OAO KOKS

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

For the year ended 31 December 2013

Contents

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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 2013 and the consolidated statements of profit and 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 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

10 April 2014

Moscow, Russian Federation

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(in million RR unless stated otherwise)

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets:			
Property, plant and equipment	7	36,172	33,915
Goodwill	9	4,586	4,586
Other intangible assets	8	5,611	5,935
Deferred income tax asset	28	504	653
Available-for-sale financial assets	5.2, 33	70	2,877
Non-current loans issued	13	1,574	1,408
Other non-current assets	10	791	446
Total non-current assets		**49,308**	**49,820**
Current assets:			
Inventories	11	3,766	4,250
Trade and other receivables	14	1,345	1,537
VAT recoverable		1,704	2,164
Advances issued	14	437	483
Cash, cash equivalents and restricted cash	15	503	894
Other current assets	12, 33	873	28
Total current assets		**8,628**	**9,356**
Total assets		**57,936**	**59,176**
EQUITY			
Share capital	16	213	213
Treasury shares	16	(5,928)	(5,928)
Retained earnings	17	23,769	26,139
Revaluation reserve		702	1,231
Currency translation reserve		37	(1)
Equity attributable to the Company's equity holders		**18,793**	**21,654**
Non-controlling interest		**590**	**583**
Total equity		**19,383**	**22,237**
LIABILITIES			
Non-current liabilities:			
Provision for restoration liability	18	130	134
Deferred income tax liability	28	2,189	2,395
Long-term borrowings	19	7,432	6,955
Long-term bonds	19	10,580	14,378
Derivative financial instruments	31	-	103
Total non-current liabilities		**20,331**	**23,965**
Current liabilities:			
Trade and other payables	20	7,604	6,060
Payables on treasury shares	16	289	360
Current income tax payable		33	108
Other taxes payable	21	792	581
Provision for restoration liability	18	45	18
Short-term borrowings and current portion of long-term borrowings	19	4,432	5,730
Short-term bonds	19	4,630	117
Derivative financial instruments	31	397	-
Total current liabilities		**18,222**	**12,974**
Total liabilities		**38,553**	**36,939**
Total liabilities and equity		**57,936**	**59,176**

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

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

10 April 2014

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

(in million RR unless stated otherwise)

	Note	2013	2012
Revenue	22	43,036	45,704
Cost of sales	23	(30,842)	(34,765)
Gross profit		**12,194**	**10,939**
Distribution costs	25	(4,093)	(4,120)
General and administrative expenses	26	(3,210)	(2,755)
Impairment of property, plant and equipment and intangible assets	7, 8	(1,379)	-
Loss on disposal of ownership share in SIJ	5.2, 33	(1,227)	-
Taxes other than income tax	24	(597)	(547)
Gain on disposal of investment in subsidiary	29	-	112
Other operating expenses, net	27	(120)	(247)
Operating profit		**1,568**	**3,382**
Finance income		90	95
Interest expense		(2,174)	(1,662)
(Loss)/Gain arising on revaluation of derivative financial instruments, net	33	(212)	141
Exchange (loss)/gain, net		(1,155)	647
(Loss)/Profit before income tax		**(1,883)**	**2,603**
Income tax expense	28	(553)	(606)
(Loss)/Profit for the year		**(2,436)**	**1,997**
(Loss)/Profit is attributable to:			
Equity holders of the Company		(2,446)	2,059
Non-controlling interest		10	(62)
(Loss)/Profit for the year		**(2,436)**	**1,997**
(Loss)/Earnings per ordinary share, basic and diluted (in RR per share)	**35**	**(8.04)**	**6.77**

(in million RR unless stated otherwise)

	Note	2013	2012
(Loss)/Profit for the year		**(2,436)**	**1,997**
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		40	(20)
Reclassification adjustments relating to foreign operations disposed of during the period	29	-	35
		40	**15**
Revaluation of available-for-sale financial assets:			
Loss arising on revaluation of available-for-sale financial assets during the year, net	5.2, 33	(1,795)	(52)
Loss arising on revaluation of available-for-sale financial assets reclassified to profit or loss upon their disposal	5.2, 33	1,227	-
		(568)	**(52)**
Income tax relating to components of other comprehensive income/(loss)	28	**112**	**11**
Total other comprehensive loss for the year		**(416)**	**(26)**
Total comprehensive (loss)/income for the year		**(2,852)**	**1,971**
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(2,862)	2,033
Non-controlling interest		10	(62)
Total comprehensive (loss)/income for the year		**(2,852)**	**1,971**

(in million RR unless stated otherwise)

	Note	2013	2012
Cash flows from operating activities			
(Loss)/Profit before income tax		(1,883)	2,603
Adjustments for:			
Depreciation of property, plant and equipment	23, 26	2,141	2,444
Amortisation of intangible assets	23	280	281
Gain on disposal of investment in subsidiary	29	-	(112)
Finance income		(90)	(95)
Interest expense		2,174	1,662
Loss /(Gain) arising on revaluation of derivative financial instruments, net	31, 33	212	(141)
Impairment of property, plant and equipment and intangible assets	7, 8	1,379	-
Loss on disposal of ownership share in SIJ	5.2, 33	1,227	-
Gain on sale of other available-for-sale financial asset	27	(9)	-
Accrual of vacation reserve		5	40
Accrual of obsolete stock provision		16	16
Accrual of bad debt provision		25	78
Exchange loss/(gain), net		1,155	(647)
Non-cash transactions		7	53
Other effects		(95)	324
Operating cash flows before working capital changes		**6,544**	**6,506**
Changes in working capital			
Decrease in trade and other receivables		843	1,235
Decrease in inventories		554	734
Increase/(Decrease) in trade and other payables		2,259	(609)
Increase/(Decrease) in taxes other than income tax payable		218	(157)
Decrease in other liabilities		(3)	(1)
Cash from operating activities		**10,415**	**7,708**
Income tax paid		(618)	(623)
Net cash from operating activities		**9,797**	**7,085**
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,007)	(7,875)
Proceeds from sale of property, plant and equipment		137	12
Proceeds from disposal of subsidiaries, net of cash disposed	29	-	(57)
Changes in restricted cash		555	(533)
Loans issued		(832)	(624)
Repayment of loans issued		4	1,309
Interest received on loans issued		31	49
Dividend received		3	-
Proceeds from sale of financial assets at fair value through profit and loss		-	2
Proceeds from disposal of other investments		1	-
Acquisition of intangible assets and other non-current assets		(1)	(1)
Net cash used in investing activities		**(6,109)**	**(7,718)**

(in million RR unless stated otherwise)

	Note	2013	2012
Cash flows from financing activities			
Settlement of payables on treasury shares	16	(71)	(221)
Proceeds from borrowings and bonds		16,014	39,634
Repayment of borrowings and bonds		(17,360)	(36,463)
Interest paid on borrowings and bonds		(2,102)	(1,630)
Dividends paid	17	-	(43)
Proceeds from derivative financial instruments, net	31, 33	82	85
(Purchase)/sale of non-controlling interest in subsidiaries		(2)	1
Net cash (used in)/from financing activities		**(3,439)**	**1,363**
Net increase in cash and cash equivalents		**249**	**730**
Effects of exchange rate changes on cash and cash equivalents		11	155
Net cash and cash equivalents at the beginning of the year, including		**102**	**(783)**
Cash and cash equivalents		338	162
Bank overdraft		(236)	(945)
Net cash and cash equivalents at the end of the year, including		**362**	**102**
Cash and cash equivalents		503	338
Bank overdraft		(141)	(236)

(in million 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 2011		**213**	**(5,928)**	**(17)**	**1,387**	**25,286**	**20,941**	**644**	**21,585**
Profit/(Loss) for the year		-	-	-	-	2,059	**2,059**	(62)	**1,997**
Other comprehensive income/(loss) for the year		-	-	16	(42)	-	**(26)**	-	**(26)**
Total comprehensive income/(loss) for the year		**-**	**-**	**16**	**(42)**	**2,059**	**2,033**	**(62)**	**1,971**
Sale of non-controlling interest in subsidiaries, net		-	-	-	-	-	**-**	1	**1**
Dividends declared	17	-	-	-	-	(1,320)	**(1,320)**	-	**(1,320)**
Revaluation reserve written-off to retained earnings		-	-	-	(114)	114	-	-	-
		-	**-**	**-**	**(114)**	**(1,206)**	**(1,320)**	**1**	**(1,319)**
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**

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

1 General information about OAO Koks and its subsidiaries

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

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

As at 31 December 2013 and 2012 85.9% of total issued shares of the Company were ultimately owned by members of the Zubitskiy family: Mr B.D. Zubitskiy, Mr E.B. Zubitskiy and Mr A.B. Zubitskiy.

