METINVEST®

Competing From a Position of Strength

Annual Report and Financial Statements **2013** www.metinvestholding.com

We are Metinvest, an international vertically integrated steel and mining group with assets in Ukraine, Europe and the US. We manage every link of the production chain: from mining iron ore and coal and producing coke to manufacturing value-added steel products.

Contents

Our Competitive Advantages

Geographic location

Our asset base is in Ukraine, with our steel plants in close proximity to our iron ore resource base, and the country is the bridge between the EU and the CIS, while our proximity to the Black Sea provides easy access to emerging markets in the Middle East and North Africa, and beyond.

p 10

Iron ore reserves

We are a regional leader in the iron ore market, with a substantial resource base that provides long-term security for our steelmaking operations.

At the current rate of mining, we have sufficient reserves and resources to last more than a century.

p 14

Vertical integration

Our vertically integrated business allows us to control the value chain and deliver high-quality, value-added steel products to our customers.

p 16

People

Our most important asset is our highly skilled workforce, led by a first-class management team that combines industry experience with a wealth of corporate expertise.

p 18

Lean manufacturing

Adopted across the production chain, our lean manufacturing approach is based on the key principles of removing variation in processes, eliminating waste and improving flexibility to improve operational efficiency.

p 20

Achievements

Strong performance...

Revenues

US$12,807M

+2%

Our headline financial results reflect a stable top line: revenues rose by 2% year-on-year (y-o-y) to US$12,807 million, driven by sales of steel and iron ore products.

EBITDA[1]

US$2,291M

+15%

EBITDA reached US$2,291 million, representing double-digit growth, as the Mining division delivered another strong performance and the Metallurgical division made a positive EBITDA contribution, thanks to greater efficiency at our mills and in our supply chain and downstream logistics.

Net Debt to EBITDA

1.5x

–0.4x

As net debt fell by 6% and EBITDA rose by 15%, our net debt to EBITDA ratio improved from 1.9x to 1.5x, a comfortable level.

Capital Expenditure

US$747M

–2%

We kept CAPEX stable at US$747million and continued to implement our Technological Strategy, which seeks to balance our ambitious modernisation plans and conservative approach to financing.

Crude Steel Production

12,391KT

–1%

Despite challenging conditions in the global steel industry, we kept our crude steel output stable.

Iron Ore Concentrate Production

36,926KT

+2%

Thanks to continued improvements in our operations, we set a new record for output of iron ore concentrate, which increased by 2% y-o-y.

1 Adjusted EBITDA is calculated as earnings before income tax, financial income and costs, depreciation and amortisation, impairment and devaluation of property, plant and equipment, sponsorship and other charity payments, the share of results of associates and other non-core expenses. We will refer to Adjusted EBITDA as EBITDA throughout this report.

…and continued investment in the future

Investment in growth

Upgrading our mills
In 2013, we continued to implement our updated Technological Strategy, focusing on increasing operational efficiency and product quality. In our Metallurgical division, key projects included the launch of pulverised coal injection (PCI) at Ilyich Steel and the ongoing construction of PCI and air separation units at Yenakiieve Steel, scheduled for completion in 2014.

New mining technology
In our Mining division, among other projects, we continued building a crusher and conveyor system at the Pervomaisky quarry at Northern GOK, finished the fourth section of the Affinity mine at United Coal, which will add another 1.1 million tonnes of high-grade coking coal capacity in 2014, and commissioned new advanced safety systems at Krasnodon Coal.

Improved sales mix
We launched more than 30 new steel products in 2013, increasing our portfolio of value-added goods, extending our market reach, and enhancing our profile as a leading European steelmaker.

Sustainable financing

Repaying debt
In 2013, Metinvest repaid US$632 million of principal debt, which included two credit lines, a pre-export facility and a loan facility. Our payment discipline and conservative approach to debt allowed us to obtain fresh financing during the year. Meanwhile, higher EBITDA and cash at the end of the period, combined with repayments, reduced our net debt to EBITDA ratio from 1.9x to 1.5x.

