OAO Raspadskaya

Unaudited interim condensed
consolidated financial statements

Six-month period ended 30 June 2014

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Contents

Совершенствуя бизнес, улучшаем мир

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Report on review of interim condensed consolidated financial statements

To the Shareholders and Board of Directors of
OAO Raspadskaya

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OAO Raspadskaya and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 1 to the interim condensed consolidated financial statements, which discloses a significant concentration of the Group's business with related parties.

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In addition, without qualifying our conclusion, we draw attention to Note 2 to the interim condensed consolidated financial statements, which indicates that the Company incurred a net loss of $67 million during the six months period ended 30 June 2014. This condition, along with other matters as set forth in Note 2, indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Ernst & Young LLC

20 August 2014

OAO Raspadskaya

Unaudited interim consolidated statement of comprehensive income

Six-month period ended 30 June 2014

	Notes	2014	2013*
		US$000	*US$000*
Revenue			
Sales of goods		**241,243**	295,925
Other sales		**3,569**	5,072
		244,812	300,997
Cost of sales		**(246,188)**	(244,321)
Gross profit		**(1,376)**	56,676
Selling and distribution costs		**(12,488)**	(29,423)
General and administrative expenses		**(28,175)**	(30,585)
Social expenses		**(922)**	(1,921)
Loss on disposal of property, plant and equipment		**(1,376)**	(794)
Impairment of assets		**(893)**	–
Foreign exchange losses		**(12,925)**	(33,993)
Other operating income		**1,038**	2,549
Other operating expenses		**(7,116)**	(23,543)
Operating loss		**(64,233)**	(61,034)
Dividend income		**–**	61
Interest income		**419**	2,736
Interest expense		**(19,620)**	(23,230)
Loss before income tax		**(83,434)**	(81,467)
Income tax	3	**16,038**	13,737
Loss for the period		**(67,396)**	(67,730)
Other comprehensive income			
Effect of translation to presentation currency		**(26,497)**	(73,089)
Net loss on available-for-sale financial assets		**(360)**	(124)
Income tax		**–**	(1)
Other comprehensive loss for the period, net of tax		**(26,857)**	(73,214)
Total comprehensive loss for the period, net of tax		**(94,253)**	(140,944)
Profit/(loss) for the period attributable to:			
Equity holders of the parent		**(67,653)**	(67,934)
Non-controlling interests		**257**	204
		(67,396)	(67,730)
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the parent		**(94,391)**	(140,801)
Non-controlling interests		**138**	(143)
		(94,253)	(140,944)
Loss per share			
basic and diluted, for loss for the period attributable to equity holders of the parent, US dollars ((3.37) rubles and (3.00) rubles for the six-month periods ended 30 June 2014 and 2013 respectively)	9	**(0.10)**	(0.10)

* The amounts shown here do not correspond to those in the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2013 and reflect reclassifications made as detailed in Note 2.

