Group had undrawn borrowing facilities in the amount of RR 16,734 million (see note 20) as at 31 December 2014 (out of which RR 10,862 million are long-term facilities), management believes that the Group can meet its liquidity requirements.

3 Summary of significant accounting policies

3.1 Consolidated financial statements

(a) Subsidiaries

Subsidiaries are those companies and other entities (including structured entities) that are controlled by the Group. The Group has control when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that such control ceases.

The acquisition method of accounting is used to account for business combinations. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The Group applies IFRS 10 and IFRS 3. In accordance with these standards, acquisition-related costs are to be expensed as incurred. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the proportionate share of the non-controlling interest in the acquiree's net assets. Any excess of the consideration transferred above the amount of any non-controlling interest in the acquiree and the fair value as of the acquisition date of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. Any excess of the acquiree's interest in the fair value of the identifiable net assets acquired above the consideration transferred is recognised immediately in the consolidated statement of profit and loss.

3 Summary of significant accounting policies (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

(b) Transactions with non-controlling shareholders

The Group treats transactions with non-controlling shareholders as transactions with equity owners of the Group. For purchases from non-controlling shareholders, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling shareholders are also recorded in equity.

(c) Joint arrangements

Under IFRS 11, "Joint Arrangements", investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangement and determined it to be a joint venture (see Note 1). Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the Group's joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.2 Foreign currency transactions

(a) Functional and presentation currency

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Company's functional currency and the Group's presentation currency is the national currency of the Russian Federation, the Russian rouble (RR).

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at the official exchange rate of the Central Bank of the relevant jurisdiction at the respective reporting dates. Foreign exchange gains and losses resulting from transaction settlements, and from the translation of monetary assets and liabilities into each entity's functional currency at the Central Bank's official year-end exchange rates, are recognised in the consolidated statement of profit and loss. Translation at year-end exchange rates does not apply to non-monetary items, including equity investments.

(c) Foreign operations

The assets, liabilities and financial results of those Group companies (none of which operates in a hyperinflationary economy) the functional currency of which differs from the Group's presentation currency are translated into the presentation currency in the following way:

1) Assets and liabilities are translated into the Group's presentation currency using the exchange rate as at the reporting date;
2) income and expenses are translated to the Group's presentation currency using the exchange rate at the date of the transaction, or the average exchange rate for the reporting period if not materially different; and
3) exchange differences calculated as a result of the translations described in points (i) and (ii) above are recognised initially in other comprehensive income and subsequently recognised in profit or loss upon disposal of the net investment.

3 Summary of significant accounting policies (continued)

Goodwill related to acquisitions of foreign operations is translated into Russian roubles at the closing exchange rate, with a corresponding adjustment in other comprehensive income.

3.3 Property, plant and equipment

Property, plant and equipment items are recorded at cost, less accumulated depreciation and impairment, if any. Cost includes expenditures that are directly attributable to an item's acquisition. Subsequent costs, including overhaul expenses, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the value of the item can be measured reliably. All other repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

Mining assets consist of mine development and construction costs, which represent expenditures incurred in developing access to mineral reserves and preparations for commercial production, including sinking shafts and underground drifts, roads, infrastructure, etc. Mining assets are included within Buildings, Installations, Plant and Equipment.

At each reporting date, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated statement of profit and loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds against the carrying amount and are recognised in the consolidated statement of profit and loss.

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method (except for mining assets) to allocate their depreciable amounts (cost less residual values) over their estimated useful lives:

	Useful lives in years
Buildings	20-80
Installations	8-60
Plant and equipment	2-30
Transport vehicles	2-20
Other	2-25

Depletion of mining assets is calculated using the units-of-production method based upon mineral reserves.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. Assets' residual values and useful lives are reviewed, and adjusted if needed, at each reporting date.

3.4 Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisitions of associates is included in investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit that is retained.

3 Summary of significant accounting policies (continued)

3.5 Other intangible assets

All of the Group's other intangible assets have definite useful lives and primarily include production licences. Acquired licences are capitalised on the basis of the costs incurred to acquire them.

All groups of intangible assets with definite useful lives are amortised using the straight-line method over their remaining useful lives (see notes 8 and 35). If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

3.6 Investments

The Group has the following categories of investments: a) loans and receivables, and b) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired and the nature of the assets. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group grants cash, goods or services to the borrower with no intention of selling the resulting accounts receivable. They are included in current assets unless their repayment period exceeds 12 months from the reporting date, in which case they are recorded as non-current assets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting date.

Purchases and sales of available-for-sale assets are initially measured at fair value and recognised at the settlement date, which is the date that the investment is delivered to the customer. The cost of purchases includes transaction costs. Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of these assets are recognised in other comprehensive income in the period in which they arise. Gains and losses from the disposal of available-for-sale investments are included in the consolidated statement of profit and loss in the period in which they arise.

Available-for-sale financial assets mainly include securities that are not quoted or traded on any exchange market. The fair value of these investments is determined using the discounted cash flow method. Management makes assumptions based on an analysis of the market situation at each reporting date to determine the fair value.

3.7 Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is assigned using the weighted basis. The cost of finished goods and work in progress includes raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

3.8 Trade and other receivables

Trade and other receivables are carried at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate corresponding to the initial financing conditions. The movements in the amount of the provision are recognised in the consolidated statement of profit and loss.

3 Summary of significant accounting policies (continued)

3.9 Value added tax

Value added tax (VAT) related to sales is payable to the Russian federal tax authorities at the earlier of two dates: the date of dispatch (transfer) of goods (services, work, property rights), or the date of collection of receivables from customers for the future supply of goods (work, services, property rights). VAT included in the cost of purchased goods (work, services, property rights) generally can be reclaimed by offsetting it against VAT on sales once the goods (work, services, property rights) have been accounted for, except for VAT on export sales, which is reclaimable once export transactions have been confirmed.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows and consolidated statement of financial position. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date are included in other non-current assets.

3.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.12 Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date, or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

3.13 Borrowings

Borrowings are carried at amortised cost using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.14 Derivative financial instruments

Derivative financial instruments included currency and interest rate swaps. Initially and subsequently derivative financial instruments are measured at fair value. They are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are recognised in profit or loss in the period in which they are incurred.

3 Summary of significant accounting policies (continued)

3.15 Income tax

Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated statement of profit and loss unless it relates to transactions that are recognised, in the same or in a different period, in other comprehensive income or directly in equity.

Current tax is the amount that is expected to be paid to or recovered from the tax authorities on taxable profits or losses for the current and prior periods. Taxes other than income taxes are recorded within operating expenses.

Deferred income tax is accrued using the balance sheet liability method for tax loss carry forwards and for temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary’s dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Recognition of deferred tax assets. A net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the consolidated statement of financial position. 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.

3.16 Employee benefits

Wages, salaries, contributions to state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

3.17 Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reassessed annually and changes in provisions resulting from the passage of time are reflected in the consolidated statement of profit or loss each year within interest expense. Other changes in provisions related to a change in the expected repayment plan, in the estimated amount of the obligation or in the discount rates, are treated as a change in an accounting estimate in the period of the change and, with the exception of provision for restoration liabilities, reflected in the consolidated statement of profit or loss.

Provisions for restoration liability are recognised when the Group has a present legal or constructive obligation to dismantle, remove and restore items of property, plant and equipment. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the liability, determined using pre-tax risk free discount rates adjusted for risks specific to the liability. Changes in the provision resulting from the passage of time are recognised as interest expense. Changes in the provision, which is reassessed at each reporting date, related to a change in the expected pattern of settlement of the liability, or in the estimated amount of the provision or in the discount rates, are treated as a change in an accounting estimate in the period of change. Such changes are reflected as adjustments to the carrying value of property, plant and equipment and the corresponding liability.

3 Summary of significant accounting policies (continued)

3.18 Uncertain tax positions

Uncertain tax positions of the Group are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are deemed by management to be unlikely to be sustained if challenged by the tax authorities, based on its interpretation of tax laws that have been enacted or substantively enacted at the reporting date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

3.19 Revenue recognition

Revenue from the sale of goods (primarily coke products, pig iron, chrome and powder metallurgy products) is measured at the fair value of the consideration received or to be received, net of value-added tax, custom duties, rebates and discounts. Amounts billed to customers for shipping and handling costs are included in revenue where the Group is responsible for carriage, insurance and freight. All shipping and handling costs incurred by the Group are recognised as distribution costs. A significant portion of products is sold under one-year contracts with prices determined for each shipment. Revenues are recognised on individual sales when pervasive evidence exists that all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

These conditions are generally satisfied when title passes to the customer. In most cases, this is when the product is dispatched to the customer.

3.20 Share capital and reserves

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as a share premium in equity.

Treasury shares

The Company's shares reacquired by the Company or any of its subsidiaries (treasury shares) are deducted from equity in the amount of the consideration paid until further cancellation or reissue. Where such shares are subsequently reissued or resold, the consideration received is recognised directly in equity. Any gain or loss arising from these transactions is recognised in the consolidated statement of changes in equity.

Revaluation reserve

The revaluation reserve includes the fair value adjustments of available-for-sale financial assets. Also, prior to adoption of IFRS 3(R), revaluation of assets held by associates, where control was subsequently obtained and fair value adjustments were performed as of the date of obtaining control, was recorded in the revaluation reserve. During the period of control, the Group transfers the revaluation reserve directly to retained earnings in proportion to the depreciation of property, plant and equipment of the subsidiary. When control over the subsidiary is lost, the Group transfers the remaining revaluation surplus related to the subsidiary directly to retained earnings.

Currency translation reserve

The currency translation reserve was created following the consolidation of entities, whose functional currency is not the Russian rouble.