Long-term financing
In April 2013, we obtained additional long-term funds by increasing an existing US$300 million pre-export facility, secured in November 2012, by US$260 million. This was US$160 million more than planned due to oversubscription during syndication. In November 2013, we secured another US$300 million five-year pre-export finance facility.

Commitment to the community

Reducing environmental impact
In 2013, we moved to fulfil our promise to reduce our environmental footprint by making major progress in our plans to modernise the sinter plant at Ilyich Steel and build a new facility at Yenakiieve Steel. We also decreased dust emissions from assets in the Metallurgical division by around 50%, including fitting modern gas cleaning systems to all converters at Yenakiieve Steel and installing dust suppression systems at blast furnaces nos. 1 to 5 at Ilyich Steel.

Empowering communities
As part of our social investment policy, we have implemented more than 130 major social infrastructure projects. These include developing public places, parks and playgrounds; equipping and repairing educational and healthcare institutions; and supporting cultural and sport facilities.

Greener cities
In 2013, we also launched the 'Green Centre' project to landscape urban spaces and remove waste in local communities. As part of this, we cleaned around 500,000 m^2 of land and disposed of some 350 tonnes of waste.

Chairman's Statement
Amir Aisautov

In 2013, amid difficult market conditions, we delivered strong results, while investing in technology to enhance efficiency and cut emissions and improving our key health and safety ratio yet again.

Resilient and committed
Metinvest delivered strong results in 2013. We kept revenues and output stable, while raising the EBITDA margin to 18%, demonstrating our ability to increase operational efficiency through investments in technology and improved working practices. We are also proud to have continued to work in close partnership with our communities. Our sustainable development efforts focus on providing local residents with the support needed to improve quality of life.

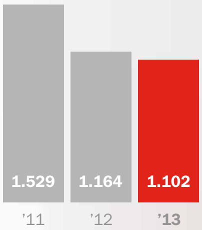
Environmental leadership
We are proud to say that we are fulfilling our environmental commitments. Last year, we spent US$446 million[2] on technology to reduce our environmental footprint, which will have a direct and long-term effect in this respect.

We have also launched major projects that are monumental for Ukraine's steel industry. In December 2013, we signed an agreement to prepare an engineering plan for upgrading Ilyich Steel's sinter plant, work that is due for completion in 2020. We envisage spending around US$180 million on the work, making this the largest environmental project in Ukraine's recent history. We also conducted preparatory work to build a new state-of-the-art sinter plant at Yenakiieve Steel, which we expect to invest around US$470 million in and complete in 2017.

Other results included reducing dust emissions from assets in the Metallurgical division by around 50%, including fitting modern gas cleaning systems to all converters at Yenakiieve Steel and installing dust suppression systems at blast furnaces nos. 1 to 5 at Ilyich Steel.

2 Operating expenses accounted for 81%, capital expenditure 17%, and spending on environmental measures 2%.

Lost Time Injury Frequency Rate[3]



1,102

–5%

> "Improving health and safety for our employees remained our top strategic priority in 2013. We spent nearly US$140 million on direct measures, particularly investments in mining technology to create safer working environments."
>
> Amir Aisautov, Chairman

Health and safety as a strategic priority

Improving health and safety for our employees remained our top strategic priority in 2013. We spent nearly US$140 million on direct measures, particularly investments in mining technology to create safer working environments.

No injury is acceptable to us. When we acquire a new asset, we introduce our safety standards and culture as a priority, which has led to dramatic improvements. From the outset, we have worked hard to reduce our indicators for lost-time incidents progressively. The last three years alone have seen a sustained fall in our lost time injury frequency rate (LTIFR) to 1.102 per million man-hours in 2013, compared with 1.529 in 2011. However, we must be unrelenting in implementing best practices in training and technology that make our people safer, and we will not stop until we achieve our goal of reducing our key safety indicators to zero. An example of sustained investment in technology and training is Krasnodon Coal, which employs nearly 14,000 people and where absolute injuries fell by 42% last year, following drops of 48% in 2012 and 29% in 2011. The LTIFR fell to 1.538 injuries per million man-hours in 2013, compared with 4.954 in 2011. We also conducted 29 baseline hazard identification studies at enterprises in 2013, and we intend to cover all facilities by 2017.