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

OAO Raspadskaya

Unaudited interim consolidated statement of financial position

30 June 2014

	Notes	30 June 2014	31 December 2013
		US$000	*US$000*
Assets			
Non-current assets			
Property, plant and equipment	4	**1,329,567**	1,373,725
Deferred income tax asset		**111,659**	100,287
Other non-current assets	5	**5,297**	5,210
		1,446,523	1,479,222
Current assets			
Inventories	6	**40,603**	73,063
Trade and other receivables		**39,094**	33,230
Prepayments		**3,634**	9,345
Receivables from related parties	8	**27,111**	28,116
Income tax receivable		**614**	1,079
Other taxes recoverable		**44,175**	29,192
Bank deposit	7	**297**	–
Cash and cash equivalents	7	**8,217**	5,656
		163,745	179,681
Total assets		**1,610,268**	1,658,903
Equity and liabilities			
Equity attributable to equity holders of the parent			
Issued capital	9	**273**	273
Additional paid-in capital		**387,790**	387,790
Reserve capital		**7**	7
Accumulated profits		**673,764**	741,417
Unrealized gain on available-for-sale investments		**1,491**	1,851
Translation difference		**(276,416)**	(250,038)
		786,909	881,300
Non-controlling interests		**4,929**	4,791
		791,838	886,091
Non-current liabilities			
Long-term loans	10	**397,966**	397,539
Long-term loans from related parties	8	**94,000**	100,000
Deferred income tax liabilities		**113,808**	123,005
Post-employment benefits liabilities		**41,087**	39,664
Site restoration provision		**5,443**	5,264
Other long-term provisions		**464**	477
		652,768	665,949
Current liabilities			
Trade and other payables		**67,323**	62,100
Advances from customers		**45**	54
Short-term loans and current portion of long-term loans	10	**5,384**	5,511
Short-term loans and current portion of long-term loans from related parties	8	**1,815**	1,416
Payables to related parties	8	**50,829**	13,550
Income tax payable		**1,415**	502
Other taxes payable		**38,122**	22,946
Litigation provisions		**678**	731
Dividends payable		**51**	53
		165,662	106,863
Total equity and liabilities		**1,610,268**	1,658,903

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

OAO Raspadskaya

Unaudited interim consolidated statement of cash flows

Six-month period ended 30 June 2014

	Notes	2014	2013
		US$000	*US$000*
Operating activities			
Loss for the period		**(67,396)**	(67,730)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Depreciation, depletion and amortization		**40,721**	52,585
Deferred income tax benefit	3	**(18,871)**	(28,602)
Loss on disposal of property, plant and equipment		**1,376**	794
Impairment of assets		**893**	–
Foreign exchange losses		**12,925**	33,993
Dividend income		**–**	(61)
Interest income		**(419)**	(2,736)
Interest expense		**19,620**	23,230
Net employee benefit expense		**905**	1,407
Change in bad debt allowance		**103**	53
Changes in provisions and other long-term assets and liabilities		**(1,424)**	–
		(11,567)	12,933
Changes in working capital			
Inventories		**30,254**	4,928
Trade and other receivables		**(6,314)**	(495)
Prepayments		**5,261**	1,791
Taxes receivable		**(14,739)**	(14,360)
Receivables from / payables to related parties		**35,851**	22,763
Trade and other payables		**4,624**	4,012
Advances from customers		**(8)**	(13)
Taxes payable		**14,815**	3,447
Net cash flows from operating activities		**58,177**	35,006
Investing activities			
Purchases of property, plant and equipment		**(32,679)**	(35,631)
Bank deposits, including interest, net		**(58)**	115,120
Other investing activities, net		**728**	478
Net cash flows from / (used in) investing activities		**(32,009)**	79,967
Financing activities			
Repayment of loans, including interest, net of government grants		**(23,304)**	(21,192)
Dividends paid		–	(5)
Net cash flows used in financing activities		**(23,304)**	(21,197)
Effect of foreign exchange rate changes on cash and cash equivalents		**(303)**	(1,463)
Net increase in cash and cash equivalents		**2,561**	92,313
Cash and cash equivalents at the beginning of the period		**5,656**	7,731
Cash and cash equivalents at the end of the period		**8,217**	100,044
Supplementary cash flow information			
Cash flows during the period:			
Interest paid		**17,304**	20,316
Interest received		**228**	3,586
Income tax paid		**1,501**	10,970

