

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

**Unaudit Condensed Interim
Consolidated Financial Statements
for the three months ended 31 March 2017**

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*Public Joint Stock Company “Kuzbasskaya Toplivnaya Company” (trading as “KTK”)
Consolidated Statement of Financial Position as at 31 March 2017*

	Note	31 March 2017 Mln RUB	31 December 2016 Mln RUB
ASSETS			
Property, plant and equipment	12	13 050	12 616
Exploration and evaluation assets		81	80
Other non-current assets		128	122
Deferred tax assets		<u>331</u>	<u>325</u>
Non-current assets		<u>13 590</u>	<u>13 143</u>
Inventories	13	1 490	1 510
Trade and other receivables	14	3 874	3 425
Prepayments and deferred expenses	15	547	709
Cash and cash equivalents	16	<u>3 515</u>	<u>3 837</u>
Current assets		<u>9 426</u>	<u>9 481</u>
Total assets		<u>23 016</u>	<u>22 624</u>

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 14.

Public Joint Stock Company "Kuzbasskaya Toplivnaya Company" (trading as "KTK")
Consolidated Statement of Financial Position as at 31 March 2017

	Note	31 March 2017 Mln RUB	31 December 2016 Mln RUB
Equity			
Share capital		20	20
Additional paid-in capital		2 829	2 829
Retained earnings		7 480	6 869
Total equity attributable to equity holders of the Company		10 329	9 718
Non-controlling interest		1	1
Total equity		10 330	9 719
Liabilities			
Loans and borrowings	18	5 660	5 946
Provisions and other liabilities	19	668	660
Deferred tax liabilities		951	889
Non-current liabilities		7 279	7 495
Loans and borrowings	18	2 710	3 378
Trade and other payables	17	2 519	1 856
Provisions and other liabilities	19	178	176
Current liabilities		5 407	5 410
Total liabilities		12 686	12 905
Total equity and liabilities		23 016	22 624

These consolidated financial statements were approved by management on 20 April 2017 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 14.

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 2017

	Note	Three months ended 31 March	
		2017	2016
		Mln RUB	Mln RUB
Revenue	5	8 586	6 343
Cost of sales	6	<u>(7 355)</u>	<u>(5 417)</u>
Gross profit		1 231	926
Distribution expenses	7	(380)	(350)
Administrative expenses	8	(283)	(269)
Other incomes and expenses, net	9	<u>55</u>	<u>-</u>
Profit from operating activities		623	307
Finance income	10	252	107
Finance costs	10	<u>(170)</u>	<u>(158)</u>
Profit before income tax		705	256
Income tax expense	11	<u>(92)</u>	<u>(108)</u>
Profit for the period		<u>613</u>	<u>148</u>
Profit attributable to:			
Equity holders of the Company		611	131
Minority participants in LLC subsidiaries		2	14
Non-controlling interests		<u>-</u>	<u>3</u>
		<u>613</u>	<u>148</u>
Total comprehensive income attributable to:			
Equity holders of the Company		611	131
Minority participants in LLC subsidiaries		2	14
Non-controlling interests		<u>-</u>	<u>3</u>
		<u>613</u>	<u>148</u>
Earnings per share			
Basic and diluted earnings per share (RUB)		<u>6.16</u>	<u>1.32</u>

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 14.

Mln RUB

	<u>Attributable to shareholders of the Company</u>					
	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
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
Balance at 1 January 2017	20	2 829	6 869	9 718	1	9 719
Profit for the period	-	-	611	611	-	611
Total comprehensive income for the period	-	-	611	611	-	611
Balance at 31 March 2017	20	2 829	7 480	10 329	1	10 330

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 14.