In 2013, the enterprise also launched a new high-tech gas control and safety system at the Eastern Sukhodolska mine, enabling us to act swiftly if hazardous gases build up, as well as track people and equipment in real time. Following its success, and in line with our updated Technological Strategy, we plan to install the system at another major mine, Western Samsonovska, in 2014.

Focus on communities

In 2013, one priority was to engage more with communities by encouraging a proactive, transparent dialogue. This helps to communicate our plans clearly and address any social, economic and environmental concerns in a forthright and timely manner.

We continue to invest in our communities. Launched in 2009, Social Partnership programmes were signed with every community where we have production facilities by 2011. In each one, the programme focuses on projects that are the most needed and beneficial. As part of it, over 130 major initiatives were adopted last year. We also launched the 'Green Centre' project to landscape urban spaces, and we pressed ahead with the pioneering 'The City – Our Hands' initiative, which provides funding to improve communities at the grass-roots level.

Strong leadership

In 2013, we made some key changes to strengthen our management, while retaining two of our most experienced executives in new roles. Yuriy Ryzhenkov was appointed as Chief Executive Officer of Metinvest, having proved his leadership in senior roles at DTEK, also part of SCM. He replaced Igor Syry, who became Chief Operating Officer of SCM and joined Metinvest's Supervisory Board.

In addition, Chief Financial Officer (CFO) Sergiy Novikov assumed the newly created role of managing director of Metinvest's financing unit, focusing on external funding for the Group's long-term development. Alexey Kutepov, a highly experienced finance professional, was recruited as CFO.

Looking to the future

In early 2014, the situation in Ukraine created unprecedented challenges for our business and communities. On behalf of the Supervisory Board, I would like to reiterate that we continue to pursue our strategy. We have invested, and will invest further, in our assets, people and environment, and we are committed to contributing to social and economic stability. I would like to thank our employees, investors and all of our stakeholders for their ongoing support.

3 Lost time injury frequency rate is the number of lost time incidents per 1 million man-hours.

Chief Executive Officer's Review
Yuriy Ryzhenkov

In 2013, we delivered a robust performance by fully exploiting the competitive advantages that make us one of the region's greatest success stories.

Robust performance
In 2013, Metinvest delivered a robust operational and financial performance despite strong headwinds across key markets. Our success comes from having the right business model and long-term strategy to fully exploit our unique set of competitive advantages: geographic location, iron ore reserves, vertical integration, people and lean manufacturing approach.

Since early 2014, new challenges have emerged for our business amid geopolitical challenges centring on Ukraine. While we are naturally concerned for our communities and country, our exposure to the current instability has been minimal. Our plants are operating normally, our deliveries to customers continue and our long-term plans remain in place. Throughout the situation, to allay any concerns, we have maintained open channels of communication with our investors, customers and other stakeholders.

Profitability and continued investment
Despite continued turbulence in the global steel markets, we kept our top line stable and delivered strong growth in EBITDA in 2013. Consolidated revenues amounted to US$12,807 million, up 2% from US$12,569 million in 2012.

Demonstrating our strong underlying performance, EBITDA jumped by 15% year-on-year (y-o-y) reaching US$2,291 million and the EBITDA margin rose by

EBITDA growth

+15%

“The double-digit growth in EBITDA in 2013 reflected the success of our key strategic actions to cut costs and increase productivity and was made possible by the Metallurgical division’s swing into positive EBITDA contribution and sustained strong performance by the Mining division.”

Yuriy Ryzhenkov, Chief Executive Officer

2 percentage points to 18%, The double-digit growth in EBITDA in 2013 reflected the success of our key strategic actions to cut costs and increase productivity and was made possible by the Metallurgical division’s swing into positive EBITDA contribution and sustained strong performance by the Mining division. Net profit came to US$392 million, down 12% due to a one-off income tax provision.

