

**Public Joint Stock Company
“Kuzbasskaya Toplivnaya Company”
(trading as “KTK”)**

**Unaudit Condensed Interim
Consolidated Financial Statements
for the three months ended 31 March 2016**

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*Public Joint Stock Company “Kuzbasskaya Toplivnaya Company” (trading as “KTK”)
Consolidated Statement of Financial Position as at 31 March 2016*

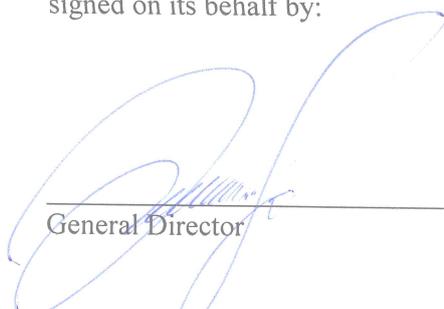
	Note	31 March 2016 Mln RUB	31 December 2015 Mln RUB
ASSETS			
Property, plant and equipment	12	12 704	12 316
Exploration and evaluation assets		63	42
Goodwill and intangible assets		23	21
Investments in equity accounted investees		5	5
Other investments		1	1
Deferred tax assets		383	422
Non-current assets		13 179	12 807
Inventories	13	2 023	2 225
Other investments		16	16
Income tax receivable		195	25
Trade and other receivables	14	3 251	3 018
Prepayments	15	224	269
Cash and cash equivalents	16	4 150	3 390
Current assets		9 859	8 943
Total assets		23 038	21 750

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 15.

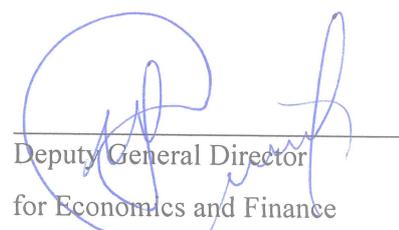
*Public Joint Stock Company "Kuzbasskaya Toplivnaya Company" (trading as "KTK")
Consolidated Statement of Financial Position as at 31 March 2016*

	Note	31 March 2016 Mln RUB	31 December 2015 Mln RUB
Equity			
Share capital		20	20
Additional paid-in capital		2 829	2 829
Retained earnings		6 402	6 271
Total equity attributable to equity holders of the Company		9 251	9 120
Non-controlling interest		-	(3)
Total equity		9 251	9 117
Liabilities			
Loans and borrowings	17	8 481	7 379
Deferred income/ revenue		191	193
Provisions		312	304
Retirement benefit liability		54	52
Deferred tax liabilities		820	691
Non-current liabilities		9 858	8 619
Loans and borrowings	17	1 443	1 653
Trade and other payables	18	2 309	2 141
Net assets attributable to minority participants in LLC entities		161	158
Retirement benefit liability		14	14
Income tax payable		2	48
Current liabilities		3 929	4 014
Total liabilities		13 787	12 633
Total equity and liabilities		23 038	21 750

These consolidated financial statements were approved by management on 20 May 2016 and were signed on its behalf by:



General Director
Eduard V. Alexeenko



Deputy General Director
for Economics and Finance
Ivan A. Artemenko

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 15.

Public Joint Stock Company “Kuzbasskaya Toplivnaya Company” (trading as “KTK”)
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the three months ended
31 March 2016

	Note	Three months ended	
		31 March	
		2016	2015
		Mln RUB	Mln RUB
Revenue	5	6 343	6 013
Cost of sales	6	(5 417)	(4 685)
Gross profit		926	1 328
Distribution expenses	7	(350)	(312)
Administrative expenses	8	(269)	(255)
Other incomes and expenses, net	9	-	(49)
Results from operating activities		307	712
Finance income	10	107	208
Finance costs	10	(158)	(514)
Profit before income tax		256	406
Income tax expense	11	(108)	(148)
Profit for the period		148	258
Profit/(loss) attributable to:			
Equity holders of the Company		131	258
Minority participants in LLC subsidiaries		14	(7)
Non-controlling interests		3	7
		148	258
Other comprehensive income for the period			
<i>Items that are or will be reclassified to profit or loss</i>			
Losses on cash flow hedge reclassified to profit or loss, net of income tax		-	405
Total comprehensive income for the period		148	663
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		131	663
Minority participants in LLC subsidiaries		14	(7)
Non-controlling interests		3	7
		148	663
Earnings per share			
Basic and diluted earnings per share (RUB)		1.32	2.60

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 15.