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

OAO Raspadskaya

Unaudited interim consolidated statement of changes in equity

Six-month period ended 30 June 2014

	Attributable to equity holders of the parent									
	Issued capital	Treasury shares	Additional paid-in capital	Reserve capital	Accumu-lated profits	Unrealized gain on available-for-sale investments	Translation difference	Parent share-holders' equity	Non-controlling interests	Total
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
At 31 December 2012	273	–	387,790	7	852,142	1,835	(176,156)	1,065,891	4,712	1,070,603
Profit/(loss) for the period	–	–	–	–	(67,934)	–	–	(67,934)	204	(67,730)
Other comprehensive loss	–	–	–	–	–	(125)	(72,742)	(72,867)	(347)	(73,214)
Total comprehensive loss	–	–	–	–	(67,934)	(125)	(72,742)	(140,801)	(143)	(140,944)
At 30 June 2013	273	–	387,790	7	784,208	1,710	(248,898)	925,090	4,569	929,659
At 31 December 2013	**273**	**–**	**387,790**	**7**	**741,417**	**1,851**	**(250,038)**	**881,300**	**4,791**	**886,091**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**(67,653)**	**–**	**–**	**(67,653)**	**257**	**(67,396)**
Other comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(360)**	**(26,378)**	**(26,738)**	**(119)**	**(26,857)**
Total comprehensive profit/(loss)	**–**	**–**	**–**	**–**	**(67,653)**	**(360)**	**(26,378)**	**(94,391)**	**138**	**(94,253)**
At 30 June 2014	**273**	**–**	**387,790**	**7**	**673,764**	**1,491**	**(276,416)**	**786,909**	**4,929**	**791,838**

The accompanying notes form an integral part of these unaudited interim condensed consolidated financial statements.

1. Corporate information

The unaudited interim condensed consolidated financial statements of OAO Raspadskaya (the “Company”) for the six-month period ended 30 June 2014 were authorized for issue in accordance with a resolution of the Board of Directors on 20 August 2014.

The Company is an open joint-stock company (“OAO”) registered under Russian law. The Company commenced operations in 1973. The registered office of the Company is 106, Mira Street, Mezhdurechensk, Kemerovo region, Russia.

The Company’s controlling shareholder is Corber Enterprises S.a.r.l. (Luxemburg), before 31 March 2014 Corber Enterprises Limited (Cyprus) (“Corber”). Before 16 January 2013, Corber was a 50/50 joint venture set up by Adroliv Investments Limited (Cyprus) (“Adroliv”) owned by the Company’s management, and Mastercroft Mining Limited, a subsidiary of EVRAZ plc (UK) (“Evraz”). On 16 January 2013, Adroliv sold to Evraz its ownership interest in Corber. The Company therefore has become a subsidiary of Evraz. Corber owns approx. 81.95% of the Company’s shares. Lanebrook Limited (Cyprus) is the ultimate controlling party of the Group. The Company’s shares are traded on the Russian stock exchange RTS-MICEX.

The Company and its subsidiaries (the “Group”) derive 98% of their revenues from sales of coking coal. Other revenue sources include sales of other goods, transport-handling and other services.

32% and 18% of the Group’s revenue was generated in transactions with related parties in the six-month periods ended 30 June 2014 and 2013 respectively (Note 8).

2. Significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2014 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2013.

The interim condensed consolidated financial statements are presented in US dollars (US$) and all amounts are rounded to the nearest thousand (US$000) except when otherwise stated.

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the six-month period ended 30 June 2014 the Company incurred a net loss of $67 million ($68 million, for the six-month period ended 30 June 2013).

The current market and economic conditions create material uncertainty over the Group’s short-term ability to generate sufficient cash to continue its operation and at the same time fulfill its investment plans. Management proactively addresses these concerns by taking necessary cost optimization measures, postponing certain investing projects and capital repairs, and negotiating additional financing. Consequently, taking into account all related factors management believes that these mitigation measures are supporting appropriateness of use of going concern assumption in the preparation of the consolidated financial statements.

2. Significant accounting policies (continued)

Changes in accounting policies

The accounting policies adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as at 1 January 2014.

New/Revised Standards and Interpretations Adopted in 2014

- Amendments to IFRS 10, IFRS 12 and IAS 27

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-financial Assets*

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group.

- IFRIC 21 *Levies*

IFRIC 21 is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached.

The amendments described above did not have a significant impact on the financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Significant accounting policies (continued)

Changes in accounting policies (continued)

Certain reclassifications have been made for consistent presentation.