3 Summary of significant accounting policies (continued)

3.21 Segment reporting

An operating segment is a component of the Group that:

(a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the Group's other components; (b) whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

4 Adoption of new or revised standards and interpretations

The following new standards and interpretations became effective for the Group from 1 January 2014:

- *"Offsetting Financial Assets and Financial Liabilities" – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amended standard did not have a material impact on the Group.*
- *"Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amended standards did not have a material impact on the Group.*
- *IFRIC 21, "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation did not have a material impact on the Group.*
- *Amendments to IAS 36, "Recoverable Amount Disclosures for Non-Financial Assets" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amended standard did not have a material impact on the Group.*
- *Amendments to IAS 39, "Novation of Derivatives and Continuation of Hedge Accounting" (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014). The amended standard did not have a material impact on the Group.*

Certain new standards and interpretations have been issued that are mandatory for annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

- *IFRS 9, "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018).*
- *Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below).*
- *Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).*
- *"Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11" (issued on 6 May 2014 and effective for periods beginning on or after 1 January 2016).*
- *"Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38" (issued on 12 May 2014 and effective for periods beginning on or after 1 January 2016).*
- *IFRS 15, "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for periods beginning on or after 1 January 2017).*
- *"Equity Method in Separate Financial Statements – Amendments to IAS 27" (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).*
- *"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28" (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).*
- *"Annual Improvements to IFRSs 2014" (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).*
- *"Disclosure Initiative Amendments to IAS 1" (issued in December 2014 and effective for annual periods on or after 1 January 2016).*
- *"Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28" (issued in December 2014 and effective for annual periods on or after 1 January 2016).*

The Group is currently assessing the impact of the new standards and the amendments on its financial statements.

5 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 consolidated financial statements and estimates that could cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include the following:

5.1 Going concern

Management prepared these consolidated financial statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group (Note 2).

5.2 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 lives of such assets. If management's estimates of useful lives were to decrease by 10%, loss before income tax for the year ended 31 December 2014 would increase by RR 302 million (2013: loss before income tax would increase by RR 235 million). An increase in useful lives by 10% would result in a decrease of loss before income tax for the year ended 31 December 2014 by RR 247 million (2013: decrease of loss before income tax by RR 193 million).

6 Segment information

The Group operates as a vertically integrated business. The 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, estimating results and distributing resources, relying on internal financial information prepared using IFRS principles. The Group's management has determined the following operating segments based on nature of production:

- 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 the 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;
- Management services rendered to the Coke, Ore & Pig Iron and Polema segments.

Segment revenue and segment results include transfers between operating segments. Analysis of revenue generated from external sales by products and services are included in Note 23.

(in RR, tabular amounts in millions of RR unless stated otherwise)

6 Segment information (continued)

The Group's management assesses the performance of operating segments based on revenue, a measure of adjusted EBITDA, assets and liabilities.

	Coal	Coke	Ore & Pig Iron	Polema	IMT	Other	Total
Year ended 31 December 2014							
Inter-segment revenue	6,157	9,351	87	3	-	872	**16,470**
External revenue	2,170	10,474	33,103	1,486	-	-	**47,233**
Segment revenue, total	**8,327**	**19,825**	**33,190**	**1,489**	**-**	**872**	**63,703**
Adjusted EBITDA	**859**	**2,838**	**7,467**	**161**		**167**	**11,492**
Year ended 31 December 2013					-		
Inter-segment revenue	5,034	9,652	454	5	-	828	**15,973**
External revenue	1,778	10,016	27,651	1,125	2,454	12	**43,036**
Segment revenue, total	**6,812**	**19,668**	**28,105**	**1,130**	**2,454**	**840**	**59,009**
Adjusted EBITDA	**1,097**	**1,570**	**3,681**	**62**	**132**	**53**	**6,595**

There are no reconciling items between external revenue of operating segments and total revenue in the consolidated statement of profit or loss.

The reconciliation between (loss)/profit before income tax and adjusted EBITDA by segment is as follows:

	Coal	Coke	Ore & Pig Iron	Polema	IMT	Other	Total
Year ended 31 December 2014							
(Loss)/profit before income tax	(6,404)	(6,045)	3,274	216	-	157	**(8,802)**
Amortisation and depreciation	1,361	323	1,259	53	-	21	**3,017**
Finance income	(5)	(158)	(155)	(2)	-	(3)	**(323)**
Inter-segment interest income	-	(254)	(177)	(3)	-	-	**(434)**
Interest expense	598	1,197	172	-	-	-	**1,967**
Inter-segment interest expense	332	89	3	-	-	10	**434**
Impairment of property, plant and equipment and intangible assets	856	-	-	-	-	-	**856**
Impairment of goodwill	89	-	-	-	-	-	**89**
Loss arising on revaluation of derivative financial instruments, net	-	137	246	-	-	-	**383**
Loss/(gain) on disposal of investment in subsidiary	5	(99)	-	-	-	(18)	**(112)**
Exchange loss/(gain), net	4,027	7,648	2,845	(103)	-	-	**14,417**
Total adjusted EBITDA	859	2,838	7,467	161	-	167	**11,492**
Year ended 31 December 2013							
(Loss)/profit before income tax	(1,604)	(2,288)	1,921	13	61	14	**(1,883)**
Amortisation and depreciation	787	321	1,223	57	2	31	**2,421**
Finance income	(4)	(47)	(36)	(1)	-	(2)	**(90)**
Inter-segment interest income	-	(125)	(33)	-	-	-	**(158)**
Interest expense	443	1,530	200	-	1	-	**2,174**
Inter-segment interest expense	126	22	-	-	-	10	**158**
Impairment of property, plant and equipment and intangible assets	1,283	-	96	-	-	-	**1,379**
Loss on disposal of ownership share in SIJ	-	1,227	-	-	-	-	**1,227**
Loss arising on revaluation of derivative financial instruments, net	-	212	-	-	-	-	**212**
Exchange loss/(gain), net	66	718	310	(7)	68	-	**1,155**
Total adjusted EBITDA	1,097	1,570	3,681	62	132	53	**6,595**

Adjusted EBITDA analysed by the CODM is defined as (loss) / profit before income tax adjusted for, exchange (losses) / gain, finance income, interest expenses and other finance expenses, depreciation, amortisation and impairment, any extraordinary gains and losses.

(in RR, tabular amounts in millions of RR unless stated otherwise)

6 Segment information (continued)

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.

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

Segment assets and liabilities as at 31 December 2014 and 2013 and capital expenditures for the years ended 31 December 2014 and 2013 are presented below:

	Coal	Coke	Ore & Pig Iron	Polema	IMT	Other	Total
At 31 December 2014							
Segment assets	19,536	17,106	29,174	1,416	-	1,083	**68,315**
Segment liabilities	21,857	27,050	11,873	277	-	253	**61,310**
Capital expenditures for the year ended 31 December 2014	3,981	280	2,407	53	-	136	**6,857**
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 year ended 31 December 2013	4,452	200	2,012	44	-	71	**6,779**

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

	At 31 December 2014	At 31 December 2013
Segment assets	**68,315**	**64,107**
Items not included in segment assets		
Goodwill	4,497	4,586
Deferred income tax asset	2,444	504
Other non-current assets	114	76
Elimination of inter-segment balances	(13,059)	(11,337)
Total assets	**62,311**	**57,936**

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

	At 31 December 2014	At 31 December 2013
Segment liabilities	**61,310**	**46,701**
Items not included in segment liabilities		
Provision for restoration liability	173	175
Deferred income tax liability	2,146	2,189
Taxes payable	758	825
Elimination of inter-segment balances	(13,059)	(11,337)
Total liabilities	**51,328**	**38,553**

The reconciliation between the capital expenditures of operational segments and total additions of property, plant and equipment as described in note 7 is presented below:

	Year ended 31 December 2014	Year ended 31 December 2013
Segment capital expenditures	**6,857**	**6,779**
Additions of intangible assets (note 8)	96	6
Additions of property, plant and equipment (note 7)	6,761	6,773

(in RR, tabular amounts in millions of RR unless stated otherwise)

6 Segment information (continued)

Information about geographical areas

The following table presents revenues from external customers:

	Year ended 31 December 2014	Year ended 31 December 2013
Total sales:	**47,233**	**43,036**
Russia	13,213	12,559
Switzerland	29,358	24,663
Ukraine	2,804	2,038
Belarus	634	397
Germany	314	167
Taiwan	187	136
USA	147	207
Other	576	2,869

Revenue from the largest customer of the Group's Coke and Ore & Pig Iron segments, which is a related party, represented RR 29,229 million of the Group's total revenues in 2014 (2013: RR 24,331 million).