*Public Joint Stock Company “Kuzbasskaya Toplivnaya Company” (trading as “KTK”)
Consolidated Statement of Changes in Equity for the three months ended 31 March 2016*

Mln RUB	Attributable to shareholders of the Company				Non- controlling interest	Total equity	
	Share capital	Additional paid-in capital	Hedging reserve	Retained earnings			Total
Balance at 1 January 2015	20	2 829	(405)	6 518	8 962	(4)	8 958
Profit for the period	-	-		258	258	7	265
Losses on cash flow hedge reclassified to profit or loss, net of income tax	-	-	405	-	405	-	405
Total comprehensive income for the period	-	-	405	258	663	7	670
Balance at 31 March 2015	20	2 829	-	6 776	9 625	3	9 628
Balance at 1 January 2016	20	2 829	-	6 271	9 120	(3)	9 117
Profit for the period	-	-	-	131	131	3	134
Total comprehensive income for the period	-	-	-	131	131	3	134
Balance at 31 March 2016	20	2 829	-	6 402	9 251	-	9 251

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 15.

*Public Joint Stock Company “Kuzbasskaya Toplivnaya Company” (trading as “KTK”)
Consolidated Statement of Cash Flows for the three months ended 31 March 2016*

	Three months ended 31 March	
	2016	2015
	Mln RUB	Mln RUB
OPERATING ACTIVITIES		
Profit for the period	148	258
<i>Adjustments for:</i>		
Depreciation and amortisation	337	303
Loss/(gain) on disposal of property, plant and equipment	5	(63)
Net finance costs	51	306
Income tax expense	108	148
Cash flows from operating activities before changes in working capital and provisions	649	952
Changes in:		
- Inventories	202	(392)
- trade and other receivables	(208)	(1 037)
- prepayments for current assets	45	(124)
- trade and other payables	(38)	250
Cash flows from operating activities before income tax and interest paid	650	(351)
Income taxes paid	(156)	(42)
Interest paid	(161)	(199)
Interest received on cash and cash equivalents	32	197
Net cash flows from operating activities	365	(395)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	4	65
Loans issued	-	(310)
Proceeds from loans issued	-	9
Acquisition of property, plant, equipment, intangible assets and exploration and evaluation assets	(595)	(163)
Cash flows used in investing activities	(591)	(399)
FINANCING ACTIVITIES		
Proceeds from borrowings	4 268	67
Repayment of borrowings	(2 894)	(1 505)
Income paid to minority participants in LLC entities	(10)	-
Cash flows from/(used in) financing activities	1 364	(1 438)
Net increase (decrease) in cash and cash equivalents	1 138	(2 232)
Cash and cash equivalents at the beginning of year	3 390	7 332
Effect of exchange rate fluctuations on cash and cash equivalents	(378)	226
Cash and cash equivalents at the end of the period	4 150	5 326

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 15.

1 Background

(a) Corporate information

The Public Joint Stock Company “Kuzbasskaya Toplivnaya Company” (“the Company” or “KTK”) registered under the Russian law on 4 April 2000. The shares of PJSC “KTC” are quoted on the PJSC Moscow Exchange since May 2010. The registered office of the Company is: 4, 50 Let Oktyabrya street, Kemerovo, 650000.

The Company’s ultimate controlling party is Mr. Igor Yuryevich Prokudin.

The Company together with its subsidiaries, whose structure and activities have not changed as from 31 December 2015, are referred to as “the Group”. The operations of the Group are subject to various regulations and licensing laws related to the extraction of coal in the Russian Federation.

(b) Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2 Basis of accounting

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), in compliance with the requirements of IAS 34 “Interim Financial Reporting”. It contains limited volume of financial information and is to be read in conjunction with the consolidated financial statements for the year ended 31 December 2015.

3 Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the functional currency of the Company and all of its subsidiaries and the currency in which these consolidated financial statements are presented. All financial information presented in RUB has been rounded to the nearest million, except where otherwise indicated.