The Group's main subsidiaries are:

Name	Country of incorporation	Type of activity	Note	Percentage of voting shares	
				31 December 2013	31 December 2012
OAO Mill Berezovskaya	Russia	Production of coal concentrate		98.2%	98.2%
OOO Trade House Kemerovo-Koks	Russia	Sales activities	(1.1)	-	100.0%
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		100.0%	100.0%
OAO Tulachermet	Russia	Pig-iron production		94.9%	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		100.0%	100.0%
OOO Consultinvest 2000	Russia	Lease of property		100.0%	100.0%
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	(1.2)	-	-

1.1. In February 2013 the Group liquidated its subsidiary OOO Trade House Kemerovo-Koks. No substantial costs were incurred in respect to this liquidation.

1.2. In April 2011 Koks Finance Limited was registered in Dublin. Koks Finance Limited issued an aggregate principal amount of USD 350 million 7.75 per cent. loan participation notes due 2016 for the sole purpose of financing a loan to the Company (see note 19).

As at 31 December 2013 and 31 December 2012 the percentage of ownership interest of the Group in subsidiaries is equal to the percentage of voting interest except for OAO Tulachermet, for which the percentage of the Group's ownership is 93.4%. at both dates.

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.

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

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

As at 31 December 2013 the official exchange rate set by the Central Bank of the Russian Federation (the "Central Bank") for transactions denominated in foreign currencies was RR 32.7292 per 1 US dollar ("USD") (as at 31 December 2012: RR 30.3727 per 1 USD) and RR 44.9699 per 1 euro ("EUR") (as at 31 December 2012: RR 40.2286 per 1 EUR). As at 10 April 2014 the official exchange rates were RR 35.7493 per 1 USD and RR 49.2911 per 1 EUR.

As at 31 December 2013, the Group's current liabilities exceeded its current assets by RR 9,594 million (as at 31 December 2012 – by RR 3,618 million) principally as a result of a significant portion of borrowings and bonds maturing in the year 2014. As the Group has undrawn borrowing facilities in the amount of RR 28,527 million (see note 19) as at 31 December 2013 (out of which RR 27,489 million are long-term), management believes 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 special purpose entities) which 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 de-consolidated from the date that 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 non-controlling interest's proportionate share of the acquiree's net assets. 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 is recorded as goodwill. The excess of the acquirer's interest in the fair value of the identifiable net assets acquired over the consideration transferred is recognised immediately in the consolidated statement of profit and loss.

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.

3 Summary of significant accounting policies (continued)

(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.

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 Russia, 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 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 rates does not apply for non-monetary items, including equity investments.

(c) Foreign operations

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

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

Goodwill related to acquisitions of foreign operation 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 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, and etc. Mining assets are included within Buildings, Installations and Plant and equipment.

3 Summary of significant accounting policies (continued)

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 with carrying amount 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 which is retained.

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 32). 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 Summary of significant accounting policies (continued)

3.6 Investments

The Group has the following categories of investments: a) loans and receivables, b) available-for-sale financial assets and c) financial assets at fair value through profit and loss. 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 which 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 of the reporting date. If their repayment period exceeds 12 months of the reporting date, 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 customer. Cost of purchases includes transaction costs. Available-for-sale 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 assets mainly include securities which are not quoted or traded on any exchange market. The fair value of these investments is determined using discounted future 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. Cost of inventory is assigned using the weighted average 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.

3.9 Value added tax

Value added tax (“VAT”) related to sales is payable to the federal tax authorities at the earlier of two dates: the date of dispatch (transfer) of goods (services, works, property rights), or the date of collection of receivables from customers for the future supply of goods (works, services, property rights). VAT included in the cost of purchased goods (works, services, property rights) generally can be reclaimed by offsetting it against VAT on sales once the goods (works, 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 Summary of significant accounting policies (continued)

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 twelve months after the reporting date are included in other non-current assets.

Bank overdrafts are an integral part of the Group’s cash management and considered cash equivalents for the purposes of consolidated statement of cash flows preparation.

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 include 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 recognized in profit or loss in the period in which they are incurred.

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 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.

3 Summary of significant accounting policies (continued)

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 asset. The 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 and 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 and 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.

3.18 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 Summary of significant accounting policies (continued)

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 in respect of 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

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

Revaluation reserve

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 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 is due to the consolidation of entities, whose functional currency is not the Russian Rouble.

3.21 Segment reporting

An operating segment is a component of the Group:

(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, amendments to standards and interpretations became effective for the Group from 1 January 2013:

- IFRS 10, Consolidated Financial Statements;
- IFRS 11, Joint Arrangements;
- IFRS 12, Disclosure of Interests in Other Entities. Disclosure. Disclosure required by the standard about the subsidiary that has non-controlling interest that is material to the Group was made in the consolidated financial statements (see note 36);
- IFRS 13, Fair Value Measurement.Disclosure required by the standard was made in the consolidated financial statements (see note 33);
- IAS 27, Separate Financial Statements;
- IAS 28, Investments in Associates and Joint Ventures;
- Amendments to IAS 1, Presentation of financial statements. The amended standard has changed the disclosure of items presented in other comprehensive income, but had no impact on the measurement of the Group’s transactions and balances;
- Stripping costs in the Production Phase of a surface Mine, IFRIC 20;
- Amended IAS 19, Employee benefits;
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7;
- Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards − Government loans;
- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning on or after 1 January 2013);
- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12.

Unless otherwise described above, these standards, amendments to standards and interpretations did not have a material impact on these consolidated financial statements.

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013, and have not been early adopted by the Group:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2015, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial statements;
- 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);
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014);
- IFRIC 21 − Levies (issued on 20 May 2013 and effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 − Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period);
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 19 – Defined benefit plans: Employee contribution (issued in November 2013, effective for annual periods beginning on or after 1 July 2014);
- Annual improvements to International Financial Reporting Standards 2012 and 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

Unless otherwise described above, the new standards, amendments to standards and interpretations are not expected to materially impact the Group’s consolidated 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 Estimated useful lives of property, plant and equipment

The Group applies a range of useful lives to buildings, installations, plant and equipment, transport vehicles and other assets classified as property, plant and equipment. Significant judgement is required in estimating the useful life of such assets. If management's estimates of useful lives were to decrease by 10%, loss before income tax for the year ended 31 December 2013 would increase by RR 235 million (2012: profit before income tax would decrease by RR 269 million). An increase in useful lives by 10% would result in a decrease of loss before income tax for the year ended 31 December 2013 by RR 193 million (2012: increase of profit before income tax by RR 220 million).

5.2 Available-for-sale financial assets

As at 31 December 2012 the Group classified its ownership share of 17% in SIJ – Slovenska industrija jekla, d.d. (Slovenia) as an available-for-sale financial assets and retained neither control nor significant influence over this company. In accordance with IFRS the Group estimated the fair value of this available-for-sale financial asset. There was no quoted share price for SIJ d.d. and its subsidiaries and thus management estimated a fair value based on cash flow projections that management could obtain as of the reporting date. Management estimated fair value of this holding equal to RR 2,816 million as at 31 December 2012 and RR 1,021 million at the date of its disposal (24 December 2013) (note 33). The significant decline in fair value of this holding during the year is explained by revision of the key assumptions such as projected EBITDA and operating cash flows used in fair value estimation following the continuing negative dynamics on the world steel market observed during the year.

5.3 Derivative financial instruments

In July 2011 the Group entered into currency and interest rate swap contract which was not designated as a hedging instrument. This currency and interest rate swap was measured at fair value using valuation technique.

6 Segment information

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

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

Inter-segment sales are generally composed of:

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

Segment revenue and segment results include transfers between business segments. Analyses of revenue generated from external sales by the products and services are included in note 22.