The following table presents information about the Group's non-current assets (different from financial instruments, deferred income tax asset, investment in joint venture and other non-current assets) located in the Russian Federation and abroad:

	At 31 December 2014	At 31 December 2013
Russian Federation	47,913	46,362
Foreign countries	7	7
Total non-current assets	**47,920**	**46,369**

7 Property, plant and equipment

	Land	Buildings	Installations	Plant and equipment	Transport vehicles	Construction in progress	Other	Total
Cost at 31 December 2013	**662**	**5,619**	**17,658**	**11,839**	**1,885**	**14,055**	**168**	**51,886**
Additions	22	121	1,034	1,287	94	4,184	19	**6,761**
Transfers	-	705	1,711	740	7	(3,183)	20	**-**
Disposals	(2)	(169)	(3,048)	(1,033)	(65)	(615)	(8)	**(4,940)**
Disposal through sale of subsidiary	-	(12)	(5)	(14)	(10)	-	-	**(41)**
Effect of changes in exchange rates	-	-	-	2	-	-	3	**5**
Cost at 31 December 2014	**682**	**6,264**	**17,350**	**12,821**	**1,911**	**14,441**	**202**	**53,671**
Accumulated depreciation and impairment at 31 December 2013	**-**	**(1,150)**	**(7,287)**	**(5,755)**	**(950)**	**(451)**	**(121)**	**(15,714)**
Depreciation charges	-	(269)	(1,560)	(1,440)	(238)	2	(17)	**(3,522)**
Accumulated depreciation and impairment related to disposals	-	152	2,850	813	53	508	8	**4,384**
Accumulated depreciation related to sale of subsidiary	-	5	4	10	8	-	-	**27**
Impairment	-	(7)	(570)	(31)	(1)	(111)	(1)	**(721)**
Accumulated depreciation and impairment at 31 December 2014	**-**	**(1,269)**	**(6,563)**	**(6,403)**	**(1,128)**	**(52)**	**(131)**	**(15,546)**
Net book value at 31 December 2013	**662**	**4469**	**10,371**	**6,084**	**935**	**13,604**	**47**	**36,172**
Net book value at 31 December 2014	**682**	**4,995**	**10,787**	**6,418**	**783**	**14,389**	**71**	**38,125**

(in RR, tabular amounts in millions of RR unless stated otherwise)

7 Property, plant and equipment (continued)

	Land	Buildings	Installations	Plant and equipment	Transport vehicles	Construction in progress	Other	Total
Cost at 31 December 2012	**656**	**4,915**	**13,892**	**10,146**	**2,089**	**13,994**	**175**	**45,867**
Additions	6	66	1,192	948	108	4,447	6	**6,773**
Transfers	-	676	2,615	1,063	11	(4,363)	(2)	-
Disposals	-	(38)	(41)	(318)	(323)	(23)	(6)	**(749)**
Disposal through sale of subsidiary	-	-	-	-	-	-	(5)	**(5)**
Cost at 31 December 2013	**662**	**5,619**	**17,658**	**11,839**	**1,885**	**14,055**	**168**	**51,886**
Accumulated depreciation and impairment at 31 December 2012	**-**	**(870)**	**(5,450)**	**(4,645)**	**(878)**	**-**	**(109)**	**(11,952)**
Depreciation charges	-	(217)	(1,083)	(1,447)	(246)	-	(23)	**(3,016)**
Accumulated depreciation related to disposals	-	14	25	359	174	-	6	**578**
Accumulated depreciation related to sale of subsidiary	-	-	-	-	-	-	5	**5**
Impairment	-	(77)	(779)	(22)	-	(451)	-	**(1,329)**
Accumulated depreciation and impairment at 31 December 2013	**-**	**(1,150)**	**(7,287)**	**(5,755)**	**(950)**	**(451)**	**(121)**	**(15,714)**
Net book value at 31 December 2012	**656**	**4,045**	**8,442**	**5,501**	**1,211**	**13,994**	**66**	**33,915**
Net book value at 31 December 2013	**662**	**4,469**	**10,371**	**6,084**	**935**	**13,604**	**47**	**36,172**

In April 2014, the Group's management decided that further production activities at the Kedrovsko-Krohalevskoe coal field (Vladimirskaya mine and Vladimirskaya-2 mine operated by ZAO Sibirskie Resursy, a subsidiary of the Group) were no longer economically feasible due to unfavourable geological conditions that could not have been foreseen. Following this decision, the Group's management decided to liquidate ZAO Sibirskie Resursy as well as terminate the relevant production licences early and carry out the action plans developed for liquidation of this subsidiary and conservation of the relevant mine. As a result, as at 31 December 2014 the Group recognised an impairment loss on the property, plant and equipment of ZAO Sibirskie Resursy in the amount of RR 744 million, intangible assets (coal mining licences) in the amount of RR 135 million (see note 8), goodwill in the amount of RR 89 million (see note 9), a deferred income tax asset in the amount of RR 192 million (see note 31), and obsolete inventories in the amount of RR 211 million, The remaining assets (property, plant and equipment in the amount of RR 32 million and inventory in the amount of RR 9 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's management plans to complete all major actions related to the liquidation of ZAO Sibirskie Resursy within one year following the relevant decision and does not expect that the Group will incur any significant expenses associated with this liquidation in addition to those already recognised in these consolidated financial statements.

Based on an analysis of a feasibility study for the further development of the Abramovsky area of the Glushinsky coal field (Romanovskaya-1 mine of OOO Gornyak), which was prepared in 2013, the Group's management decided in November 2013 that further production activities at this mine were no longer economically feasible due to unfavourable geological conditions that could not have been foreseen. Following this decision, the Group's management decided to liquidate OOO Gornyak as well as terminate the relevant production licence early and carry out the action plans developed for liquidation of this subsidiary and conservation of the relevant mine. As a result, at 31 December 2013 the Group recognised an impairment loss on the property, plant and equipment of OOO Gornyak in the amount of RR 1,208 million, intangible assets (coal mining licence) in the amount of RR 50 million (see note 8) and a deferred income tax asset in the amount of RR 299 million (see note 31).

In addition, as at 31 December 2014 the Group recognised an impairment loss on certain facilities on which construction has been halted and which will not be used in the Group's production activities in accordance with the management's plans, in the amount of RR 2 million (2013: RR 121 million). In 2014 the Group recovered loss on certain facilities in the amount of RR 25 million (2013: RR 0 million).

(in RR, tabular amounts in millions of RR unless stated otherwise)

7 Property, plant and equipment (continued)

During the year ended 31 December 2014, a depreciation expense of RR 2,555 million (2013: RR 1,987 million) was included in the cost of products sold, a depreciation expense of RR 188 million (2013: RR 154 million) was included in general and administrative expenses, and a depreciation expense of RR 779 million (2013: RR 875 million) was capitalised.

Additions of property, plant and equipment during the year ended 31 December 2014 include capitalised borrowing cost of RR 611 million (2013: RR 285 million). Borrowing costs included foreign exchange losses from financing activities in the amount of RR 72 million for the year ended 31 December 2014 (2013: nil). The capitalisation rate used to determine the amount of capitalised interest, excluding the effects of capitalised foreign exchange losses, was 8.6%-9.2% (2013: 8.9%).

8 Other intangible assets

Movements of other intangible assets are provided below:

	Year ended 31 December 2014	Year ended 31 December 2013
Cost as at the beginning of the year	7,493	7,487
Accumulated amortisation and impairment	(1,882)	(1,552)
Net book value as at the beginning of the year	**5,611**	**5,935**
Additions	96	6
Amortisation charge	(274)	(280)
Impairment loss (note 7)	(135)	(50)
Net book value at the end of the year	**5,298**	**5,611**
Cost as at the end of the year	7,589	7,493
Accumulated amortisation and impairment	(2,291)	(1,882)

Information on the carrying amount of each significant individual intangible asset is provided below:

	Carrying amount	
	At 31 December 2014	At 31 December 2013
Licence to produce ferruginous quartzite from the Korobkovsky mine	3,016	3,289
Coal mining licence for the Nikitinsky-2 coal basin	2,041	2,041
Licence for underground coal mining at the Kedrovsko-Krohalevskoe coal field (Vladimirskaya-2 mine)	-	135
Licence for coal mining at the Koksoviy basin (Glubokiy)	88	-
Other	153	146
Total	**5,298**	**5,611**

The coal mining licence for the Nikitinsky-2 coal basin is not being amortised as the basin is not ready for use and mining has not commenced there. Impairment testing of the licence was performed as of 31 December 2014 and 2013.

Testing coal mining licence for impairment

The licence for the Nikitinsky-2 coal basin is intended to be used ultimately for coal mining and supplying the Group with coal. However, given that an active market exists for the coal that will be produced under the licence terms, for the purpose of impairment testing the licence was included in the group of those mining assets under construction at Nikitinsky-2 that are not ready yet for use or sale.

The recoverable amount of the group of mining assets under construction was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period starting from 2015 (mining is planned to begin in 2018). Cash flows beyond 2020 are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term growth rate for the relevant sector of the economy.

(in RR, tabular amounts in millions of RR unless stated otherwise)

8 Other intangible assets (continued)

Assumptions used in the value-in-use calculations include:

	31 December 2014	**31 December 2013**
Long-term growth rate	3% p.a.	3% p.a.
Pre-tax discount rate	18.0% p.a.	18.0% p.a.

Management determined a cash operating return based on past performance and its market expectations. The long-term growth rates used are consistent with forecasts in industry reports.

The value-in-use amount calculated as of 31 December 2014 (as well as of 31 December 2013) on the basis of the above assumptions for the group of mining assets under construction exceeds its book value. Consequently, management concluded that there is no impairment at these dates.

9 Goodwill

Movement of goodwill arising on acquisition of subsidiaries is provided below:

	Note	**Year ended 31 December 2014**	**Year ended 31 December 2013**
Gross book value at the beginning of the year		**6,222**	**6,222**
Accumulated impairment		(1,636)	(1,636)
Net book value as at the beginning of the year		**4,586**	**4,586**
Impairment of ZAO Sibirskie Resursy	7	(89)	-
Net book value at the end of the year		**4,497**	**4,586**
Gross book value at the end of the year		6,222	6,222
Accumulated impairment		(1,725)	(1,636)

Testing goodwill for impairment

Goodwill is allocated to the following cash-generating units (CGUs), which represent the lowest level within the Group at which goodwill is monitored by management and which are not larger than a segment:

	At 31 December 2014	**At 31 December 2013**
OAO Kombinat KMA Ruda	2,223	2,223
OAO Tulachermet	1,248	1,248
OAO Polema	980	980
ZAO Sibirskie Resursy	-	89
ZAO Krontif-Centre	46	46
Total net book value of goodwill	**4,497**	**4,586**

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period through 2019 inclusive (2013: a five-year period through 2018 inclusive). Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term growth rate for the sector of the economy in which the relevant CGU operates.