Production volumes in the Mining and Metallurgical divisions remained stable. Output of crude steel slipped by 1% to 12,391 thousand tonnes, while that of iron ore rose by 2% to 36,926 thousand tonnes and coking coal fell by 2% to 11,393 thousand tonnes. Despite flat total steel output, we launched 30 new steel products in 2013, expanding our downstream reach and creating new market opportunities.

Our results reflect the success of our strategic actions to cut costs and raise productivity. These involved focusing on our most efficient investments, applying ‘continuous improvement’ (CI) methods across production processes, liquidity, and improving the efficiency of our sales, supply-chain and logistics functions.

In 2013, we kept capital expenditure stable compared with 2012. This allowed us to continue implementing our updated Technological Strategy in accordance with our strategic objectives of enhancing health and safety, increasing operational efficiency and reducing our environmental footprint.

Regarding the main capital expenditure projects, at our steelmaking facilities, we launched pulverised coal injection (PCI) at Ilyich Steel and continued building the PCI system and air separation unit, the latter with Air Liquide, at Yenakiieve Steel. Among other benefits, PCI technology is more efficient and reduces our exposure to external cost elements, such as natural gas.

At our mining assets, we continued building a crusher and conveyor system at Northern GOK’s Pervomaisky quarry, finished the fourth section of the Affinity mine at United Coal, and commissioned new advanced safety systems at Krasnodon Coal in line with our strategic priority of enhancing worker safety through a combination of best practice in training and investing in safety equipment and technology.

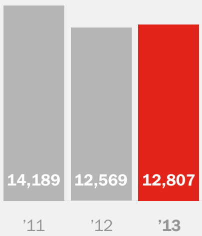
We also embarked on two key initiatives to substantially reduce our environmental footprint last year. We continued preparations to build a new environmentally friendly sinter plant at Yenakiieve Steel, the first to be built in Ukraine for two decades. We also completed advanced planning for major modernisation work to install new filters at the sinter plant at Ilyich Steel, representing the largest investment in an environmental project in Ukraine’s modern history.

Another major environmental achievement was reducing dust emissions from assets in the Metallurgical division by around 50%, including fitting modern gas cleaning systems to all converters at Yenakiieve Steel and installing dust suppression systems at blast furnaces nos. 1 to 5 at Ilyich Steel. In the Mining division, key environmental initiatives at Northern GOK included the introduction of TNT-free explosives and various dust suppression measures during blasting at quarries, which have cut emissions by 5,000 tonnes. At Central GOK, among other work, we processed 8.3 million tonnes of enrichment sludge to recover an additional 1 million tonnes of iron ore concentrate and continued renovating the aspiration equipment.

Chief Executive Officer's Review
Continued

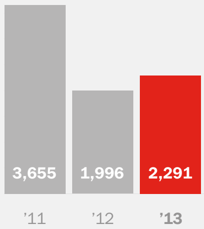
KEY PERFORMANCE INDICATORS

Revenues



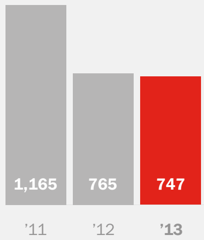
US$12,807M
+2%

EBITDA



US$2,291M
+15%

CAPEX



US$747M
–2%

In addition, we adopted a risk-based approach to safety management: risk assessment covers all of our planned and functioning operations, from investment projects to job-safety analysis.

Improved processes

In 2013, we saw strong results from CI programmes, which delivered a cumulative economic effect of US$669 million.[4] We continued to implement CI in our Metallurgical division and expand CI programmes in our Mining division while preparing to launch it downstream, with pilot projects at two sales offices.

Also in the sales and distribution function, we continued to develop new market and product combinations by launching more than 30 new steel products, while improving downstream productivity. In 2013, as part of our strategic priorities to transform our supply chain, we built a new logistics function, with a new Head of Logistics appointed to our Executive Committee, to create synergies and enhance operational efficiency. This yielded impressive results, reducing logistics costs by US$90 million y-o-y.