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

6 Segment information (continued)

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

	Coal	Coke	Ore & Pig iron	Polema	IMT	Other	Total
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**
Segment (loss)/profit before income tax	**(1,604)**	**(2,288)**	**1,921**	**13**	**61**	**14**	**(1,883)**
Year ended 31 December 2012							
Inter-segment revenue	6,540	13,017	1,905	3	6	872	**22,343**
External revenue	1,734	11,638	25,469	1,350	5,503	10	**45,704**
Segment revenue, total	**8,274**	**24,655**	**27,374**	**1,353**	**5,509**	**882**	**68,047**
Segment profit before income tax	**224**	**1,060**	**1,018**	**109**	**112**	**80**	**2,603**

Revenue from the largest customer of the Group's "Coke", "Ore & Pig iron" and "IMT" segments, which is a related party, represents RR 24,331 million of the Group's total revenues in 2013 (2012:RR 23,351 million).

Other material items of the segments in consolidated statement of profit and loss are the following:

	Coal	Coke	Ore & Pig iron	Polema	IMT	Other	Total
Year ended 31 December 2013							
Amortization 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)**
Year ended 31 December 2012							
Amortization and depreciation	(971)	(310)	(1,346)	(56)	(2)	(40)	**(2,725)**
Finance income	2	45	45	-	2	1	**95**
Inter-segment interest income	1	93	94	-	-	-	**188**
Interest expense	(40)	(1,397)	(209)	-	(16)	-	**(1,662)**
Inter-segment interest expense	(90)	(86)	-	-	(3)	(9)	**(188)**
Gain arising on revaluation of derivative financial instruments, net	-	141	-	-	-	-	**141**
Exchange gain/(loss), net	12	586	146	(8)	(89)	-	**647**

Additional information

To provide a further insight into the Group's profit measurements, additional information on earnings before income tax, finance income, interest expense, depreciation, amortization and impairment, any extraordinary gains and losses (adjusted EBITDA) analyzed by CODM for each operating segment is presented below. This information is not required by *IFRS 8, Operating Segments* and is provided on a voluntary basis.

Adjusted EBITDA	**Coal**	**Coke**	**Ore & Pig iron**	**Polema**	**IMT**	**Other**	**Total**
2013	1,097	1,570	3,681	62	132	53	**6,595**
2012	1,310	1,988	2,288	173	220	128	**6,107**

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

6 Segment information (continued)

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

	Year ended 31 December 2013	Year ended 31 December 2012
(Loss)/Profit before income tax	**(1,883)**	**2,603**
Finance income	(90)	(95)
Interest expenses	2,174	1,662
Exchange loss/(gain), net	1,155	(647)
Amortization and depreciation	2,421	2,725
Impairment of property, plant and equipment and intangible assets	1,379	-
Loss on disposal of ownership share in SIJ	1,227	-
Loss /(Gain) arising on revaluation of derivative financial instruments, net	212	(141)
Total Group's adjusted EBITDA	**6,595**	**6,107**

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, 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 2013 and 2012 and capital expenditures for the years ended 31 December 2013 and 2012 are presented below:

	Coal	Coke	Ore & Pig iron	Polema	IMT	Other	Total
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**
At 31 December 2012							
Segment assets	18,333	16,621	22,231	1,020	693	989	**59,887**
Segment liabilities	12,801	20,161	8,790	127	317	340	**42,536**
Capital expenditures for the year ended 31 December 2012	5,773	274	2,264	65	-	400	**8,776**

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

6 Segment information (continued)

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

	At 31 December 2013	At 31 December 2012
Segment assets	**64,107**	**59,887**
Items not included in segment assets		
Goodwill	4,586	4,586
Deferred income tax asset	504	653
Other non-current assets (see note 10)	6	6
Available-for-sale financial assets	70	2,877
Elimination of intersegment balances	(11,337)	(8,833)
Total assets	**57,936**	**59,176**

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

	At 31 December 2013	At 31 December 2012
Segment liabilities	**46,701**	**42,536**
Items not included in segment liabilities		
Provision for restoration liability	175	152
Deferred income tax liability	2,189	2,395
Taxes payable	825	689
Elimination of intersegment balances	(11,337)	(8,833)
Total liabilities	**38,553**	**36,939**

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

	Year ended 31 December 2013	Year ended 31 December 2012
Segment capital expenditures	**6,779**	**8,776**
Additions of intangible assets (note 8)	6	1
Additions of property, plant and equipment (note 7)	**6,773**	**8,775**

Information about geographical areas

Revenue analysis from external Russian and foreign customers based on customer's geographical location is disclosed in note 22.

The following table presents export revenues from external customers attributed to foreign countries:

	Year ended	
	31 December 2013	31 December 2012
Export sales:	**30,477**	**30,592**
including:		
Switzerland	24,663	23,457
Ukraine	2,038	637
USA	207	1,065

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

	At 31 December 2013	At 31 December 2012
Russian Federation	**46,362**	**44,428**
Foreign countries	**7**	**8**
including :		
Switzerland	-	2
China	7	6
Total non-current assets	**46,369**	**44,436**

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

7 Property, plant and equipment

	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 liquidation 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 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 liquidation 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**

	Land	Buildings	Installations	Plant and equipment	Transport vehicles	Construction in progress	Other	Total
Cost at 31 December 2011	**607**	**4,540**	**12,521**	**8,792**	**1,829**	**9,300**	**171**	**37,760**
Additions	49	39	263	1,048	321	6,819	12	**8,551**
Transfers	-	445	1,126	466	-	(2,037)	-	-
Disposals	-	(110)	(18)	(141)	(61)	(88)	(8)	**(426)**
Disposal through sale of subsidiary	-	-	-	(21)	-	-	-	**(21)**
Effect of changes in exchange rates	-	1	-	2	-	-	-	**3**
Cost at 31 December 2012	**656**	**4,915**	**13,892**	**10,146**	**2,089**	**13,994**	**175**	**45,867**
Accumulated depreciation at 31 December 2011	**-**	**(722)**	**(4,369)**	**(3,541)**	**(695)**	**-**	**(96)**	**(9,423)**
Depreciation charges	-	(199)	(1,097)	(1,236)	(233)	-	(20)	**(2,785)**
Accumulated depreciation related to disposals	-	51	16	118	50	-	7	**242**
Accumulated depreciation related to sale of subsidiary	-	-	-	15	-	-	-	**15**
Effect of changes in exchange rates	-	-	-	(1)	-	-	-	**(1)**
Accumulated depreciation at 31 December 2012	**-**	**(870)**	**(5,450)**	**(4,645)**	**(878)**	**-**	**(109)**	**(11,952)**
Net book value at 31 December 2011	**607**	**3,818**	**8,152**	**5,251**	**1,134**	**9,300**	**75**	**28,337**
Net book value at 31 December 2012	**656**	**4,045**	**8,442**	**5,501**	**1,211**	**13,994**	**66**	**33,915**

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

7 Property, plant and equipment (continued)

Based on analysis of feasibility study of further development of Abramovsky area of Glushinsky coal field (Romanovskaya-1 mine of OOO Gornyak) prepared in 2013 the Group management made a decision in November 2013 that the further production activities at this mine are economically not feasible due to existence of unfavorable geological conditions which could not be predicted earlier. Following this decision the Group management decided to liquidate OOO Gornyak and early terminate the respective production license and developed actions plan related to liquidation of the above mentioned subsidiary and conservation of the respective mine. As a result of this as at 31 December 2013 the Group recognised an impairment loss in respect to property, plant and equipment of OOO Gornyak in the amount of RR 1,208 million, intangible assets (license for coal mining) in the amount of RR 50 million (see note 8) and deferred income tax asset in the amount of RR 299 million (see note 28). The Group management is going to complete the major actions related to liquidation of OOO Gornyak during one year following the respective decision and does not expect that the Group will incur any significant expenses associated with this liquidation in addition to those already recognised in these consolidated financial statements.

In addition, as at 31 December 2013 the Group recognised an impairment loss in respect to certain frozen objects under construction in the amount of RR 121 million, which, in accordance with recent management's plans, will not be used in production activity of the Group.

During the year ended 31 December 2013 a depreciation expense of RR 1,987 million (2012: RR 2,302 million) was included in the cost of products sold, a depreciation expense of RR 154 million (2012: RR 142 million) was included in general and administrative expenses and depreciation expense of RR 875 million (2012: RR 341 million) was capitalized.

Additions of property, plant and equipment during the year ended 31 December 2013 include capitalised interest of RR 285 million (2012: RR 427 million). The capitalisation rate used to determine the amount of capitalised interest for 2013 was 8.9% (2012: 9.1%).