Assumptions used in the value-in-use calculations include:

	31 December 2014	**31 December 2013**
Long-term growth rate	3% p.a.	3% p.a.
Pre-tax discount rate for OAO Kombinat KMA Ruda	14.0% p.a.	16.0% p.a.
Pre-tax discount rate for OAO Tulachermet	15.0% p.a	15.0% p.a.
Pre-tax discount rate for OAO Polema	18.3% p.a	18.3% p.a.

Management determined a cash operating return based on past performance and its market expectations. The long-term growth rates used are consistent with forecasts in industry reports.

(in RR, tabular amounts in millions of RR unless stated otherwise)

9 Goodwill (continued)

The value-in-use amount calculated as of 31 December 2014 (as well as of 31 December 2013) on the basis of the above assumptions for all CGUs exceeds the book value of assets (including allocated goodwill) except for ZAO Sibirskie Resursy, for which goodwill was impaired in 2014 in the full amount. Consequently, management concluded there is no impairment for other goodwill in 2014 and 2013. Management believes that a reasonable change in the pre-tax discount rate in 2014 and 2013 would not impair other goodwill.

10 Investment in joint venture

In 2014, OAO Tulachermet, a subsidiary of the Group, established a joint venture OOO Tulachermet-Stal together with OOO Stal and DILON Cooperatief U.A., the Group's related parties. The entity is located in Russia. The principal activity of the entity will be steel production. As at 31 December 2014, each participant owned a 33.33% stake in the joint venture.

The summarised financial information for OOO Tulachermet-Stal as at 31 December 2014 is as follows:

	31 December 2014
Current assets	180
Non-current assets	2,148
Current liabilities	(195)
Non-current liabilities	(2,012)
Profit for the period	4

Carrying amount of the Group's share in net assets of the joint venture as at 31 December 2014 is RR 40 million.

11 Other non-current assets

	At 31 December 2014	**At 31 December 2013**
Long-term interest receivable on loans issued to related parties	100	440
Long-term accounts receivable from shareholders for available-for-sale financial assets	-	274
Other long-term accounts receivable	58	71
Other financial assets	68	70
Total financial assets	**226**	**855**
Other	6	6
Total non-financial assets	**6**	**6**
Total other non-current assets	**232**	**861**

12 Inventories

	At 31 December 2014	**At 31 December 2013**
Raw materials, materials and supplies held for production purposes	3,223	3,142
Work in progress	342	302
Finished goods	396	322
Total inventories	**3,961**	**3,766**

Materials and supplies held for production purposes are recorded at net realisable value, net of provision for impairment, which amounted to RR 42 million as at 31 December 2014 (31 December 2013: RR 26 million).

13 Current loans issued

	At 31 December 2014	**Interest rate**	**At 31 December 2013**	**Interest rate**
Loans issued to third parties and denominated in Russian roubles	59	12-13.75%	6	10.0%
Loans issued to related parties and denominated in euros (note 33)	-	-	854	6.0%
Loans issued to related parties and denominated in Russian roubles (note 33)	-	-	13	7.8%
Total current loans issued	**59**		**873**	

(in RR, tabular amounts in millions of RR unless stated otherwise)

14 Non-current loans issued

	At 31 December 2014	Interest rate	At 31 December 2013	Interest rate
Loans issued to related parties and denominated in Russian roubles (note 33)	1,999	11.25%	-	-
Loans issued to related parties and denominated in euros with maturity in 2018 (note 33)	312	2.7%	1,574	2.7%
Total non-current loans issued	**2,311**		**1,574**	

15 Trade and other receivables and advances issued

	At 31 December 2014	At 31 December 2013
Trade receivables (net of impairment amounting to RR 2 million as at 31 December 2014; RR 1 million as at 31 December 2013)	1,840	891
Trade receivables from related parties	144	79
Taxes receivable	59	79
Other accounts receivable (net of impairment amounting to RR 49 million as at 31 December 2014; RR 51 million as at 31 December 2013)	275	253
Other accounts receivable from related parties (net of impairment amounting to RR 1 million as at 31 December 2014; RR 1 million as at 31 December 2013)	19	19
Interest on loans issued to related parties (net of impairment amounting to RR 7 million as at 31 December 2014; RR 7 million as at 31 December 2013)	74	24
Total trade and other receivables	**2,411**	**1,345**
Advances issued	442	442
Less impairment	(7)	(5)
Total advances issued	**435**	**437**

16 Cash and cash equivalents

	At 31 December 2014	At 31 December 2013
RR-denominated cash in hand and bank balances	60	25
Bank balances denominated in foreign currencies	795	478
Total cash and cash equivalents	**855**	**503**

No bank balances are past due or impaired. The analysis of the credit quality of bank balances is as follows*:

	At 31 December 2014	At 31 December 2013
A to AAA rated	35	469
BBB rated	101	27
BBB- rated	713	5
Unrated	2	1
Total**	**851**	**502**

* Based on the credit ratings of independent rating agency Fitch Ratings as at 15 January 2015 and 15 January 2014.
** The rest of the statement of financial position item 'cash and cash equivalents' is cash on hand.

17 Share capital

As of 31 December 2014 and 2013, the Company's share capital (authorised, issued and paid in) totalled RR 213 million. The share capital consisted of 330,046,400 ordinary shares with a par value of RR 0.10 per share as of 31 December 2014 and 31 December 2013. As of 31 December 2014 and 31 December 2013, the share capital included a hyperinflationary adjustment totalling RR 180 million, which was calculated in accordance with the requirements of IAS 29, "Financial Reporting in Hyperinflationary Economies", and relates to reporting periods prior to 1 January 2003.

In June 2010, a subsidiary of the Group acquired 26,000,278 of the Company's shares from its shareholders for RR 5,928 million. These shares are classified as treasury shares and were deducted from equity at cost.

(in RR, tabular amounts in millions of RR unless stated otherwise)

18 Retained earnings

The Company's Russian statutory financial statements serve as the basis for its profit distribution and other appropriations. Under Russian law, the basis of distribution is defined as a company's net profit. The net loss recognised in the Company's published Russian statutory financial statements for the year ended 31 December 2014 was RR 6,175 million (2013: net loss – RR 2,590 million), and the accumulated profit after dividends as at 31 December 2014 was equal to RR 1,351 million (31 December 2013: RR 8,381 million). However, the relevant legislation and other statutes and regulations governing profit distribution are open to legal interpretation and, thus, management believes that at present it would not be appropriate to disclose the amount for distributable reserves in these consolidated financial statements.

During 2014 dividends were declared in the amount of RR 858 million (RR 2.60 per share) including dividends for treasury shares of RR 67 million. During 2013 no dividends were declared.

19 Provision for restoration liability

The table below summarises movements in the provision for restoration liability:

	Year ended 31 December 2014	Year ended 31 December 2013
Balance at the beginning of the year	**175**	**152**
Additional provision	-	17
Restoration costs during the year	(2)	(3)
Accretion of restoration liability	20	13
Decrease in provision for restoration liability due to change of estimates	(20)	(4)
Balance at the end of the year	**173**	**175**
Less current part of the provision	(32)	(45)
Long-term part of the provision for restoration liability as at the end of the year	**141**	**130**

A provision for restoration liability in the amount of RR 173 million as of 31 December 2014 (RR 175 million as of 31 December 2013) was recorded for the net present value of the estimated future obligation to restore land around the Vakhrusheva, Vladimirskaya, Romanovskaya and Butovskaya coal mines.

Management has estimated the restoration liability through 2022 based on their interpretation of the licence agreements and environmental legislation, and in accordance with IAS 37, "Provisions, Contingent Liabilities And Contingent Assets". The discount rate used to calculate the net present value of the restoration liability was 11.5% at 31 December 2014 and 8% at 31 December 2013, which is an adjusted risk free rate for the Group at the reporting dates. The related asset of RR 105 million as of 31 December 2014 (31 December 2013: RR 139 million) was recorded as installations within property, plant and equipment at the net book value.

20 Borrowings and bonds

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

Loans and borrowings by type may be analysed as follows:

	At 31 December 2014	Interest rate	At 31 December 2013	Interest rate
USD-denominated bank loans, fixed	4,025	3%-10%	4,286	2.6%-3.8%
RR-denominated bank loans, fixed	3,789	2.5%-20%	-	-
Other RR-denominated borrowings, fixed	5	8.5%	5	8.5%
RR-denominated bank overdraft, fixed	-		141	7.5%-7.75%
Total short-term borrowings and current portion of long-term borrowings	**7,819**		**4,432**	

As at 31 December 2014 and 31 December 2013, there were no short-term borrowings secured by Group assets, except for current portion of long-term borrowings in the amount of RR 1,582 million as at 31 December 2014.

(in RR, tabular amounts in millions of RR unless stated otherwise)

20 Borrowings and bonds (continued)

Long-term borrowings

	At 31 December 2014	Interest rate	At 31 December 2013	Interest rate
USD-denominated bank loans, fixed	8,233	7.6%-9.15%	-	
RR-denominated bank loans, fixed	5,925	10.65%-15%	7,432	2.5%-10.65%
Total long-term borrowings	**14,158**		**7,432**	

As at 31 December 2014, long-term borrowings of RR 10,150 million (31 December 2013: RR 7,432 million) were secured by Group assets. As separate loan agreements do not specify individual pledged assets, the carrying amount of pledged assets is not disclosed in these consolidated financial statements.