4 Reportable segments

The Group determines and presents operating segments based on the information that internally is provided to the General director, who is the Group's chief operating decision maker. The Company's General director reviews operating results for purposes of assessing performance and making resource allocation decisions.

(i) *Financial information*

The segmented financial information is prepared and reported to general director at least quarterly. Management selected gross profit as the measure of the segment's result.

For the three months ended 31 March 2016

Mln RUB	Domestic sales of produced coal	Export sales of produced coal	Resale of purchased coal	Other operations	Total
Revenue	1 058	4 892	195	198	6 343
Cost of sales	(930)	(4 141)	(189)	(157)	(5 417)
Gross profit and segment result	128	751	6	41	926

Unallocated expenses

Other operating expenses	(619)
Net finance costs	(51)
Profit before income tax	256

For the three months ended 31 March 2015

Mln RUB	Domestic sales of produced coal	Export sales of produced coal	Resale of purchased coal	Other operations	Total
Revenue	1 266	4 177	360	210	6 013
Cost of sales	(1 094)	(3 125)	(320)	(146)	(4 685)
Gross profit and segment result	172	1 052	40	64	1 328

Unallocated expenses

Other operating expenses	(616)
Net finance costs	(306)
Loss before income tax	406

As at 31 March 2016

Trade receivables	816	1 163	135	121	2 235
Advances received	(6)	(2)	(1)	(9)	(18)

As at 31 December 2015

Trade receivables	545	1 228	230	91	2 094
Advances received	(16)	(197)	(13)	(7)	(233)

5 Revenue

Mln RUB	Three months ended 31 March	
	2016	2015
Sales of coal	6 055	5 730
Compensation from the government	113	98
Sales of electrical and heat power and hot water	100	97
Provision of transportation services	29	39
Provision of storage services	33	32
Other revenue	13	17
	6 343	6 013

Compensation from government refers to amounts received from the local authorities as part of the consideration for coal sold to local municipalities and private individuals at regulated prices, and for services provided to private individuals at regulated tariffs. Such compensation is due to the Group in accordance with the Russian legislation.

6 Cost of sales

Mln RUB	Three months ended 31 March	
	2016	2015
Railway tariff and transportation services	3 165	2 727
Fuel	470	463
Personnel costs	464	393
Depreciation and amortisation	308	276
Spare parts	198	197
Extraction, processing and coal sorting services	186	148
Repair and maintenance	175	209
Other services	145	148
Coal purchased	119	298
Mining and environmental taxes	81	78
Other materials	57	67
Other costs	1	3
Change in coal in stock and transit	48	(322)
	5 417	4 685

7 Distribution expenses

Mln RUB	Three months ended 31 March	
	2016	2015
Personnel costs	160	131
Services	130	122
Materials	27	29
Depreciation and amortisation	24	22
Other distribution expenses	9	8
	350	312

8 Administrative expenses

Mln RUB	Three months ended 31 March	
	2016	2015
Personnel costs	184	145
Taxes other than income tax	35	45
Services	29	39
Other administrative expenses	10	13
Materials	6	8
Depreciation and amortisation	5	5
	<u>269</u>	<u>255</u>

9 Other income and expenses

Mln RUB	Three months ended 31 March	
	2016	2015
(Loss)/gain on disposal of property, plant and equipment	(5)	63
Income from fines and penalties	8	-
Charity and welfare	(3)	(13)
Compensation for damage	-	(99)
	<u>-</u>	<u>(49)</u>

10 Finance income and finance costs

Mln RUB	Three months ended 31 March	
	2016	2015
Interest income on cash and cash equivalents	32	197
Interest income on loans issued	-	11
Recovery of doubtful debts	49	-
Foreign exchange gain	26	-
Finance income	<u>107</u>	<u>208</u>
Interest expense and crediting charge	(146)	(188)
Foreign exchange loss	-	(291)
Allowance for doubtful debts	-	(22)
Unwinding of discount on provision for site restoration and on employee benefits	(9)	(9)
Unwinding of discount on long-term interest-free loans received	(3)	(4)
Finance costs	<u>(158)</u>	<u>(514)</u>
	<u>(51)</u>	<u>(306)</u>

11 Income tax expense

Income tax expense was calculated using expected average annual effective income tax rate for the current year.