*Public Joint Stock Company “Kuzbasskaya Toplivnaya Company” (trading as “KTK”)
Consolidated Statement of Cash Flows for the three months ended 31 March 2017*

Mln RUB	Three months ended 31 March	
	2017	2016
OPERATING ACTIVITIES		
Profit for the period	613	148
<i>Adjustments for:</i>		
Depreciation and amortisation	422	337
(Gain)/loss from disposal of property, plant and equipment	(18)	5
Net finance (income)/costs	(82)	51
Income tax expense	92	108
Cash flows from operating activities before changes in working capital and provisions	1 027	649
Changes in:		
- Inventories	20	202
- trade and other receivables	(632)	(208)
- prepayments for current assets	162	45
- trade and other payables	679	(38)
Cash flows from operating activities before income tax and interest paid	1 256	650
Income taxes paid	(21)	(156)
Interest paid	(121)	(161)
Interest received on cash and cash equivalents	35	32
Net cash flows from operating activities	1 149	365
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	16	4
Proceeds from promissory notes	4	-
Acquisition of property, plant, equipment, intangible assets and exploration and evaluation assets	(797)	(595)
Cash flows used in investing activities	(777)	(591)
FINANCING ACTIVITIES		
Proceeds from borrowings	2 075	4 268
Repayment of borrowings	(2 580)	(2 894)
Income paid to minority participant in LLC entities	-	(10)
Cash flows (used in)/from financing activities	(505)	1 364
Net (decrease)/increase in cash and cash equivalents	(133)	1 138
Cash and cash equivalents at the beginning of year	3 837	3 390
Effect of exchange rate fluctuations on cash and cash equivalents	(189)	(378)
Cash and cash equivalents at the end of period	3 515	4 150

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 14.

1 Background

(a) Corporate information

Public Joint Stock Company “Kuzbasskaya Toplivnaya Company” (previously Open Joint Stock Company “Kuzbasskaya Toplivnaya Company”, “the Company” or “KTK”) and its subsidiaries (the “Group”) comprise Russian joint stock companies and limited liability companies, as defined in the Civil Code of the Russian Federation, and companies located abroad.

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 2016, 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 2016.

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 2017

Mln RUB	Domestic sales of produced coal	Export sales of produced coal	Resale of purchased coal	Other operations	Total
Revenue	1 228	6 790	266	302	8 586
Cost of sales	(941)	(5 921)	(259)	(234)	(7 355)
Gross profit and segment result	287	869	7	68	1 231
Unallocated expenses					
Other operating expenses					(608)
Net finance income					82
Profit before income tax					705

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

As at 31 March 2017

Mln RUB	Domestic sales of produced coal	Export sales of produced coal	Resale of purchased coal	Other operations	Total
Trade receivables	1 029	1 183	198	170	2 580
Advances received	(16)	(170)	(4)	(3)	(193)

As at 31 December 2016

Trade receivables	685	1 235	240	104	2 264
Advances received	(35)	-	(12)	(1)	(48)

5 Revenue

Mln RUB	Three months ended 31 March	
	2017	2016
Sales of coal	8 160	6 055
Compensation from the government	181	100
Sales of electrical and heat power and hot water	139	113
Provision of transportation and storage services	73	62
Other revenue	33	13
	8 586	6 343

6 Cost of sales

Mln RUB	Three months ended 31 March	
	2017	2016
Railway tariff and transportation services	4 356	3 165
Extraction, processing and coal sorting services	576	186
Fuel	517	470
Personnel costs	508	464
Depreciation and amortisation	396	308
Coal purchased	270	119
Other services	214	145
Repair and maintenance	192	175
Spare parts	171	198
Mining and environmental taxes	110	81
Other materials	68	57
Other costs	5	1
Change in coal in stock and transit	(28)	48
	7 355	5 417

7 Distribution expenses

Mln RUB	Three months ended 31 March	
	2017	2016
Services	187	130
Personnel costs	142	160
Materials	23	27
Depreciation and amortisation	20	24
Other distribution expenses	8	9
	380	350

8 Administrative expenses

Mln RUB	Three months ended 31 March	
	2017	2016
Personnel costs	186	184
Taxes other than income tax	38	35
Services	34	29
Materials	7	6
Depreciation and amortisation	6	5
Other administrative expenses	12	10
	283	269