Borrowings of the Group are due for repayment as follows:

	At 31 December 2014	At 31 December 2013
Borrowings to be repaid		
- within one year	7,819	4,432
- between one and five years	11,847	4,503
- after five years	2,311	2,929
Total borrowings	**21,977**	**11,864**

As at 31 December 2014, the Group had undrawn borrowing facilities in the amount of RR 16,734 million, including long-term facilities in the amount of 10,862 RR (as at 31 December 2013: RR 28,527 million, including a long-term facilities of RR 27,489 million).

Movements in borrowings are analysed as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Short-term borrowings:		
Balance at the beginning of the year	**4,432**	**5,730**
Borrowings received	18,644	13,366
Borrowings repaid	(21,322)	(15,287)
Reclassification of borrowings	1,940	227
Bank overdrafts received	10,778	7,839
Bank overdrafts repaid	(10,918)	(7,935)
Effect of changes in exchange rates	4,265	492
Balance at the end of the year	**7,819**	**4,432**
Long-term borrowings:		
Balance at the beginning of the year	**7,432**	**6,955**
Borrowings received	4,955	2,113
Borrowings repaid	-	(1,443)
Effect of changes in exchange rates	2,234	34
Loss on conversion of RR denominated loans to USD	1,477	-
Reclassification of borrowings	(1,940)	(227)
Balance at the end of the year	**14,158**	**7,432**

On 11 October 2014, the principal amount of certain RR-denominated bank loans totalling RR 4,900 million was converted to USD at an exchange rate of RR 30.9/USD 1 in accordance with the terms of the relevant loan agreements, under which the principal amount of these loans was subject to conversion into USD on the date following the date when the exchange rate reached RR 40 / USD 1. The loss on this conversion totalling RR 1,477 million was recognised within finance expenses.

5 billion (series BO-02) bonds:

In June 2011, the Group issued bonds with a three-year maturity and a value of RR 5 billion (series BO-02 bonds). These bonds had an annual interest rate of 8.7%, payable every six months.

In November 2013, the Group repurchased 518,534 bonds for a total transaction amount of RR 507 million.

(in RR, tabular amounts in millions of RR unless stated otherwise)

20 Borrowings and bonds (continued)

As at 31 December 2013, the carrying value of the bonds was RR 4,515 million, net of transaction costs of RR 21 million, and was disclosed as a current liability. In May 2014 these bonds were repaid.

Eurobonds:

On 23 June 2011, the Group issued 350,000,000 eurobonds for a total amount of USD 350 million at a coupon rate of 7.75% through its structured entity, Koks Finance Ltd. The coupons are payable semi-annually. In November-December 2011, the Group repurchased 34,000,000 of these eurobonds for USD 31 million. In February 2013, the Group sold 18,000,000 of the repurchased eurobonds for USD 17.6 million. In July-August 2013, the Group then repurchased 4,000,000 eurobonds for USD 3.8 million. In March 2014, the Group repurchased 2,979,000 eurobonds for USD 2.7 million, and in October-December 2014 it repurchased 12,880,000 eurobonds for USD 11 million.

As at 31 December 2014, the carrying value of the eurobonds amounted to RR 17,575 million , net of transaction costs (including the current portion of the bonds, which is equal to RR 275 million).

As at 31 December 2013, the carrying value of the eurobonds was RR 10,695 million , net of transaction costs (including the current portion of the bonds, which is equal to RR 115 million).

As at 31 December 2014 and at 31 December 2013, the Group met the consolidated leverage ratio and other covenants.

21 Trade and other payables

		At 31 December 2014	At 31 December 2013
Financial liabilities			
Trade accounts payable		2,691	3,511
Bank interest payable		31	19
Dividends payable		4	530
Other accounts payable		99	131
Total financial liabilities		**2,825**	**4,191**
Non-financial liabilities			
Advances received	33	4,983	2,613
Wages and salaries payable		891	800
Total non-financial liabilities		**5,874**	**3,413**
Total trade and other payables		**8,699**	**7,604**

22 Other taxes payable

	At 31 December 2014	At 31 December 2013
VAT	317	504
Contributions to state pension and social insurance funds	203	126
Property tax	96	87
Individual income tax	64	55
Other taxes	13	20
Total taxes other than income tax payable	**693**	**792**

(in RR, tabular amounts in millions of RR unless stated otherwise)

23 Revenue

	Year ended 31 December 2014	Year ended 31 December 2013
Sales in Russia:		
Sales of coke and coking products	5,892	5,981
Sales of coal and coal concentrate	2,093	1,092
Sales of pig iron	1,802	2,150
Sales of cast-iron ware	1,553	1,310
Sales of powder metallurgy products	709	534
Sales of services	535	546
Sales of crushed pig iron and other pig iron products	303	324
Other sales	326	622
Total sales in Russia	**13,213**	**12,559**
Sales to other countries:		
Sales of pig iron	28,809	23,964
Sales of coke and coking products	4,394	4,616
Sales of powder metallurgy products	290	159
Sales of chrome	263	146
Sales of cast-iron ware	96	172
Sales of coal and coal concentrate	38	1,290
Other sales	130	130
Total sales to other countries	**34,020**	**30,477**
Total revenue	**47,233**	**43,036**

24 Cost of sales

	Year ended 31 December 2014	Year ended 31 December 2013
Raw materials and supplies	20,535	20,870
Wages and salaries including associated taxes	5,316	5,133
Depreciation of property, plant and equipment	2,555	1,987
Energy	1,260	1,197
Other expenses	559	346
Other services	266	591
Amortisation of intangible assets	274	280
Changes in finished goods and work in progress	(149)	438
Total of cost of sales	**30,616**	**30,842**

25 Taxes other than income tax

	Year ended 31 December 2014	Year ended 31 December 2013
Property tax	310	286
Mineral resources extraction tax	108	111
Land tax	108	151
Other taxes	72	49
Total taxes other than income tax	**598**	**597**

26 Distribution costs

	Year ended 31 December 2014	Year ended 31 December 2013
Transportation services	3,449	3,963
Other selling expenses	43	130
Total distribution costs	**3,492**	**4,093**

(in RR, tabular amounts in millions of RR unless stated otherwise)

27 General and administrative expenses

	Year ended 31 December 2014	Year ended 31 December 2013
Wages and salaries including associated taxes	2,337	2,218
Other purchased services	725	578
Depreciation of property, plant and equipment	188	154
Materials	102	92
Other	62	168
Total general and administrative expenses	**3,414**	**3,210**

28 Other operating (income)/expenses, net

	Year ended 31 December 2014	Year ended 31 December 2013
(Gain)/loss on disposal of property, plant and equipment	214	(29)
Charity payments	177	94
Impairment charge on accounts receivable	27	25
Exchange (gain)/loss, net	(449)	92
Other	(10)	14
Other operating (income)/expenses, net	**(41)**	**196**

29 Finance income

	Year ended 31 December 2014	Year ended 31 December 2013
Financial foreign exchange gain on loans issued and interest accrued on loans issued	980	245
Interest income	212	90
Unwinding of discount on long-term accounts receivable	111	-
Total finance income	**1,303**	**335**

30 Finance expenses

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Financial foreign exchange loss on bonds issued and interest accrued on bonds issued		7,930	805
Financial foreign exchange loss on loans received and interest accrued on loans received		6,427	481
Interest expense		1,967	2,174
Loss on conversion of RR-denominated loans to USD-denominated	20	1,477	-
Loss arising on revaluation of derivative financial instruments	34, 36	383	212
Financial foreign exchange loss on deposits		12	22
Total finance expenses		**18,196**	**3,694**

31 Income tax (benefit)/expense

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

	Year ended 31 December 2014	Year ended 31 December 2013
Current income tax expense	901	497
Withholding tax	-	1
Deferred income tax (benefit)/expense	(2,002)	55
Income tax (benefit)/expense	**(1,101)**	**553**

(in RR, tabular amounts in millions of RR unless stated otherwise)

31 Income tax (benefit)/expense (continued)

The income tax rate applicable to the Group's subsidiaries incorporated in Russia is 20% (2013: 20%). A reconciliation between the expected and the actual taxation charge is provided below.

	Year ended 31 December 2014	Year ended 31 December 2013
Loss before income tax	**(8,802)**	**(1,883)**
Theoretical tax at statutory rate	(1,760)	(377)
Impairment of deferred tax asset (note 7)	192	299
Tax effect of items that are not tax deductible/exempt:		
Impairment of property, plant and equipment and intangible assets (notes 7, 8)	176	252
Loss on disposal of ownership share in SIJ	-	245
Charity payments	35	19
Interest expenses	33	71
Accrual of provision for obsolete inventory and property, plant and equipment	84	0
Other non-deductible expenses, net	132	43
Withholding tax	7	1
Total income tax (benefit)/expense	**(1,101)**	**553**

	As of 31 December 2013	Charged to profit or loss	Charged to other comprehensive income	As of 31 December 2014
Deferred income tax liabilities				
Property, plant and equipment	1,897	45		1,942
Intangible assets	1,013	(64)		949
Inventories	95	(2)		93
Borrowings	31	12	19	62
Accounts receivable	10	4		14
Other	7	(2)		5
Gross deferred income tax liabilities	**3,053**	**(7)**	**19**	**3,065**
Deferred income tax assets				
Losses carried forward	(1,055)	(2,056)		(3,111)
Inventories	(92)	20		(72)
Accounts payable	(82)	(11)		(93)
Derivative financial instruments	(79)	30		(49)
Provision for restoration liability	(32)	3		(29)
Accounts receivable	(3)	1		(2)
Other	(25)	18		(3)
Gross deferred income tax assets	**(1,368)**	**(1,995)**		**(3,363)**
Net deferred income tax liabilities/(assets)	**1,685**	**(2,002)**	**19**	**(298)**