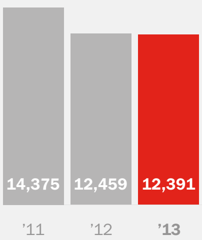
We continued to strengthen business processes, adopting a Group IT Strategy that aims to enhance efficiency and eliminate information bottlenecks at all facilities. In addition, we made important progress in implementing our SAP Enterprise Resource Planning (ERP) solution, designed to create a single platform for business and reporting processes. Notably, we began to apply the strategy for our data centres, commissioning the first main and backup centres and finalising the design of the second main one. We also prepared and centralised the IT infrastructure of various enterprises – Yenakiieve Steel, Avdiivka Coke, Northern GOK and Metinvest-SMC – ahead of implementing ERP at them.

In line with another strategic priority, we made further progress towards having a unified and efficient Human Resources function, one with clear and fair methods for setting targets, evaluating performance and providing feedback. We continued to invest in our employees through both our Corporate University and outside training. We also improved accountability and set clear requirements for ethical business conduct, publishing a Code of Ethics applicable to employees and managers at every level.

Last year, we accelerated the process of unlocking the vast potential of our investment in Zaporizhstal. The plant is one of our top third-party purchasers of iron ore in Ukraine, enhances profitability through sales of finished goods, and expands our distribution network. To make the asset more efficient, we are working on improving its processes, including the financial and management reporting systems. We maintain a

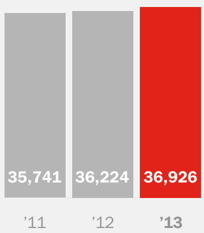
4 This has been calculated using 2010 as the base year for Metinvest's CI programme. It includes the cumulative economic effect of CI programmes and initiatives and the optimisation of headcount, fuel usage, consumption of iron ore, energy usage, maintenance and other cost inputs.

Crude Steel Production



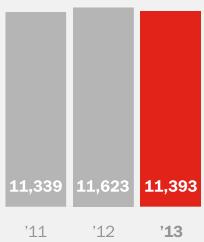
12,391KT
–1%

Iron Ore Concentrate Production



36,926KT
+2%

Coking Coal Mining



11,393KT
–2%

constructive working relationship with the other shareholders in Zaporizhstal, and we are reviewing options for investments in modernising production.

Unique advantages
Through our performance and the progress in our Technological Strategy last year, we feel better placed to withstand the short-term market turbulence and continue to fulfil our long-term plans. At the same time, it is important to remember why we are a truly Ukrainian success story.

Geographic location provides Ukraine with unique access to mature and emerging markets and is the key to its long-term prosperity. Alongside the country being a bridge between the EU and the CIS, the Black Sea provides a gateway to other major markets in the Middle East and North Africa, and beyond.

Linked partly to our location is another competitive advantage: our long-life and accessible iron ore reserves. The proximity of our steelmaking and iron-ore assets to each other reduces transportation costs. Our control of these reserves, as well as our technological investments to make our iron ore production and processing facilities more efficient, ensures self-sufficiency in steelmaking and generates additional profitability through sales to third parties.

In turn, our reserves contribute to a third strength, vertical integration. Thanks to it, our business can capitalise on the expected long-term shift in margins from raw materials to steel products.

Having the right people within this vertical structure is another competitive advantage. From the workers in our production facilities to the senior management team, we have generations of experience, skill and expertise, both local and international.

A fifth competitive advantage is the way in which we streamline our operations: lean manufacturing. This approach focuses on eliminating variation in our processes, cutting waste and increasing flexibility to eliminate costs that do not add value for customers. CI provides a methodology for analysing and resolving impediments to lean manufacturing.

Rising to the challenge
We believe that our competitive advantages will allow us to overcome any challenges to our business over the long term. In the short term, we are committed to maintaining normal operations and deliveries to customers despite the political and economic volatility. Our risk management function has planned for a wide range of scenarios.