8 Other intangible assets

Movements of other intangible assets are provided below:

	Year ended 31 December 2013	**Year ended 31 December 2012**
Cost as at the beginning of the year	7,487	7,486
Accumulated amortisation and impairment	(1,552)	(1,271)
Net book value as at the beginning of the year	**5,935**	**6,215**
Additions	6	1
Amortization charge	(280)	(281)
Impairment loss (note 7)	(50)	-
Net book value at the end of the year	**5,611**	**5,935**
Cost as at the end of the year	7,493	7,487
Accumulated amortisation and impairment	(1,882)	(1,552)

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

	Carrying amount	
	At 31 December 2013	**At 31 December 2012**
Licence to produce ferruginous quartzite from Korobkovsky mine	3,289	3,563
Coal mining licence at Nikitinsky coal area-2	2,041	2,041
Licence for underground coal mining at Abramovsky area of Glushinsky coal field (Romanovskaya-1 mine)	-	56
Licence for underground coal mining at Kedrovsko-Krohalevskoe coal field (Vladimirskaya-2 mine)	135	135
Other	146	140
Total	**5,611**	**5,935**

The coal mining licence at coal area Nikitinsky-2 is not being amortised as the area is not ready for use and mining at the area has not commenced. Impairment testing of the licence was performed as of 31 December 2013 and 2012.

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

8 Other intangible assets (continued)

Testing coal mining licence for impairment

The licence at coal area Nikitinsky-2 is intended to be used ultimately for coal mining and supply to the Group. However, due to the fact that an active market exists for coal, which will be produced under the licence terms, for the purpose of impairment testing the licence was included in a group of mining assets under construction on Nilkitinsky-2, which is 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 from 2016 year (when mining is planned to commence). Cash flows beyond 2020 year are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy.

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

	31 December 2013	31 December 2012
Long-term growth rate	3% p.a.	3% p.a.
Pre-tax discount rate	18.0% p.a.	18.1% p.a.

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

Value-in-use calculated as of 31 December 2013 (as well as of 31 December 2012) on the basis of the above assumptions for the group of mining assets under construction exceeds its book value. Consequently, there are no grounds to recognise any impairment for 2013 and 2012 years.

The most sensitive estimate used by management in assessing the amount of impairment for 2013 and 2012 years was EBITDA margin as a percentage of revenue, influenced by future market prices and production quantities. Reasonable change in key assumptions does not lead to an excess of the asset book value over its value-in-use.

9 Goodwill

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

	Note	Year ended 31 December 2013	Year ended 31 December 2012
Gross book value at the beginning of the year		6,222	6,236
Accumulated impairment		(1,636)	(1,636)
Net book value as at the beginning of the year		**4,586**	**4,600**
Disposals through sale of subsidiaries	29	-	(14)
Net book value at the end of the year		**4,586**	**4,586**
Gross book value at the end of the year		6,222	6,222
Accumulated impairment		(1,636)	(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 the goodwill is monitored by management and which are not larger than a segment:

	At 31 December 2013	At 31 December 2012
OAO Kombinat KMA Ruda	2,223	2,223
OAO Tulachermet	1,248	1,248
OAO Polema	980	980
ZAO Sibirskie Resursy	89	89
ZAO Krontif-Centre	46	46
Total net book value of goodwill	**4,586**	**4,586**

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

9 Goodwill (continued)

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 2018 inclusive (2012: a five-year period through 2017 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 average growth rate for the business sector of the economy in which the CGU operates.

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

	31 December 2013	31 December 2012
Long-term growth rate	3% p.a.	3% p.a.
Pre-tax discount rate for OAO Kombinat KMA Ruda	16.0% p.a.	14.0% 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 cash operating return based on past performance and its market expectations. The weighted average growth rates used are consistent with forecasts in industry reports.

Value-in-use calculated as of 31 December 2013 (as well as of 31 December 2012) on the basis of the above assumptions for all CGUs exceeds the book value of assets (including allocated goodwill). Consequently, there are no grounds to recognise any goodwill impairment for 2013 and 2012 years. Management believes that a reasonable change in the pre-tax discount rate in 2013 and 2012 would not impair goodwill.

10 Other non-current assets

	At 31 December 2013	At 31 December 2012
Financial assets		
Long-term interest receivable on loans issued to related parties	440	356
Long-term accounts receivable from shareholders for available-for-sale financial assets (note 33)	274	-
Other long-term accounts receivable	71	84
Total financial assets	**785**	**440**
Non-financial assets		
Other	6	6
Total non-financial assets	**6**	**6**
Total other non-current assets	**791**	**446**

11 Inventories

	At 31 December 2013	At 31 December 2012
Raw materials, materials and supplies held for production purposes	3,142	3,178
Work in progress	302	273
Finished goods	322	799
Total inventories	**3,766**	**4,250**

Materials and supplies held for production purposes are recorded at net realisable value, net of provision for impairment, which amounted to RR 26 million as at 31 December 2013 (31 December 2012: RR 50 million).

12 Other current assets

	At 31 December 2013	At 31 December 2012
Loans issued	873	28
Total other current assets	**873**	**28**

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

12 Other current assets (continued)

	At 31 December 2013	Interest rate	At 31 December 2012	Interest rate
Loans issued to related parties and denominated in Russian roubles (note 30)	13	7.8%	28	0.0%-7.8%
Loans issued to related parties and denominated in euro (note 30)	854	6.0%	-	-
Loans issued to third parties and denominated in Russian roubles	6	10.0%	-	-
Total current loans issued	**873**		**28**	

13 Non-current loans issued

	At 31 December 2013	Interest rate	At 31 December 2012	Interest rate
Loans issued to related parties and denominated in Euros with maturity in 2018 (note 30)	1,574	2.7%	1,408	2.7%
Total non-current loans issued	**1,574**		**1,408**	

14 Trade and other receivables and advances issued

	At 31 December 2013	At 31 December 2012
Trade receivables (net of impairment amounting to RR 1 million as at 31 December 2013; RR 28 million as at 31 December 2012)	891	1,066
Trade receivables from related parties	79	221
Taxes receivable	79	68
Other accounts receivable (net of impairment amounting to RR 51 million as at 31 December 2013; RR 49 million as at 31 December 2012)	253	152
Other accounts receivable from related parties (net of impairment amounting to RR 1 million as at 31 December 2013; RR nil as at 31 December 2012)	19	20
Interest on loans issued to related parties (net of impairment amounting to RR 7 million as at 31 December 2013; RR 1 million as at 31 December 2012)	24	10
Total trade and other receivables	**1,345**	**1,537**
Advances issued	442	488
Less impairment	(5)	(5)
Total advances issued	**437**	**483**

15 Cash, cash equivalents and restricted cash

	At 31 December 2013	At 31 December 2012
RR bank deposits	-	6
RR denominated cash in hand and bank balances	25	51
Bank balances denominated in foreign currencies	478	280
Restricted cash	-	556
Other cash	-	1
Total cash, cash equivalents and restricted cash	**503**	**894**

As at 31 December 2012 restricted cash represents an irrevocable letter of credit in favour of a supplier of equipment.

16 Share capital

As of 31 December 2013 and 2012 share capital authorised, issued and paid in totalled RR 213 million. The share capital consisted of 330,046,400 ordinary shares with nominal value of RR 0.1 per share as of 31 December 2013 and 31 December 2012. As of 31 December 2013 and 31 December 2012 share capital includes hyperinflation adjustment totaling RR 180 million, which was calculated in accordance with requirements of IAS 29 “Financial Reporting in Hyperinflationary Economies” and relates to the reporting periods prior to 1 January 2003.

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

16 Share capital (continued)

In June 2010 the Group's subsidiary 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 deducted from equity at cost. RR 5,593 million was paid in cash and RR 46 million was offset during 2010 with respect to the resultant obligation. The closing obligation of RR 289 million (31 December 2012: RR 360 million) is classified as current as the Company does not have the right to defer payment for more than twelve months after the year end.

17 Retained earnings

The Russian statutory financial statements is the basis for the Company's profit distribution and other appropriations. The basis of distribution is defined by Russian legislation as a company's net profit. The net loss recognised in the Company's published Russian statutory financial statements for the year ended 31 December 2013 was RR 2,590 million (2012: net profit - RR 611 million) and the accumulated profit after dividends as at 31 December 2013 was equal to RR 8,381 million (31 December 2012: RR 10,970 million). However, legislation and other statutory laws and regulations dealing with profit distribution are open to legal interpretation and, accordingly, management believes that at present it would not be appropriate to disclose the amount for distributable reserves in these consolidated financial statements.