Mln RUB	Three months ended 31 March	
	2016	2015
Current year tax expense	16	204
Adjustment for prior years	(76)	(43)
Deferred tax expense	168	(13)
	108	148

12 Property, plant and equipment

Additions of Property, plant and equipment for the period amounted to RUB 730 million (for the first quarter 2015: RUB 363 million). The depreciation charge for the period was RUB 334 million (for the first quarter 2015: RUB 302 million). The additions mainly include vehicles purchased under production asset planned renewal program.

13 Inventories

Mln RUB	31 March	31 December
	2016	2015
Coal in stock	1 216	1 128
Raw materials and consumables	543	697
Coal in transit	264	400
	2 023	2 225

14 Trade and other receivables

Mln RUB	31 March	31 December
	2016	2015
Trade receivables	3 165	2 994
VAT receivable	528	527
Other receivables	258	302
Compensation receivable from budget	223	167
Receivables from personnel	7	7
Allowance for doubtful debts	(930)	(979)
	3 251	3 018

15 Prepayments

Mln RUB	31 March 2016	31 December 2015
Advances given for transportation services	160	167
Advances given for inventory and other services	64	102
	224	269

16 Cash and cash equivalents

Mln RUB	31 March 2016	31 December 2015
Petty cash	4	2
Bank accounts	742	171
Term deposits	3 404	3 217
	4 150	3 390

17 Loans and borrowings

This note provides information about the Group's interest-bearing loans and borrowings, which are measured at amortised cost. As at the reporting date the Group has no financial instruments measured at fair value.

Mln RUB	31 March 2016	31 December 2015
<i>Non-current liabilities</i>		
Secured bank loans	5 957	5 620
Unsecured bank loans	2 390	1 624
Loans from other companies	134	135
	8 481	7 379
<i>Current liabilities</i>		
Unsecured bank loans	1 413	1 145
Secured bank loans	-	465
Loans from other companies	17	17
Interest accrued	13	26
	1 443	1 653

18 Trade and other payables

Mln RUB	31 March 2016	31 December 2015
Trade payables	1 353	1 138
Payables to personnel	289	266
Payables for property, plant and equipment	268	77
Taxes (other than income tax) payables	254	226
Advances received	18	233
Payables for transportation services	16	61
Other payables	111	140
	2 309	2 141

19 Events subsequent to the reporting date

In April 2016 the Board of Directors proposed not to pay dividends for 2015.

20 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis. Property, plant and equipment was revalued to determine the deemed cost as a part of transition to IFRSs as at 1 January 2006.

21 Significant accounting policies

The accounting policies applied in preparing of these condensed interim consolidated financial statements principally comply with the accounting policies applied for preparation of the consolidated financial statements for the year ended 31 December 2015, except statements represented in the sections (a) below.

(a) New Standards and Interpretations

While preparing these financial statements the Group has applied the following new effective Amendments to current Standards:

- *Amendments to IAS 19 Employee Benefits relating to actuarial assumptions for the discount rate;*
- *Amendments to IAS 27 Separate Financial Statements providing the possibility of accounting for investments in subsidiaries, joint ventures and associates using the equity method in separate financial statements;*
- *Amendments to IAS 34 Interim Financial Reporting provide a possibility to disclose information ‘elsewhere in the interim financial report’ (outside of the notes). Under the changes, the disclosure of significant transactions and events can be presented in the notes to the interim financial report or any other section thereof, with the obligatory use of appropriate cross-references;*
- *Amendments to IFRS 11 Joint Arrangements that clarify the rules of accounting for acquisitions of interests in joint operations classified as a business;*

- *Amendments to IAS 16 Property, Plant and Equipment and IAS 38 - Intangible Assets contain clarifications of the acceptable methods of depreciation and amortization;*
- *Amendments to IAS 1 Presentation of Financial Statements make changes to disclosure of information in financial statements. The main purpose is encouraging the company to ensure that the requirements for presentation and disclosure in the financial statements have been carefully considered through the application of professional judgment;*
- *Amendments to investment institutions accounting, clarifying certain aspects of the application of IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures relating to general-nature exceptions for investment institutions;*
- *Amendments to following Standards approved by Annual Improvements to IFRSs 2012–2014 Cycle:*

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 7 Financial Instruments: Disclosures

The Amendments have not done any significant impact to the financial position of the Group.