The effects of the reclassifications on the previously reported amounts are set out below.

Six-month period ended 30 June 2013

	As previously reported	Reclassifications	Restated
	US$000	*US$000*	*US$000*
Consolidated statement of comprehensive income			
Revenue			
Other sales	4,748	324	5,072
Cost of sales	(253,933)	9,612	(244,321)
Gross profit	**46,740**	**9,936**	**56,676**
Selling and distribution costs	(18,490)	(10,933)	(29,423)
Social expenses	(2,996)	1,075	(1,921)
Other operating income	2,873	(324)	2,549
Other operating expenses	(23,789)	246	(23,543)
Operating loss	**(61,034)**	**–**	**(61,034)**

3. Income tax

Major components of income tax

	Six-month periods ended 30 June	
	2014	**2013**
	US$000	*US$000*
Current income tax:		
Current income tax charge	**(2,833)**	(14,865)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**18,871**	28,602
	16,038	13,737

Russia was the only tax jurisdiction in which the Group's income was subject to taxation.

4. Property, plant and equipment

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of US$1,960,000 and US$2,525,000 as at 30 June 2014 and 31 December 2013 respectively.

Movement in property, plant and equipment

	Land	Mining assets	Buildings and construc-tions	Machinery and equipment	Transport and motor vehicles	Other assets	Assets under construc-tion	Total
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
At 31 December 2013, cost, net of accumulated depreciation, depletion and government grants	**57**	**768,793**	**101,840**	**210,345**	**42,069**	**9,677**	**240,944**	**1,373,725**
Additions	**30**	**–**	**–**	**–**	**–**	**430**	**38,720**	**39,180**
Assets put into operation	**–**	**8,184**	**2,971**	**17,585**	**6,175**	**938**	**(35,853)**	**–**
Disposals	**–**	**(4)**	**(44)**	**(549)**	**(507)**	**(6)**	**(299)**	**(1,409)**
Reclassification	**–**	**734**	**(72)**	**10**	**–**	**(228)**	**(444)**	**–**
Depreciation and depletion charge	**–**	**(9,971)**	**(2,226)**	**(21,824)**	**(9,230)**	**(1,398)**	**–**	**(44,649)**
Impairment loss	**–**	**–**	**–**	**(165)**	**–**	**–**	**(6)**	**(171)**
Translation difference	**(1)**	**(20,649)**	**(2,706)**	**(5,836)**	**(1,271)**	**(276)**	**(6,370)**	**(37,109)**
At 30 June 2014, cost, net of accumulated depreciation, depletion and government grants	**86**	**747,087**	**99,763**	**199,566**	**37,236**	**9,137**	**236,692**	**1,329,567**

On 1 July 2013 the Group changed its estimation of mineral reserve, future capital expenditures and on 1 January 2014, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in US$3,153,000 decrease in depletion expense and US$5,181,000 decrease in depreciation expense respectively, as compared to the amounts that would have been charged had no change in estimate occurred.

5. Other non-current assets

	30 June 2014	31 December 2013
	US$000	*US$000*
Available-for-sale investments:		
Quoted equity shares	**1,867**	2,317
Unquoted equity shares	**218**	223
	2,085	2,540
Loans to employees	**2,391**	2,670
Input VAT with long-term recovery	**821**	–
	5,297	5,210

6. Inventory

	30 June 2014	31 December 2013
	US$000	*US$000*
Raw materials and spare parts (at cost)	**29,568**	46,013
Finished goods (at cost)	**8,006**	11,710
Finished goods (at net realizable value)	**3,029**	15,340
	40,603	73,063

In the six-month period ended 30 June 2014, write-down of finished goods to net realizable value amounted to US$2,163,000.

7. Short-term bank deposits, cash and cash equivalents

Short-term bank deposits

	30 June 2014	31 December 2013
	US$000	*US$000*
Russian rubles	**297**	–
	297	–

The above short-term deposits are non-restricted deposits placed in Russian state banks and affiliates of international banks with initial maturity of more than 90 days.