During 2013 no dividends were declared. During 2012 dividends were declared in the amount of RR 1,432 million including dividends for treasury shares of RR 112 million. In December 2013 dividends payable in the amount of RR 747 million were offset against accounts receivable from shareholders for available-for-sale financial assets, see note 33 (2012: dividends in the amount of RR 43 million were paid in cash).

18 Provision for restoration liability

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

	Year ended 31 December 2013	Year ended 31 December 2012
Balance at the beginning of the year	**152**	**143**
Additional provision	17	-
Restoration costs during the year	(3)	(1)
Accretion of restoration liability	13	11
Decrease in provision for restoration liability due to change of estimates	(4)	(1)
Balance at the end of the year	**175**	**152**
Less current part of the provision	(45)	(18)
Long-term part of the provision for restoration liability as at the end of the year	**130**	**134**

A provision for restoration liability in the amount of RR 175 million as of 31 December 2013 (RR 152 million as of 31 December 2012) was recorded for the net present value of the estimated future obligation to restore land around the Vakhrusheva, the Vladimirskaya, the Romanovskaya and the Butovskaya coal mines (2012: the Vakhrusheva, the Vladimirskaya and the Romanovskaya 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 at 31 December 2013 and 31 December 2012 was 8%, which is an adjusted risk free rate for the Group at the reporting dates. The related asset of RR 139 million as of 31 December 2013 (31 December 2012: RR 137 million) was recorded as installations within property, plant and equipment at the net book value.

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

19 Borrowings

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

Loans and borrowings by type may be analysed as follows:

	At 31 December 2013	Interest rate	At 31 December 2012	Interest rate
RR denominated bank overdraft, fixed	141	7.5%-7.75%	236	7.8%-9.0%
Other RR denominated borrowings, fixed	5	8.5%	9	1.0%-8.5%
USD denominated bank loans, fixed	4,286	2.6%-3.8%	2,924	3.5%-6.4%
USD denominated bank loans, variable	-	-	2,561	4.8%-4.9%
Total short-term borrowings and current portion of long-term borrowings	**4,432**		**5,730**	

As at 31 December 2013 and 31 December 2012 there were no short-term borrowings secured by assets of the Group.

Long-term borrowings

	At 31 December 2013	Interest rate	At 31 December 2012	Interest rate
RR denominated bank loans, fixed	7,432	2.5%-10.65%	6,635	2.5-11.8%
USD denominated bank loans, variable	-	-	228	4.8%
EUR denomiated bank loans, variable	-	-	92	4.9%
Total long-term borrowings	**7,432**		**6,955**	

As at 31 December 2013 long-term borrowings of RR 7,432 million (31 December 2012: RR 6,635 million) were secured by assets of the Group. As separate loan agreements do not specify individual pledged assets, the carrying amount of pledged assets is not disclosed in these consolidated financial statements.

Borrowings of the Group are due for repayment as follows:

	At 31 December 2013	At 31 December 2012
Borrowings to be repaid - within one year	4,432	5,730
- between one and five years	4,503	3,085
- after five years	2,929	3,870
Total borrowings	**11,864**	**12,685**

As at 31 December 2013 the Group has the undrawn borrowing facilities in the amount of RR 28,527 million (as at 31 December 2012: RR 49,274 million).

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

19 Borrowings (continued)

Movements in borrowings are analysed as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Short-term borrowings:		
Balance at the beginning of the year	**5,730**	**4,571**
Borrowings received	13,366	33,043
Borrowings repaid	(15,287)	(35,682)
Disposal of borrowings through disposal of subsidiairies	-	(4)
Reclassification of borrowings	227	4,579
Bank overdrafts received	7,839	37,718
Bank overdrafts repaid	(7,935)	(38,402)
Effect of changes in exchange rates	492	(93)
Balance at the end of the year	**4,432**	**5,730**
Long-term borrowings:		
Balance at the beginning of the year	**6,955**	**5,772**
Borrowings received	2,113	6,591
Borrowings repaid	(1,443)	(574)
Disposal of borrowings through disposal of subsidiairies	-	(256)
Effect of changes in exchange rates	34	1
Reclassification of borrowings	(227)	(4,579)
Balance at the end of the year	**7,432**	**6,955**

5 billion (series BO-02 bonds):

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

In November 2013 the Group repurchased 518,534 bonds for 97.75% of nominal value RR 1 thousand per each with the total amount of transaction RR 507 million.

As at 31 December 2013 the carrying value of the bonds is RR 4,515 million, net of transaction costs of RR 21 million, and is disclosed as a current liability.

Eurobonds:

On 23 June 2011 the Group issued 350,000,000 eurobonds for 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 eurobonds for USD 31 million. In February 2013 the Group sold 18,000,000 of repurchased eurobonds for USD 17.6 million. In July-August 2013 the Group repurchased 4,000,000 eurobonds for USD 3.8 million.

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

In March 2013 the Group amended the eurobonds consolidated leverage ratio covenant. In connection with this amendment the Group recorded additional interest expense equal to RR 159 million. As at 31 December 2013 the Group met the amended consolidated leverage ratio.

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

20 Trade and other payables

	At 31 December 2013	At 31 December 2012
Financial liabilities		
Trade accounts payable	3,511	3,556
Bank interest payable	19	19
Dividends payable	530	1,277
Other accounts payable	131	35
Total financial liabilities	**4,191**	**4,887**
Non-financial liabilities		
Wages and salaries payable	800	794
Advances received	2,613	379
Total non-financial liabilities	**3,413**	**1,173**
Total trade and other payables	**7,604**	**6,060**

21 Other taxes payable

	At 31 December 2013	At 31 December 2012
VAT	504	311
Individual income tax	55	55
Contributions to the state pension and social insurance funds	126	119
Property tax	87	68
Other taxes	20	28
Total taxes other than income tax payable	**792**	**581**

22 Revenue

	Year ended 31 December 2013	Year ended 31 December 2012
Sales in Russia:		
Sales of coke and coking products	5,981	7,217
Sales of pig iron	2,150	1,776
Sales of coal and coal concentrate	1,092	2,732
Sales of cast-iron ware	1,310	1,363
Sales of powder metallurgy products	534	582
Sales of crushed pig iron and other pig iron products	324	356
Sales of services	546	505
Other sales	622	581
Total sales in Russia	**12,559**	**15,112**
Sales to other countries:		
Sales of pig iron	23,964	24,802
Sales of coke and coking products	4,616	4,715
Sales of chrome	146	286
Sales of powder metallurgy products	159	162
Sales of cast-iron ware	172	225
Sales of coal and coal concentrate	1,290	316
Other sales	130	86
Total sales to other countries	**30,477**	**30,592**
Total revenue	**43,036**	**45,704**

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

23 Cost of sales

	Year ended 31 December 2013	Year ended 31 December 2012
Raw materials and supplies	20,870	24,114
Wages and salaries including associated taxes	5,133	5,105
Depreciation of property, plant and equipment	1,987	2,302
Energy	1,197	1,167
Other expenses	346	630
Other services	591	660
Changes in finished goods and work in progress	438	506
Amortisation of intangible assets	280	281
Total of cost of sales	**30,842**	**34,765**

24 Taxes other than income tax

	Year ended 31 December 2013	Year ended 31 December 2012
Property tax	286	260
Mineral resources extraction tax	111	122
Land tax	151	187
Other taxes	49	(22)
Total taxes other than income tax	**597**	**547**

25 Distribution costs

	Year ended 31 December 2013	Year ended 31 December 2012
Transportation services	3,963	3,924
Other selling expenses	130	196
Total distribution costs	**4,093**	**4,120**

26 General and administrative expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Wages and salaries including associated taxes	2,218	2,086
Other purchased services	578	288
Depreciation of property, plant and equipment	154	142
Materials	92	86
Other	168	153
Total general and administrative expenses	**3,210**	**2,755**

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

27 Other operating expenses, net

	Year ended 31 December 2013	Year ended 31 December 2012
Charity payments	94	110
(Gain)/Loss on disposal of property, plant and equipment	(29)	76
Accrual of bad debt provision	25	78
Gain on sale of other available-for-sale financial assets	(9)	-
Other	39	(17)
Other operating expenses, net	**120**	**247**

28 Income tax expense

Income tax expense recorded in the consolidated statement of profit and loss comprises the following:

	Year ended 31 December 2013	Year ended 31 December 2012
Current income tax expense	497	881
Withholding tax	1	19
Deferred income tax expense/(benefit)	55	(294)
Income tax expense	**553**	**606**

The income tax rate applicable to the Group's subsidiaries registered in Russia is 20% (2012: 20%). The reconciliation between the expected and the actual taxation charge is provided below.