(in RR, tabular amounts in millions of RR unless stated otherwise)

31 Income tax (benefit)/expense (continued)

	As of 31 December 2012	Charged to profit or loss	Charged to other comprehensive income	As of 31 December 2013
Deferred income tax liabilities				
Property, plant and equipment	1,968	(71)	-	1,897
Accounts payable	3	(3)	-	-
Intangible assets	1,067	(54)	-	1,013
Inventories	27	68	-	95
Borrowings	28	3	-	31
Accounts receivable	-	10	-	10
Available-for-sale financial assets	114	-	(114)	-
Other	2	5	-	7
Gross deferred income tax liabilities	**3,209**	**(42)**	**(114)**	**3,053**
Deferred income tax assets				
Provision for restoration liability	(26)	(6)	-	(32)
Property, plant and equipment	(187)	187	-	-
Losses carried forward	(1,050)	(5)	-	(1,055)
Inventories	(74)	(18)	-	(92)
Accounts receivable	(2)	(1)	-	(3)
Derivative financial instruments	(21)	(58)	-	(79)
Accounts payable	(86)	4	-	(82)
Available-for-sale financial assets	(1)	1	-	-
Other	(20)	(5)	-	(25)
Gross deferred income tax assets	**(1,467)**	**99**	**-**	**(1,368)**
Net deferred income tax liabilities/(assets)	**1,742**	**57**	**(114)**	**1,685**

	31 December 2014	31 December 2013
Deferred income tax asset	(2,444)	(504)
Deferred income tax liability	2,146	2,189
Net deferred income tax (asset)/liability	**(298)**	**1,685**

Tax (expense)/benefit relating to components of other compehensive income for the years ended 31 December 2014 and 2013 is as follows:

	Year ended 31 December 2014			Year ended 31 December 2013		
	Before tax	Tax expense	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Exchange differences on translating foreign operations	116	(19)	97	40	(2)	38
Loss arising on revaluation of available-for-sale financial assets during the year, net	-	-	-	(1,795)	359	(1,436)
Loss arising on revaluation of available-for-sale financial assets reclassified to profit or loss upon their disposal	-	-	-	1,227	(245)	982
Other comprehensive income/((loss)	**116**	**(19)**	**97**	**(528)**	**112**	**(416)**

Deferred taxes in respect of subsidiaries

As of 31 December 2014, the Group did not record deferred tax liabilities for taxable temporary differences of RR 325 million (31 December 2013: RR 266 million) related to investments in subsidiaries, as the Company is able to control the reversal of temporary differences and does not intend to realise them in the foreseeable future.

(in RR, tabular amounts in millions of RR unless stated otherwise)

32 Disposal of investment in subsidiary

On 22 December 2014, the Group sold a 100% interest in OOO Inertnik for RR 140 million paid in cash. OOO Inertnik was not a discontinued operation according to IFRS 5 as it did not represent a major line of business.

Total book value of net assets of OOO Inertnik	28
Gain on disposal of investment in subsidiary	112
Total compensation for the assets disposed of	**140**
Less: cash and cash equivalents held by the subsidiary	(3)
Proceeds from disposal of investment in subsidiary	**137**

33 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 that ultimately own and control the Company is disclosed in note 1.

Balances outstanding with related parties as of 31 December 2014:

	Companies under common control	**Ultimate shareholders**	**Joint venture**	**Total**
Trade and other receivables	144	-	-	144
Advances issued	154	-	-	154
Other accounts receivable	19	-	-	19
Loans issued (notes 13 and 14)	312	-	1,999	2,311
Interest on loans issued (including long-term loans)	115	-	59	174
Trade and other payables	(75)	-	-	(75)
Advances received	(4,597)	-	-	(4,597)
Loans received	(5)	-	-	(5)
Interest payable	(3)	-	-	(3)

Balances outstanding with related parties as of 31 December 2013:

	Companies under common control	**Ultimate shareholders**	**Joint venture**	**Total**
Trade and other receivables	79	-	-	79
Advances issued	139	-	-	139
Long-term accounts receivable from shareholders for available-for-sale financial assets	-	274	-	274
Other accounts receivable	19	-	-	19
Loans issued (notes 13 and 14)	2,441	-	-	2,441
Interest on loans issued (including long-term loans)	464	-	-	464
Trade and other payables	(65)	-	-	(65)
Advances received	(2,275)	-	-	(2,275)
Loans received	(5)	-	-	(5)
Dividends payable	-	(454)	-	(454)
Payables on treasury shares	-	(289)	-	(289)
Interest payable	(3)	-	-	(3)

(in RR, tabular amounts in millions of RR unless stated otherwise)

33 Balances and transactions with related parties (continued)

Transactions with companies under common control:

	Year ended 31 December 2014	Year ended 31 December 2013
Sales in Russia:		
Sales of services	337	302
Other sales	16	7
Sales to other countries:		
Sales of pig iron	28,212	22,805
Sales of coke and coking products	1,017	1,526
Other income:		
Interest income	152	64
Dividends	9	-
Purchase of goods and services:		
Purchase of raw materials and supplies	(302)	(313)
Transportation services	(1,399)	(98)
Other operating income, net	6	3

During the year ended 31 December 2014, the Group sold pig iron, coke and coking products to a related-party trader under common control for the amount of RR 29,229 million (year ended 31 December 2013: RR 24,331 million). As at 31 December 2014, the Group had an outstanding balance of advances received from this trader of RR 4,597 million (31 December 2013: 2,275 million).

Slovenska industrija jekla, d.d.

Slovenska industrija jekla, d.d. (SIJ) is an entity under common control with the Group. Certain members of the Group's management are also members of the Board of Directors of SIJ.

As at 31 December 2014, loans issued by the Group to SIJ totalled RR 312 million (31 December 2013: RR 2,428 million), including a long-term loan of RR 312 million with a maturity date in 2018 (31 December 2013: RR 1,574) (note 14) and a short-term loan of nil (31 December 2013: 854 million) (note 13). Interest receivable from SIJ as at 31 December 2014 totalled RR 100 million (31 December 2013: RR 440 million) (note 11).

Remuneration of key management personnel

Remuneration of key management personnel, included in general and administrative expenses in the consolidated statement of profit or loss, amounted to RR 380 million for the year ended 31 December 2014 (RR 364 million for the year ended 31 December 2013). All such payments are short-term employee benefits.
Such compensation was paid to 39 people for the year ended 31 December 2014 and 37 people for the year ended 31 December 2013.

Financial guarantees issued

The table below presents financial guarantees issued by the Group to financial institutions for the loans received by the company under common control:

	31 December 2014	31 December 2013
Financial guarantees issued	-	1,354

34 Derivative financial instruments

On 7 July 2011, the Group entered into a currency and interest rate swap contract maturing on 23 May 2014 to be settled net in cash. The currency and interest rate swap was not designated as a hedging instrument.

As of 31 December 2013, under the currency and interest rate swap the Group is liable for USD-denominated interest payments at a fixed rate of 4.7% with the notional amount equal to USD 89,317,613 in exchange for RR-denominated interest payments at a fixed rate of 8.7% with the notional amount equal to RR 2,500 million. As of 31 December 2013, the fair value of the currency and interest rate swap was equal to RR 397 million.

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

34 Derivative financial instruments (continued)

During 2014 year the Group entered into a currency option contracts (collars). These options were exercised during the year ended 31 December 2014. The Group recorded a loss from these financial instruments in the amount of RR 246 million in its consolidated statement of profit or loss.

35 Contingencies, commitments and operating risks

Operating environment of the Group

Whilst there have been improvements in economic trends in the country, the Russian Federation continues to display certain characteristics of an emerging market, including relatively high inflation and high interest rates. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory, and political developments.

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 possible 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.

Management believes it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment.

Capital commitments

As at 31 December 2014, the amount of the Group’s capital commitments was RR 1,494 million.

Taxes

Russian tax and customs legislation, enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting such tax positions may be challenged by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the tax authorities for three calendar years preceding the year when decisions about the review were made. Under certain circumstances, reviews may cover longer periods.

Russia’s transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation empowers the tax authorities to make transfer pricing adjustments and impose additional tax liabilities regarding controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to ensure compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible that, as the interpretation of the transfer pricing rules evolves, such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

Insurance policies

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

35 Contingencies, commitments and operating risks (continued)

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, 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 existing legislation, management believes that there are no significant liabilities for environmental damage.

Legal proceedings

During the 2014 year, the Group was involved in a number of court proceedings (both as a plaintiff and 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 the Group's operations or its financial position, and which have not been accrued or disclosed in these consolidated financial statements.

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 results of such reviews and, if necessary, cooperates with the government authorities to agree on remedial actions necessary to resolve any findings resulting from such 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 renew its licences beyond the original expiration date if it meets the licence agreement terms. Accordingly, depreciation of property, plant and equipment related to the licenced areas takes into account the fact that licences will be renewed in the future.