Cash and cash equivalents

	30 June 2014	31 December 2013
	US$000	*US$000*
US dollars	**924**	17
Russian rubles	**7,293**	5,639
	8,217	5,656

The above cash and cash equivalents mainly consisted of cash at banks.

8. Related party disclosures

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with related parties

	Sales to related parties		Purchases from related parties	
	Six-month periods ended 30 June		Six-month periods ended 30 June	
	2014	2013	2014	2013
	US$000	*US$000*	*US$000*	*US$000*
Evraz ZSMK	**32,535**	24,548	**1,513**	–
East Metals A.G.	**24,577**	–	–	–
Evraz DMZ Petrovskogo	**6,524**	10,389	–	–
Evraz NTMK	**5,940**	2,396	–	140
Evraz Bagleykoks	**4,083**	10,026	–	–
Yuzhkuzbassugol	**3,401**	–	**2,384**	–
Southern Kuzbass	**2,689**	2,824	–	–
OUS	**171**	–	**1,051**	–
Stroitelno-Proizvodstvennaya company	**165**	216	**3,400**	3,529
TH Evraz Ukraine	–	2,705	–	–
Sibirsky Spas	–	4	–	897
Metallenergofinance	–	–	**9,843**	3,065
Port Nakhodka	–	–	**5,849**	–
TC EvrazHolding	–	–	**252**	4,590
Other entities	**24**	50	**161**	1,796
	80,109	53,158	**24,453**	14,017

8. Related party disclosures (continued)

Amounts owed by/to related parties

	Amounts due from related parties		Amounts due to related parties	
	30 June 2014	**31 December 2013**	**30 June 2014**	**31 December 2013**
	US$000	*US$000*	*US$000*	*US$000*
Evraz ZSMK	**10,016**	18,324	**10**	–
East Metals A.G.	**4,804**	–	**–**	–
Yuzhkuzbassugol	**4,345**	2,074	**2,361**	1,170
Evraz NTMK	**4,069**	3,591	**–**	–
Evraz Bagleykoks	**1,291**	–	**–**	–
Evraz DMZ Petrovskogo	**1,067**	–	**–**	–
Southern Kuzbass	**627**	621	**–**	–
Sibirsky Spas	**517**	220	**47**	121
Stroitelno-Proizvodstvennaya company	**329**	202	**1,441**	1,966
Metallenergofinance	**–**	–	**2,380**	2,263
OUS	**36**	37	**644**	232
Port Nakhodka	**–**	–	**3,633**	1,223
TC EvrazHolding	**–**	–	**40,027**	6,378
TH Evraz Ukraine	–	2,993	–	–
Other entities	**10**	54	**286**	197
	27,111	28,116	**50,829**	13,550

East Metals A.G. is an entity under control of Evraz. In the six-month period ended 30 June 2014, the Group sold coal concentrate to this company. The sales accounted for approx. 10% of the Group's total sales volumes of coal products in the period.

Except for amounts described above the Group received loans from Evraz Group S.A. and Evraz Greenfield Development S.A. (US$45,000,000 and US$55,000,000 respectively). The loans bear interest rate 4.7% and maturity date is 31 July 2016 for both loans.

Creditor	Currency	Final maturity date	Interest rate	Opening balance as at 31 Dec 2013	Interest accrued for the period	Repayment for the period	Closing balance as at 30 June 2014
				US$000	*US$000*	*US$000*	*US$000*
Evraz Greenfield Development S.A.	USD	31.07.2016	4.7%	**55,779**	**1,282**	**(999)**	**56,062**
Evraz Group S.A.	USD	31.07.2016	4.7%	**45,637**	**921**	**(6,805)**	**39,753**
				101,416	**2,203**	**(7,804)**	**95,815**