	Year ended 31 December 2013	Year ended 31 December 2012
(Loss)/Profit before income tax	**(1,883)**	**2,603**
Theoretical tax at statutory rate	(377)	521
Impairment of deferred tax asset of OOO Gornyak (note 7)	299	-
Tax effect of items which are not tax deductible/exempt:		
Impairment of property, plant and equipment and intangible assets of OOO Gornyak (notes 7, 8)	252	-
Loss on disposal of ownership share in SIJ	245	-
Charity payments	19	22
Interest expenses	71	20
Other non-deductible expenses, net	43	24
Withholding tax	1	19
Total income tax expense	**553**	**606**

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

28 Income tax expense (continued)

	As of 31 December 2012	Charged to profit or loss	Charged to other comprehensive income	Effect of changes in exchange rates	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**	**(45)**	**(114)**	**3**	**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)	(4)	-	(1)	(25)
Gross deferred income tax assets	**(1,467)**	**100**	**-**	**(1)**	**(1,368)**
Net deferred income tax liabilities	**1,742**	**55**	**(114)**	**2**	**1,685**

	As of 31 December 2011	Charged to profit or loss	Charged to other comprehensive income	Effect of changes in exchange rates	Disposal of subsidiary	As of 31 December 2012
Deferred income tax liabilities						
Property, plant and equipment	1,808	160	-	-	-	1,968
Capital repair tax provision	96	(96)	-	-	-	-
Accounts payable	3	-	-	-	-	3
Intangible assets	1,095	(28)	-	-	-	1,067
Inventories	45	(18)	-	-	-	27
Borrowings	48	(18)	-	(2)	-	28
Accounts receivable	40	(40)	-	-	-	-
Available-for-sale financial assets	124	-	(10)	-	-	114
Other	3	(1)	-	-	-	2
Gross deferred income tax liabilities	**3,262**	**(41)**	**(10)**	**(2)**	**-**	**3,209**
Deferred income tax assets						
Provision for restoration liability	(35)	9	-	-	-	(26)
Property, plant and equipment	(179)	(8)	-	-	-	(187)
Losses carried forward	(779)	(271)	-	-	-	(1,050)
Inventories	(103)	29	-	-	-	(74)
Accounts receivable	(7)	5	-	-	-	(2)
Derivative financial instruments	(32)	11	-	-	-	(21)
Accounts payable	(61)	(25)	-	-	-	(86)
Available-for-sale financial assets	(1)	-	-	-	-	(1)
Other	(19)	(3)	-	1	1	(20)
Gross deferred income tax assets	**(1,216)**	**(253)**	**-**	**1**	**1**	**(1,467)**
Net deferred income tax liabilities	**2,046**	**(294)**	**(10)**	**(1)**	**1**	**1,742**

	31 December 2013	31 December 2012
Deferred income tax asset	(504)	(653)
Deferred income tax liability	2,189	2,395
Net deferred income tax liability	**1,685**	**1,742**

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

28 Income tax expense (continued)

As of 31 December 2013 the Group did not record deferred tax liabilities for taxable temporary differences of RR 266 million (31 December 2012: RR 256 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 foreseeable future.

Tax (expense)/benefit relating to components of other compehensive income for the years ended 31 December 2013 and 2012 is as follows:

	Year ended 31 December 2013			Year ended 31 December 2012		
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax benefit	Net of tax
Exchange differences on translating foreign operations	7	(2)	5	15	1	16
Loss arising on revaluation of available-for-sale financial assets during the year, net	(1,795)	359	(1,436)	(52)	10	(42)
Loss arising on revaluation of available-for-sale financial assets reclassified to profit or loss upon their disposal	1,227	(245)	982	-	-	-
Other comprehensive (loss)/income	**(561)**	**112**	**(449)**	**(37)**	**11**	**(26)**

29 Disposal of investment in subsidiary

On 20 June 2012 the Group sold a 100% interest in Polema S.A. for a cash consideration of EUR 10,000 (RR 410 thousand). Polema S.A. was not a discontinued operation according to IFRS 5 as it did not represent a major line of business.

The table below includes information on assets and liabilities of the disposed subsidiary:

Cash and cash equivalents	60
Trade and other receivables	80
Inventories	34
Property, plant and equipment	6
Deferred tax asset	1
Trade and other payables	(79)
Taxes payable	(3)
Borrowings	(260)
Net assets of Polema S.A.	**(161)**
Goodwill	14
Total book value of net assets disposed of	**(147)**
Currency translation reserve in respect of the net assets of the disposed subsidiary reclassified from other comprehensive income to loss	35
Gain on disposal of investment in subsidiary	112
Total compensation for the assets disposed of	-
Less: cash and cash equivalents held by the subsidiary disposed of	(57)
Proceeds from disposal of investment in subsidiary	**(57)**

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

30 Balances and transactions with related parties

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

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

	Companies under common control	Ultimate shareholders	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 12,13)	2,441	-	2,441
Interest on loans issued (including long-term)	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)

Accounts receivable and accounts payable – related parties, as at 31 December 2012:

	Companies under common control	Ultimate shareholders	Total
Trade and other receivables	221	-	221
Advances issued	70	-	70
Other accounts receivable	20	-	20
Loans issued (notes 12,13)	1,436	-	1,436
Interest on loans issued (including long-term)	366	-	366
Loans received	(9)	-	(9)
Dividends payable	-	(1,201)	(1,201)
Payables on treasury shares	-	(360)	(360)
Interest payable	(2)	-	(2)

Related party transactions for the year ended 31 December 2013:

	Companies under common control	Ultimate shareholders	Total
Sales in Russia:			
Sales of services	302	-	302
Other sales	7	-	7
Sales to other countries:			
Sales of pig iron	22,805	-	22,805
Sales of coke and coking products	1,526	-	1,526
Other income:			
Interest income	64	-	64
Purchase of goods and services:			
Purchase of raw materials and supplies	(313)	-	(313)
Transportation services	(98)	-	(98)
Other operating income, net	3	-	3

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

30 Balances and transactions with related parties (continued)

Related party transactions for the year ended 31 December 2012:

	Companies under common control	Ultimate shareholders	Total
Sales in Russia:			
Sales of services	282	-	282
Other sales	6	-	6
Sales to other countries:			
Sales of pig iron	20,658	-	20,658
Sales of coke and coking products	2,693	-	2,693
Other income:			
Interest income	81	-	81
Purchase of goods and services:			
Purchase of raw materials and supplies	(400)	-	(400)
Purchase of other services	(8)	-	(8)
Interest expense	(2)	-	(2)
Other operating income, net	4	-	4

During the year ended 31 December 2013 the Group sold pig iron, coke and coking products to a related party trader under common control for the amount of RR 24,331 million (year ended 31 December 2012: RR 23,351 million). As at 31 December 2013 the Group has an outstanding balance of advances received from this trader of RR 2,275 million (31 December 2012: nil).

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 management are members of the Board of Directors of SIJ. As at 31 December 2012 the Group held a 17% interest in SIJ which fair value was RR 2,816 million. On 24 December 2013 the Group disposed its interest in SIJ to its ultimate shareholders for RR 1,021 million (see notes 5.2 and 33).

As at 31 December 2013 loans issued by the Group to SIJ totalled RR 2,428 million (31 December 2012: RR 1,408 million), including a long-term loan of RR 1,574 million with a maturity in 2018 (31 December 2012: RR 1,408) (note 13) and a short-term loan of RR 854 with a maturity in 2014 (31 December 2012: nil) (note 12). Interest receivable from SIJ as at 31 December 2013 totalled RR 440 million (31 December 2012: RR 356 million) (note 10).

In addition the Group issued a guarantee to a third party bank for SIJ in the amount of RR 1,354 million as at 31 December 2013 (31 December 2012: RR 1,549 million) (see note 32).