The Group's coal fields are situated on land belonging to the Kemerovo Regional Administration, while its ferruginous quartzite fields are located in territory belonging to 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 the 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-2 coal basin	September 2025
OAO Kombinat KMA Ruda	Licence to produce ferruginous quartzite from the Korobkovsky mine	January 2026

(in RR, tabular amounts in millions of RR unless stated otherwise)

36 Financial instruments at fair value

The Group's financial instruments are presented below:

	Note	31 December 2014	31 December 2013
Assets			
Non-current:			
Loans issued	14	2,311	1,574
Other non-current accounts receivable	11	158	785
Current:			
Trade and other accounts receivable	15	2,352	1,266
Loans issued	13	59	873
Cash and cash equivalents	16	855	503
Total carrying value		**5,735**	**5,001**
Liabilities			
Non-current:			
Long-term borrowings	20	14,158	7,432
Long-term bonds	20	17,300	10,580
Current:			
Trade accounts payable	21	2,691	3,511
Bank interest payable	21	31	19
Dividends payable	21	4	530
Other accounts payable	21	99	131
Payables on treasury shares	17	-	289
Short-term borrowings and current portion of long-term borrowings	20	7,819	4,432
Short-term bonds	20	275	4,630
Derivative financial instruments	34, 36	-	397
Total carrying value		**42,377**	**31,951**

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

(i) Level 1 covers measurements made at quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2 measurements are valuation 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 carrying amount of trade and other financial receivables and loans issued in the consolidated statement of financial position approximate their fair value based on level 3 measurements.

Liabilities carried at amortised cost

The fair value of the Group's Eurobonds as of 31 December 2014 was RR 14,318 million and was based on quoted market prices, which are Level 1 measurements.

The fair values of other long-term and short-term debt carried at amortised cost were 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 carrying amount of other financial liabilities in the consolidated statement of financial position approximate their fair value based on level 3 measurements.

(in RR, tabular amounts in millions of RR unless stated otherwise)

36 Financial instruments at fair value (continued)

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

	31 December 2014		31 December 2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Term loans (excluding overdrafts)	21,977	22,260	11,723	10,997
Bonds	17,575	14,318	15,210	14,356
Total borrowings	**39, 552**	**36,578**	**26,933**	**25,353**

A reconciliation from the opening balances to closing balances of financial assets and liabilities for the years ended 31 December 2014 and 31 December 2013 is provided below:

	Available-for-sale financial assets (Level 3)	Derivative financial instruments –financial liability (Level 2)
As at 31 December 2012	**2,816**	**103**
Loss arising on revaluation of interest in SIJ recognised in the consolidated statement of comprehensive income	(568)	-
Disposal of investment in SIJ	(1,021)	-
Loss on disposal of investment in SIJ recognised in the consolidated statement of profit and loss	(1,227)	-
Loss in the consolidated statement of profit or loss	-	212
Proceeds from derivative financial instruments, net	-	82
As at 31 December 2013	**-**	**397**
Loss in the consolidated statement of profit or loss	-	383
Impairment of other available-for-sale assets		-
Repayment from derivative financial instruments, net	-	(780)
As at 31 December 2014	**-**	**-**

There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2014 and 31 December 2013.

As of 31 December 2012, available-for-sale financial assets included a 17% ownership stake in Slovenska industrija jekla, d.d. (SIJ), Slovenia, totalling RR 2,816 million. On 24 December 2013, this investment was sold to the Group's ultimate shareholders. The disposal price of RR 1,021 million was considered as the fair value of the Group's investment in SIJ as at the date of the transaction.

37 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, and (c) liquidity risk. Management works proactively to control and manage all opportunities, threats and risks arising in connection with the Group's operational objectives.

(a) Credit risk

Financial assets that subject Group companies to potential credit risk consist principally of trade and other receivables, loans issued, cash, cash equivalents, other non-current accounts receivable and amounted to RR 5,735 million as of 31 December 2014 (RR 5,001 million as of 31 December 2013).

The maximum exposure to credit risk is represented by the book value of the aforementioned balances net of impairment provisions and financial guarantees issued for related parties (note 33).

For securing financial assets and minimising credit risk, the Group takes the following procedures:

- interaction between the Group's structural divisions (commercial, legal, accounting, economic security divisions, etc.) is regulated to ensure that credit risks are minimised;
- sales of products are made to customers with an appropriate credit history;
- the Group mostly sells products to customers that are major market players; and
- when expanding its presence in sales markets, the Group performs stringent legal and financial reviews of potential customers.

(in RR, tabular amounts in millions of RR unless stated otherwise)

37 Financial risks (continued)

The credit quality of neither past due nor impaired financial assets was assessed using historical data on counterparties' failure to pay and the length of the business relationship. The following categories are used by the Group:

- Group 1 – the length of the business relationship with the counterparty is over a year, and the counterparty has never defaulted on its liabilities;
- Group 2 – the length of the business relationship with the counterparty is over a year, and the counterparty has delayed payment but still fulfilled its liabilities; and
- Group 3 – the length of the business relationship with the counterparty is less than a year.

Credit risk related to neither past due nor impaired financial assets (expected to be realised in full) as at 31 December 2014:

	Group 1	**Group 2**	**Group 3**	**Total**
Trade and other receivables	1,633	183	335	2,151
Loans issued	2,370	-	-	2,370
Other non-current accounts receivable	158	-	-	158
Cash and cash equivalents	855	-	-	855
Total	**5,016**	**183**	**335**	**5,534**

Credit risk related to neither past due nor impaired financial assets (expected to be realised in full) as at 31 December 2013:

	Group 1	**Group 2**	**Group 3**	**Total**
Trade and other receivables	519	494	148	1,161
Loans issued	2,428	-	19	2,447
Other non-current accounts receivable	785	-	-	785
Cash and cash equivalents	502	-	1	503
Total	**4,234**	**494**	**168**	**4,896**

In addition, the Group assesses the credit risk for financial assets that are overdue but not impaired (past-due financial assets for which the counterparty's payment is expected). The Group reviews past-due financial assets, and as a result an impairment provision is created, or terms and conditions of agreements with the specific counterparty are revised.

The amounts of financial assets that are overdue but not impaired as of 31 December 2014 are:

	Overdue for the period:				
	Less than 3 months	**Between 3 months and 1 year**	**Between 1 and 3 years**	**More than 3 years**	**Total**
Trade and other accounts receivable	155	25	2	19	**201**
Total	**155**	**25**	**2**	**19**	**201**

The amounts of financial assets that are overdue but not impaired as of 31 December 2013 are:

	Overdue for the period:				
	Less than 3 months	**Between 3 months and 1 year**	**Between 1 and 3 years**	**More than 3 years**	**Total**
Trade and other accounts receivable	35	50	1	19	**105**
Total	**35**	**50**	**1**	**19**	**105**

The Group creates an impairment provision for impaired financial assets (overdue and unlikely to be realised). Although the collectability of balances can be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions for impairment already recorded.

The table below presents movements in the bad debt provision for the year ended 31 December 2014:

	Trade accounts receivable	**Loans issued and accounts receivable on interest income**	**Other accounts receivable**	**Total**
As at 31 December 2013	**1**	**36**	**51**	**88**
Charged to profit or loss	1	1	-	**2**
Used	-	(4)	(2)	**(6)**
As at 31 December 2014	**2**	**33**	**49**	**84**

37 Financial risks (continued)

The table below presents movements in the bad debt provision for the year ended 31 December 2013:

	Trade accounts receivable	Loans issued and accounts receivable on interest income	Other accounts receivable	Total
As at 31 December 2012	**28**	**3**	**49**	**80**
Charged to profit or loss	1	36	5	**42**
Reversed through profit or loss	(18)	(3)	-	**(21)**
Used	(11)	-	(3)	**(14)**
Effect of changes in exchange rates	1	-	-	**1**
As at 31 December 2013	**1**	**36**	**51**	**88**

Concentration of credit risk:

Management monitors concentrations of credit risk by obtaining reports listing exposures to counterparties with aggregated balances in excess of 5% of the Group's net assets. As of 31 December 2014, the Group had a concentration of credit risk due to loans issued to related parties in the amount of RR 2,311 million (31 December 2013: RR 2,428 million). At 31 December 2014 and 31 December 2013, there were no other significant credit risk concentration, due to the diversified structure of the Group's counterparties and the absence of significant exposure to specific customers.

At 31 December 2014, the Group's bank accounts are held only with major Russian banks, mainly Gazprombank and Sberbank, and major foreign banks, mainly MEGA Bank (2013: with major Russian banks, mainly Sberbank, and major foreign banks, mainly UBS AG and BNP Paribas [Suisse] S.A), thus exposing the Group to a concentration of credit risk.

(b) Market risk

<u>Foreign currency risk</u>

The Group has international operations and, therefore, is exposed to foreign currency risk arising due to changes in euro and US dollar exchange rates against the Russian rouble. Foreign currency risk is managed by making operating decisions depending on the current market situation.

The amounts of the Group's assets and liabilities denominated in a foreign currency other than the functional currency of the Group's companies as at 31 December 2014 are provided below:

	in thousands of USD	in thousands of EUR
Trade receivables	3,879	985
Cash	13,008	544
Loans issued including interest receivable	-	6,031
Trade accounts payable	(998)	(465)
Eurobonds	(314,141)	-
Borrowings and loans received	(217,910)	-
Interest payable	(568)	-
Net total, in foreign currency	**(516,730)**	**7,095**
Net total as at 31 December 2014, in RR million at the exchange rate as at the reporting date	**(29,070)**	**485**

The analysis of the effect of foreign currency risk on the Group's revenue and loss for 2014 is given below.

The official CBRF USD/RR exchange rate at 31 December 2014 was RR 56.2584/USD 1. A 20% decrease/increase in the USD/RR exchange rate would have resulted in a decrease/increase of net loss for the year by RR 5,814 million.

The official CBRF EUR/RR exchange rate as at 31 December 2014 was RR 68.3427/EUR 1. A 20% decrease/increase in the EUR/RR exchange rate would have resulted in an increase/decrease of net loss for the year by RR 97 million.