Compensation to key management personnel

Key management personnel totalled 9 people as at 30 June 2014 and 2013. Total compensation to key management personnel was included in general and administrative expenses in the statement of comprehensive income and consisted of the following:

	Six-month period ended 30 June	
	2014	**2013**
	US$000	*US$000*
Short-term benefits:		
Salary	**3,183**	1,999
Payroll taxes	**357**	239
	3,540	2,238

9. Equity

Share capital

As at 30 June 2014 and 31 December 2013, the Company's issued and fully paid share capital consisted of 703,191,443 ordinary shares with par value 0.004 rubles each; the authorized share capital consisted of 1,401,202,730 ordinary shares.

Reserve capital

According to Russian law, the Group creates a reserve capital in the amount of 5% of share capital per Russian statutory accounts by annual appropriations which should be at least 5% of the annual net profit per statutory financial statements. The reserve capital can be used only for covering losses and for redemption of the Company's bonds and purchase of own shares if there are no other sources of financing.

Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. The Company has no potentially dilutive ordinary shares, diluted earnings per share is therefore equal to basic earnings per share.

	Six-month period ended 30 June	
	2014	**2013**
Loss for the period attributable to equity holders of the parent, *US$000*	**(67,653)**	(67,934)
Weighted average number of outstanding ordinary shares	**703,191,443**	703,191,443
Basic and diluted loss per share, *US dollars*	**(0.10)**	(0.10)

Dividends

On 21 May 2014 shareholders of the Company approved no final dividends for 2013.

10. Loans and borrowings

Loans and borrowings by source

	30 June 2014	**31 December 2013**
	US$000	*US$000*
7.75% notes due 2017	**397,966**	397,539
Interest payable	**5,384**	5,511
	403,350	403,050

On 27 April 2012 the Group issued loan participation notes amounting to US$400,000,000. The new notes bear an interest of 7.75% per annum payable semi-annually and mature on 27 April 2017. The terms and conditions of the 7.75% notes provide for certain covenants in respect of the Company and its subsidiaries. The covenants impose restrictions in respect of certain transactions. As at 30 June 2014 and for the period then ended, the Group complied with all the covenants. The Group may incur additional indebtedness up to US$100,000,000.

11. Commitments and contingencies

Operating environment of the Group

The Group is one of the biggest coking coal producers in Russia. Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent on these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2014 the Russian Government continued to take measures to support the economy in order to overcome the consequences of the global financial crisis. Despite some indications of recovery there continues to be some uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not determinable now.

Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Recent events within Russia suggest that tax authorities are taking a more assertive position in their interpretation of legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, fines and penalties may be assessed.

Management believes that its interpretation of relevant legislation is appropriate and that the Group has paid or accrued all applicable taxes. Where uncertainty exists, the Group has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities.

Contractual commitments

The Group was a party to executory contracts for the purchase of production equipment and construction works in the amount of US$17,377,000 as at 30 June 2014.

Social commitments

The Group is involved in a number of social programs aimed to support education, health care and social infrastructure development in the towns where the Group's assets are located. In the second half of 2014 the Group plans to spend US$ 3,675,000 under these programs.

Environmental protection

The Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement. Management believes that any pending environmental claims or proceedings will not have a material adverse effect on the Group's financial position or results of operations. Under the Plan on environmental protection the Group expects to spend US$13,099,000 in the years 2014-2019.

Insurance policies

The Group maintains obligatory insurance policies required by Russian law. The Group holds no insurance policies in relation to its major production facilities, or in respect of public liability.

12. Fair value of financial instruments

The carrying amounts of financial instruments, consisting of cash, short-term investments, short-term accounts receivable and payable, variable rate short-term and variable rate long-term loans payable approximate their fair value.

Fair value of 7.75% notes due in 2017 with carrying amount US$403,350,000 at 30 June 2014 is determined by reference to published price quotations in an active market and amounts to US$405,292,000.

13. Subsequent events

There were no subsequent events that require disclosure.