Payments to key management personnel

Payments to key management personnel included in general and administrative expenses in the consolidated statement of profit and loss amounted to RR 364 million for the year ended 31 December 2013 (RR 386 million for the year ended 31 December 2012). All these payments are short-term employee benefits. The number of people to whom this compensation relates is 37 for the year ended 31 December 2013 and 34 for the year ended 31 December 2012.

31 Derivative financial instruments

As at 7 July 2011 the Group entered into a currency and interest rate swap contract that is to be settled net in cash maturing on 23 May 2014. The currency and interest rate swap was not designated as a hedging instrument. As of 31 December 2013 under currency and interest rate swap the Group is liable to USD denominated interest payments at the fixed rate 4.7% with the notional amount equal to USD 89,317,613 in exchange for RR denominated interest payments at the fixed rate 8.7% with the notional amount equal to RR 2,500 million. As of 31 December 2013 the fair value of currency and interest rate swap is equal to RR 397 million (31 December 2012: RR 103 million) and it is presented separately in the consolidated statement of financial position as a current liability (31 December 2012: non-current liability).

32 Contingencies, commitments and operating risks

Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (note 28). The political and economic turmoil witnessed in the region, including the developments in Ukraine have had and may continue to have a negative impact on the Russian economy, including weakening of the Rouble and making it harder to raise international funding. At present, there is an ongoing threat of sanctions against Russia and Russian officials the impact of which, if they were to be implemented, are at this stage difficult to determine. The financial markets are uncertain and volatile. These and other events may have a significant impact on the Group’s operations and financial position, the effect of which is difficult to predict.

Capital commitments

The Group did not have capital commitments as at 31 December 2013 and 2012.

Taxes

Russian tax and customs legislation which was 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 the tax positions may be challenged 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 authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation was introduced from 1999 and was amended with effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management believes that its pricing policy used in 2013 and preceding years is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation. Given the specifics of transfer pricing rules, impact of any challenge of the Group’s transfer prices cannot be reliably estimated, however, it may be significant to the financial condition and/or the operations of the Group.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the operations of the Group.

Insurance policies

At 31 December 2013 and 2012 the Group held limited insurance policies on its assets and operations, or in respect of public liability or other insurable risks.

Environmental matters

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

Legal proceedings

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

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

Licences

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

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

Licence holder	Field	Expiry date
OOO Gornyak	Abramovsky area of Glushinsky coal field (Romanovskaya-1 mine)	April 2022
OOO Butovskaya mine	Butovskoe-Zapadnoe and Chesnokovskoe areas of Kemerovo coal field (Butovskaya mine)	January 2016
ZAO Sibirskie resursy	Kedrovsko-Krohalevskoe coal field (Vladimirskaya mine)	March 2021
ZAO Sibirskie resursy	Kedrovsko-Krohalevskoe coal field (Vladimirskaya-2 mine)	March 2030
OOO Uchastok Koksoviy	Koksoviy area (Vakhrusheva coal mine)	December 2020
OOO Tikhova Mine	Nikitinsky coal area-2	September 2025
OAO Kombinat KMA Ruda	Licence to produce ferruginous quartzite from Korobkovsky mine	January 2026

Financial guarantees

The table below presents financial guarantees issued to financial institutions for the loans issued to:

	31 December 2013	31 December 2012
Financial guarantees issued to related parties	1,354	1,549

The Group expects that the probability of financial guarantees repayment is negligible. Therefore, no liability is expected to arise.

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

33 Financial instruments and financial risk factors

The Group financial instruments are presented below:

	Note	31 December 2013	31 December 2012
Assets			
Non-current:			
Loans issued	13	1,574	1,408
Available-for-sale financial assets		70	2,877
Other non-current accounts receivable	10	785	440
Current:			
Trade and other accounts receivable	14	1,266	1,469
Other current assets	12	873	28
Cash, cash equivalents and restricted cash	15	503	894
Total carrying value		**5,071**	**7,116**
Liabilities			
Long-term:			
Long-term borrowings	19	7,432	6,955
Long-term bonds	19	10,580	14,378
Derivative financial instruments	31	-	103
Short-term:			
Trade accounts payable	20	3,511	3,556
Bank interest payable	20	19	19
Dividends payable	20	530	1,277
Other accounts payable	20	131	35
Payables on treasury shares	16	289	360
Short-term borrowings and current portion of long-term borrowings	19	4,432	5,730
Short-term bonds	19	4,630	117
Derivative financial instruments	31	397	-
Total carrying value		**31,951**	**32,530**

As of 31 December 2012 available-for-sale financial assets included ownership share of 17% in SIJ – Slovenska industrija jekla, d.d. (Slovenia) totalling RR 2,816 million. On 24 December 2013 this investment was sold to the Group's ultimate shareholders for the total consideration of RR 1,131 million. Part of consideration receivable totalling RR 747 million was offset with the respective amount of dividends payable (note 17), the remaining part totalling RR 384 million should be paid in December 2016. This remaining part of consideration receivable was recorded within long-term accounts receivable at fair value of RR 274 million, which was calculated using the effective interest rate of 12% p.a. (note 10). The difference between the nominal value of these long-term receivables and their carrying value totalling RR 110 million was deducted from the carrying amount of investment in SIJ as of the date of its disposal. The disposal price of RR 1,021 million was considered as fair value of the Group's investment in SIJ at the date of transaction (note 5.2).

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

Liabilities carried at amortised cost. Carrying amounts of bank overdrafts, bank interest, dividend, trade and other payables approximate fair values. The fair value of term loans and bonds were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair values of term loans and bonds are presented in the following table.

	31 December 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Term loans (excluding overdrafts)	11,723	10,997	12,449	12,146
Bonds	15,210	14,356	14,495	14,004
Total borrowings	**26,933**	**25,353**	**26,944**	**26,150**

Loans from banks relate to Level 2 (inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly) fair value measurement hierarchy, bonds relate to Level 1 (quoted prices in active markets) fair value measurement hierarchy

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

33 Financial instruments and financial risk factors (continued)

Financial instruments at fair value

The reconciliation from the opening balances to closing balances of financial assets and liabilities measured based on fair value hierarchy for the periods ended 31 December 2013 and 31 December 2012 is provided below:

	Financial assets at fair value through profit and loss (Level 1)	Available-for-sale financial assets (Level 3)	Derivative financial instruments – financial liability (Level 3)
As at 31 December 2011	**3**	**2,929**	**159**
Loss/Gain in the statement of profit and loss	(3)	-	(141)
Loss in the consolidated statement of comprehensive income	-	(52)	-
Proceeds from derivative financial instruments, net	-	-	85
As at 31 December 2012	**-**	**2,877**	**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 consolidated statement of profit and loss	-	(1,227)	-
Loss in the statement of profit and loss	-	-	212
Gain on disposal of other available-for-sales assets	-	9	-
Proceeds from derivative financial instruments, net	-	-	82
As at 31 December 2013	**-**	**70**	**397**

There were no transfers between Levels 1, 2 and 3 during the years ended 31 December 2013 and 31 December 2012.

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 objectives of the Group's operations.

(a) Credit risk

Financial assets which subject Group companies to potential credit risk consist principally of trade and other receivables, loans issued, cash, cash equivalents and restricted cash, other non-current accounts receivable and amount to RR 5,001 million (RR 4,239 million as of 31 December 2012).

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 32).

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

- interaction between the Group's structural divisions (commercial, legal, accounting, economic security divisions, and 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 the sales markets, the Group performs stringent legal and financial reviews of potential customers.

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 business relationship with the counterparty is over a year, and the counterparty has never defaulted on its liabilities;
- Group 2 – the length of 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 business relationship with the counterparty is less than a year.