37 Financial risks (continued)

The amounts of the Group's assets and liabilities denominated in a foreign currency other than the functional currency of the Group's companies as at 31 December 2013 are provided below:

	in thousands of USD	in thousands of EUR
Trade receivables	2,276	486
Cash	14,376	6
Loans issued including interest receivable	-	64,313
Trade accounts payable	(607)	(186)
Eurobonds	(330,000)	-
Borrowings and loans received	(130,965)	-
Interest payable	(597)	-
Net total, in foreign currency	**(445,517)**	**64,619**
Net total as at 31 December 2013, in RR million at the exchange rate as at the reporting date	**(14,581)**	**2,906**

The analysis of the effect of foreign currency risk on the Group's revenue and profit for 2013 is given below.

The USD/RR exchange rate as at 31 December 2013 was RR 32.7292/USD 1. A 10% decrease/increase in the USD/RR exchange rate would have resulted in a decrease/increase of net loss for the year by RR 1,458 million.

The EUR/RR exchange rate as at 31 December 2013 was RR 44.9699/EUR 1. A 10% decrease/increase in the EUR/RR exchange rate would have resulted in an increase/decrease of net loss for the year by RR 291 million.

Interest rate risk

The Group is exposed to interest rate risk on short-term and long-term loans issued, borrowings and bonds. Instruments at fixed interest rates expose the Group to fair value fluctuations due to changing interest rates.
The Group minimises interest rate risk by:

- monitoring trends in the domestic (RR) and global (USD/EUR) currency markets;
- monitoring analyst reviews and comments by leading financial institutions and major global information agencies; and
- making decisions based on analyses of the interdependence of such parameters as currency, term, amount and interest rate type.

As at 31 December 2014 and at 31 December 2013, the Group had no borrowings with variable interest rates. Consequently, the Group's interest expenses are not exposed to the risk of changes in variable interest rates.

(c) Liquidity risk

In order to minimise liquidity risks, the Group maintains committed credit facilities in major domestic and international banks. The Group determines the necessary credit limit on the basis of ten-year, five-year, annual and monthly financial plans for each entity within the Group and for the Group as a whole.

The Group distinguishes between funds needed depending on what they will be used for.

Working capital needs are mainly financed through short-term credit lines and overdrafts at the minimal interest rate offered in financial markets under existing market conditions.

Investment programmes to acquire new high-cost equipment, construct new production facilities, or rebuild and upgrade existing facilities are financed through long-term credit facilities (mainly special purpose ones).

The Group has raised a number of public and syndicated borrowings in the past and intends to further pursue such endeavours depending on market conditions.

Management monitors the correspondence of repayment periods for debts with the payback period for the relevant assets at both the strategic and operational levels. The Group uses both general ratios (EBITDA, EBITDA/Revenue, Debt/EBITDA, Debt/Equity, etc.) and a number of special debt (liquidity) ratios in its decision-making.

(in RR, tabular amounts in millions of RR unless stated otherwise)

37 Financial risks (continued)

Management allocates available cash surpluses, based on the issuance of intra-group loans approved by the general shareholders' meeting, among the Group's entities to attain optimal and balanced availability of funds for each entity. Such allocation may be used to replenish working capital in each entity without the need to raise third-party borrowings and, when necessary, to refinance more costly bank facilities and other borrowings. Intra-group loans are issued at market rates.

The table below provides an analysis of non-discounted cash flows related to the Group's contractual obligations as at 31 December 2014:

	Payable in the period							
	Within 3 months	**3-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Beyond 5 years**	**Total**
Trade accounts payable	2,599	92	-	-	-	-	-	**2,691**
Other accounts payable	95	8	-	-	-	-	-	**103**
Borrowings:								
- Principal	1,063	6,756	4,288	2,929	2,075	2,555	2,311	**21,977**
-Bank interest payable as of 31 December 2014	30	1	-	-	-	-	-	**31**
*- Bank interest to be accrued in future periods**	548	1,392	1,199	695	500	300	135	**4,769**
Bonds:								
- Principal	-	-	17,673		-	-	-	**17,673**
-Interest accrued as of 31 December 2014	-	30	-	-	-	-	-	**30**
*- Interest to be accrued in future periods***	-	1,340	684	-	-	-	-	**2,024**
Total	**4,335**	**9,619**	**23,844**	**3,624**	**2,575**	**2,855**	**2,446**	**49,298**

* Bank interest to be accrued in future periods was estimated based on the terms and conditions of loan and borrowing agreements in effect as at the reporting date.
** Interest to be accrued in future periods was estimated based on the coupon rates in effect as at the reporting date.

Liabilities due within 12 months are to be paid by cash received from operating activities and external financing received subsequent to the reporting date.

The table below provides an analysis of non-discounted cash flows related to the Group's contractual obligations as at 31 December 2013:

	Payable in the period							
	Within 3 months	**3-12 months**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**Beyond 5 years**	**Total**
Trade accounts payable	3,184	327	-	-	-	-	-	**3,511**
Other accounts payable	941	7	-	-	-	-	-	**948**
Borrowings:								
- Principal	1,489	2,943	1,272	996	975	1,260	2,929	**11,864**
-Bank interest payable as of 31 December 2013	19	-	-	-	-	-	-	**19**
*- Bank interest to be accrued in future periods**	185	488	593	504	415	320	273	**2,778**
Bonds:								
- Principal	-	4,481	-	10,801	-	-	-	**15,282**
-Interest payable as of 31 December 2013	-	56	-	-	-	-	-	**56**
*- Interest to be accrued in future periods***	96	899	837	400	-	-	-	**2,232**
Derivative financial instruments	-	397	-	-	-	-	-	**397**
Financial guarantee	96	378	378	378	124	-	-	**1,354**
Total	**6,010**	**9,976**	**3,080**	**13,079**	**1,514**	**1,580**	**3,202**	**38,429**

* Bank interest to be accrued in future periods was estimated based on the terms and conditions of loan and borrowing agreements in effect as at the reporting date.
** Interest to be accrued in future periods was estimated based on the coupon rates in effect as at the reporting date.

(in RR, tabular amounts in millions of RR unless stated otherwise)

38 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of net debt (short-term and long-term borrowings and bonds offset by cash and cash equivalents) and equity of the Group.

The Group monitors the adequacy of its debt levels using the net debt to adjusted EBITDA ratio.

The Group plans and carries out investment programmes to maintain a high technical and technological level for its property, plant and equipment, avoid business interruptions, maintain high quality-of-life and health standards, preserve the environment, and introduce new production facilities that can ensure the Group's future profitability.

The following criterias are monitored by the Group's management for both suspended and new investment projects under consideration: maximum payback period of five years, rate of return of at least 20%, NPV and other indicators.

39 Loss per share

The amount of basic losses per share was calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Company has no dilutive potential ordinary shares; therefore, the diluted loss per share equals the basic loss per share.

Loss per share is calculated as follows:

	Note	**Year ended 31 December 2014**	**Year ended 31 December 2013**
Loss for the year		(7,811)	(2,446)
Weighted average number of ordinary shares in issue (millions of shares)	17	304.05	304.05
Basic and diluted loss per ordinary share (in RR per share)		**(25.69)**	**(8.04)**

40 Non-controlling interest

The following table provides information about OAO Tulachermet, the only Group subsidiary that has a non-controlling interest that is material to the Group (information is presented before inter-company eliminations):

Carrying amount of non-controlling interest		**Profit attributable to non-controlling interest**		**Revenue**		**Profit**		**Total comprehensive income**	
at 31 December 2014	**at 31 December 2013**	**for the year ended 31 December 2014**	**for the year ended 31 December 2013**	**for the year ended 31 December 2014**	**for the year ended 31 December 2013**	**for the year ended 31 December 2014**	**for theyear ended 31 December 2013**	**for the year ended 31 December 2014**	**for the year ended 31 December 2013**
644	568	105	11	31,740	26,769	1,622	170	1,622	170

Current assets		**Non-current assets**		**Current liabilities**		**Non-current liabilities**	
at 31 December 2014	**at 31 December 2013**	**at 31 December 2014**	**at 31 December 2013**	**at 31 December 2014**	**at 31 December 2013**	**at 31 December 2014**	**at 31 December 2013**
9,535	6,151	10,268	10,425	(8,673)	(7,006)	(839)	(902)

(in RR, tabular amounts in millions of RR unless stated otherwise)

40 Non-controlling interest (continued)

	Year ended 31 December 2014	Year ended 31 December 2013
Net cash from operating activity	6,674	3,001
Net cash used in investing activity	(2,308)	(2,240)
Net cash used in financing activities	(3,751)	(772)
Net increase/(decrease) in cash and cash equivalents	615	(11)
Effects of exchange rate fluctuations on cash and cash equivalents	132	-
Cash and cash equivalents at the beginning of the year	5	16
Cash and cash equivalents at the end of the year	752	5

As of 31 December 2014, the ownership share held by non-controlling interests was equal to 6.26% and the voting rights share held by non-controlling interests was equal to 4.97% (as of 31 December 2013: 6.56% and 5.09%, respectively).

No dividends were paid by OAO Tulachermet to non-controlling shareholders in the years ended 31 December 2014 and 31 December 2013.

Holders of the non-controlling interest in OAO Tulachermet have the right to veto any transaction with related parties with a financial effect above 2% of the book value of the entity's assets as estimated in accordance with the RAS financial statements (as of 31 December 2014 – RR 371 million, as of 31 December 2013 – RR 245 million).

41 Subsequent events

During the first quarter of 2015 the Group received bank loans in the amount of RR 1,816 million.

During the first quarter of 2015 the Group issued long-term loans to the Joint Venture OOO Tulachermet-Stal in the amount of RR 2,447 million

In February 2015 the Group issued a long-term loan to the related party in the amount of RR 1,438 million.