9 Other incomes and expenses

Mln RUB	Three months ended 31 March	
	2017	2016
Adjustment of property tax for prior years	46	-
Profit/(loss) from disposal of property, plant and equipment	18	(5)
Write-off of an overcharged obligation to recover damages	16	-
(Loss)/profit from fines and penalties	(4)	8
Charity and welfare	(21)	(3)
	55	-

10 Finance income and finance costs

Mln RUB	Three months ended 31 March	
	2017	2016
Interest income on cash and cash equivalents	35	32
Recovery of provision for doubtful debts	-	49
Forex exchange gain	217	26
Finance income	252	107
Interest expense	(124)	(146)
Allowance for doubtful debts	(32)	(-)
Unwinding of discount on provisions	(14)	(12)
Finance costs	(170)	(158)
	82	(51)

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	
	2017	2016
Current income tax	101	16
Adjustment for prior years	(63)	(76)
Deferred income tax expense	54	168
	92	108

12 Property, plant and equipment

Additions of Property, plant and equipment for the period amounted to RUB 860 million (for the first quarter 2016: RUB 730 million). The depreciation charge for the period was RUB 419 million (for the first quarter 2016: RUB 334 million). The additions mainly include vehicles purchased under production asset planned renewal program.

13 Inventories

Mln RUB	31 March	31 December
	2017	2016
Coal in stock	646	673
Coal in transit	312	257
Raw materials and consumables	532	580
	1 490	1 510

14 Trade and other receivables

Mln RUB	31 March	31 December
	2017	2016
Trade receivables	3 309	2 995
Compensation receivable from budget	524	464
VAT receivable	471	295
Income tax receivable	126	147
Receivables from personnel	8	8
Other receivables	164	242
Other financial assets	1	5
Allowance for doubtful debts	(729)	(731)
	3 874	3 425

15 Prepayments and deferred expenses

Mln RUB	31 March	31 December
	2017	2016
Advances given for transportation services	481	645
Advances given for inventory and other services	66	64
	547	709

16 Cash and cash equivalents

Mln RUB	31 March 2017	31 December 2016
Petty cash	9	3
Bank accounts	1 211	1 822
Term deposits	2 295	2 012
	3 515	3 837

17 Trade and other payables

Mln RUB	31 March 2017	31 December 2017
Trade payables	1 373	839
Payables to personnel	336	290
Taxes (other than income tax) payables	227	277
Payables for property, plant and equipment	285	208
Advances received	193	48
Payables for transportation services and other payables	94	176
Income tax payable	11	18
	2 519	1 856

18 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 2017	31 December 2016
<i>Non-current liabilities</i>		
Unsecured bank loans	3 942	4 320
Secured bank loans	1 587	1 495
Loans from other companies	131	131
	5 660	5 946
<i>Current liabilities</i>		
Secured bank loans	2 018	1 004
Unsecured bank loans	645	2 327
Loans from other companies	17	18
Interest accrued	30	29
	2 710	3 378

19 Provisions and other liabilities

The Group’s provisions and other liabilities are represented by the following:

Provisions and other liabilities

Mln RUB	31 March 2017	31 December 2016
Site restoration liabilities	331	323
Deferred income/revenue	181	184
Concession agreement liabilities	88	87
Retirement benefit liability	68	66
Non-current provisions and liabilities	668	660
Net assets attributable to minority participants in LLC entities	163	161
Retirement benefit liability	15	15
Current provisions and liabilities	178	176

20 Events subsequent to the reporting date

On April 17, 2017, the Board of Directors recommended paying dividends for the 2016 in the amount of RUB 596 million or RUB 6 per one ordinary share. The approval to pay dividends will be made at the annual General Meeting of Shareholders, which will be held in May 2017.

21 Significant accounting policies

The accounting policies applied in preparing of these condensed interim consolidated financial statements comply with the accounting policies applied for preparation of the consolidated financial statements for the year ended 31 December 2016.