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

33 Financial instruments and financial risk factors (continued)

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, cash equivalents and restricted cash	502	-	1	503
Total	**4,234**	**494**	**168**	**4,896**

Credit risk related to neither past due nor impaired financial assets (expected to be realised in full) as at 31 December 2012:

	Group 1	Group 2	Group 3	Total
Trade and other receivables	605	271	247	1,123
Loans issued	1,436	-	-	1,436
Other non-current accounts receivable	440	-	-	440
Cash, cash equivalents and restricted cash	894	-	-	894
Total	**3,375**	**271**	**247**	**3,893**

In addition, the Group assesses the credit risk for financial assets which 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 amount of financial assets which are overdue but not impaired as of 31 December 2013:

	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 amount of financial assets which are overdue but not impaired as of 31 December 2012:

	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	289	18	39	-	**346**
Total	**289**	**18**	**39**	**-**	**346**

The Group sets up an impairment provision for impaired financial assets (overdue and unlikely to be realized). Although 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 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**

33 Financial instruments and financial risk factors (continued)

The table below presents movements in the bad debt provision for the year ended 31 December 2012:

	Trade accounts receivable	Loans issued and accounts receivable on interest income	Other accounts receivable	Total
As at 31 December 2011	**54**	**3**	**7**	**64**
Charged to profit or loss	28	-	50	**78**
Reversed through profit or loss	(2)	-	(1)	**(3)**
Used	(50)	-	(7)	**(57)**
Disposal within a sale of subsidiary	(2)	-	-	**(2)**
As at 31 December 2012	**28**	**3**	**49**	**80**

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 2013 the Group has the concentration of credit risk due to the loans issued to related party in the amount of RR 2,428 million (31 December 2012: RR 1,408 million). At 31 December 2013 and 31 December 2012 there are no significant credit risk concentration, due to diversified structure of Group's counterparties and absence of significant exposure to particular customers.

At 31 December 2013 the Group's bank accounts are held only with major Russian banks, mainly Sberbank, and major foreign banks, mainly UBS AG and BNP Paribas (Suisse) S.A. (2012: major Russian banks, mainly Bank of Moscow, and major foreign banks, mainly BCV, Garanti Bank and BNP Paribas) thus exposing the Group to a concentration of credit risk.

(b) Market risk

Foreign currency risk

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 2013 are provided below:

	in thousand USD	in thousand 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 loss as at 31 December 2013 is given below.

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

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

33 Financial instruments and financial risk factors (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 2012 are provided below:

	in thousand USD	in thousand EUR
Trade receivables	592	29
Cash	3,432	-
Loans issued including interest receivable	-	35,000
Trade accounts payable	(86)	(24)
Eurobonds	(316,000)	-
Borrowings and loans received	(188,063)	-
Interest payable	(560)	-
Net total, in foreign currency	**(500,685)**	**35,005**
Net total as at 31 December 2012, in RR million at the exchange rate as at the reporting date	**(15,207)**	**1,408**

The analysis of the effect of foreign currency risk on the Group's revenue and profit as at 31 December 2012 is given below.

The exchange rate of the US dollar as at 31 December 2012 was RR 30.3727 to USD 1. A 10% decrease/increase in the dollar exchange rate would have resulted in higher/reduced profit for the year of RR 1,521 million.

The exchange rate of the euro as at 31 December 2012 was RR 40.2286 to EUR 1. A 10% decrease/increase in the euro exchange rate would have resulted in reduced/higher profit for the year of RR 141 million.

Interest rate risk

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

The Group does the following to minimise interest rate risk:

- monitoring trends in the domestic RR and global USD/EUR currency markets;
- monitoring of analyst reviews and comments made 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 2013 the Group has no borrowings with variable interest rates. Consequently interest expenses of the Group do not expose to risk of variable interest rates changing

As at 31 December 2012, the following interest rates have significant influence on the interest expense on borrowings with variable rates:

1M LIBOR	0.209%
3M LIBOR	0.306%

As at 31 December 2012, a 100 basis point decrease/increase in these rates, assuming all other variables remain constant, would have resulted in higher/reduced profit for the year of RR 28 million.

(c) Liquidity risk

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

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

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

33 Financial instruments and financial risk factors (continued)

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

Investment programmes to acquire new high-cost equipment, construct new production facilities, rebuild and modernise 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 these endeavours depending on market conditions.

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

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 the analysis of non-discounted cash flows related to the Group's contract 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***	305	690	837	402	-	-	-	**2,234**
Derivative financial instruments	-	385	-	-	-	-	-	**385**
Total	**6,123**	**9,377**	**2,702**	**12,703**	**1,390**	**1,580**	**3,202**	**37,077**

*) bank interest to be accrued in future periods was estimated based on terms and conditions of loans and borrowings agreements effective as at the reporting date
**) interest to be accrued in future periods was estimated based on coupon rates effective as at the reporting date.

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

33 Financial instruments and financial risk factors (continued)

The table below provides the analysis of non-discounted cash flows related to the Group's contract obligations as at 31 December 2012:

	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	3,506	50	-	-	-	-	-	**3,556**
Other accounts payable	1,668	4	-	-	-	-	-	**1,672**
Borrowings:								
- Principal	868	4,862	229	1,176	805	875	3,870	**12,685**
-Bank interest payable as of 31 December 2012	18	1	-	-	-	-	-	**19**
*- Bank interest to be accrued in future periods**	216	563	613	598	519	396	347	**3,252**
Bonds:								
- Principal	-	-	5,000	-	-	9,598	-	**14,598**
-Interest payable as of 31 December 2012	-	744	-	-	-	-	-	**744**
*- Interest to be accrued in future periods***	293	886	920	744	362	-	-	**3,205**
Derivative financial instruments	-	(90)	169	-	-	-	-	**79**
Total	**6,569**	**7,020**	**6,931**	**2,518**	**1,686**	**10,869**	**4,217**	**39,810**

*) bank interest to be accrued in future periods was estimated based on terms and conditions of loans and borrowings agreements effective as at the reporting date
**) interest to be accrued in future periods was estimated based on coupon rates effective as at the reporting date.

34 Capital risk management

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.

Every year the Group plans and realises investment programs to maintain a high technical and technological level of the Group's property, plant and equipment, avoidance of business interruptions, maintenance of high life and health standards, preservation of the environment as well as the introducing new production facilities that ensure the Group's profitability in the future.

Following the results of 2009 the Group has decided to reconsider and renew financing of investment programs, which have been suspended due to financial crisis, in the volume which is necessary and sufficient for their realization.

The Group has defined new criteria of requirements (payback period – no more than 5 years, revenue rate – not less than 20%, NPV and other indicators) for both the suspended and new investment projects under consideration.

35 Earnings/ (Loss) per share

Basic earnings/(loss) per share are calculated by dividing the profit or 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 earnings/(loss) per share equals the basic earnings/(loss) per share.

(Loss)/earnings per share are calculated as follows:

	Note	**Year ended 31 December 2013**	**Year ended 31 December 2012**
(Loss)/Profit for the year		(2,446)	2,059
Weighted average number of ordinary shares in issue (millions of shares)	16	304.05	304.05
Basic and diluted (loss)/earnings per ordinary share (in RR per share)		**(8.04)**	**6.77**

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

36 Non-controlling interest

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

Carrying amount of non-controlling interest		Profit/(loss) attributable to non-controlling interest		Revenue		Profit/(loss)		Total comprehensive income/(loss)	
at 31 December 2013	at 31 December 2012	for the year ended 31 December 2013	for the year ended 31 December 2012	for the year ended 31 December 2013	for the year ended 31 December 2012	for the year ended 31 December 2013	for the year ended 31 December 2012	for the year ended 31 December 2013	for the year ended 31 December 2012
568	560	11	(62)	26,769	26,229	170	(942)	170	(942)

Current assets		Non-current assets		Current liabilities		Non-current liabilities	
at 31 December 2013	at 31 December 2012	at 31 December 2013	at 31 December 2012	at 31 December 2013	at 31 December 2012	at 31 December 2013	at 31 December 2012
6,151	4,239	10,425	10,420	(7,006)	(5,320)	(902)	(840)

	Year ended 31 December 2013	Year ended 31 December 2012
Net cash from operating activity	3,001	(2,020)
Net cash (used in) / received from investing activity	(2,240)	1,417
Net cash (used in) / from financing activities	(772)	596
Net decrease in cash and cash equivalents	(11)	(7)
Cash and cash equivalents at the beginning of the year	16	23
Cash and cash equivalents at the end of the year	5	16

As of 31 December 2013 ownership share held by non-controlling interests equals to 6.56% and voting rights share held by non-controlling interests equals to 5.09% (as of 31 December 2012: 6.59% and 5.10%).

No dividends were paid by OAO Tulachermet to non-controlling shareholders in the years ended 31 December 2013 and 31 December 2012.

Holders of the non-controlling interest OAO Tulachermet have a right to veto any transaction with related parties with a financial effect above 2 percent of this entity's assets book value estimated in accordance with the RAS financial statements (as of 31 December 2013 - RR 245 million, as of 31 December 2012 - RR 201 million).