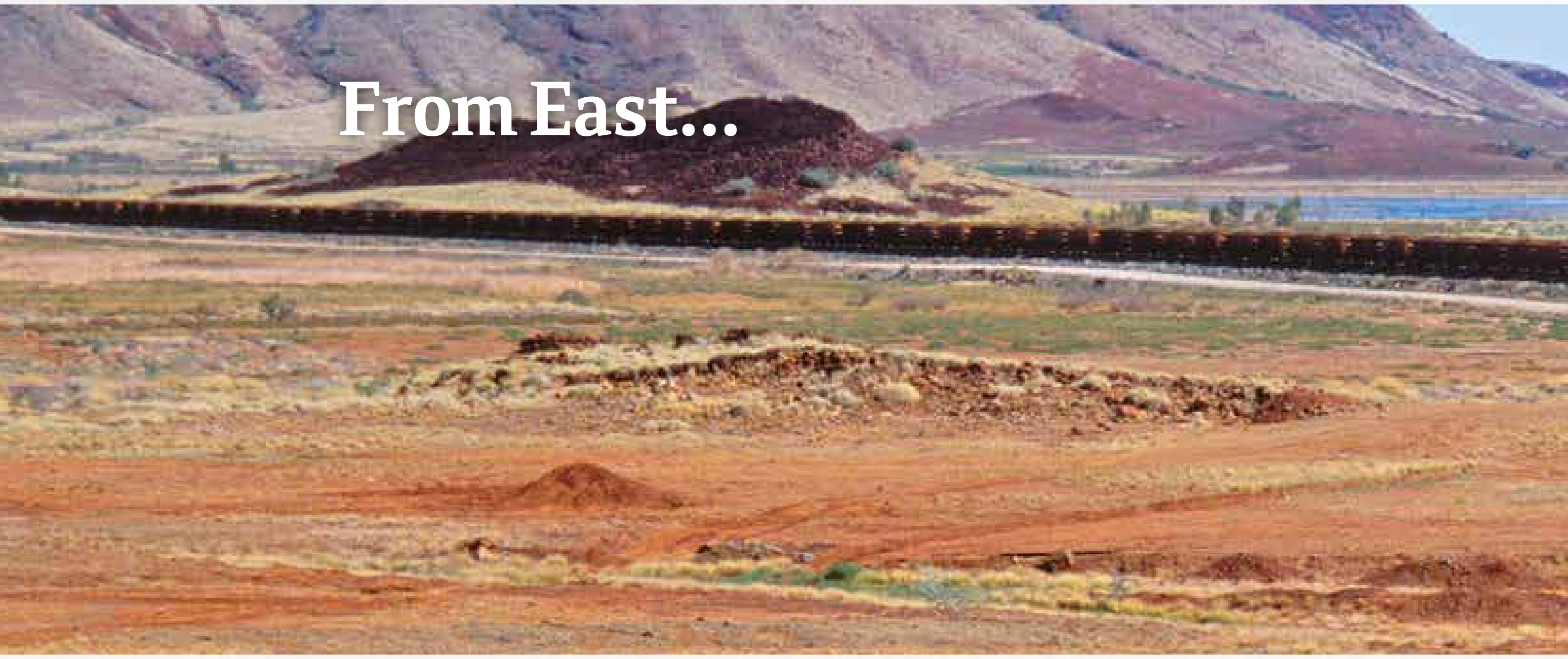
We remain committed to all clients and partners. In the event of any prolonged disruption in trade flows between Russia and Ukraine, our exposure is limited. Russia accounts for around 8% of Group revenues. The ports that we use to ship products continue to operate as normal. Overall, there has been no meaningful operational or financial disruption to our business.

In the meantime, Metinvest will continue to contribute as a responsible corporate citizen and one of Ukraine's largest taxpayers, focusing on growth, investment in local communities and environmental footprint.

On behalf of the management team, I would like to thank our investors for their continued support, our customers for placing their confidence in us and our products and our 100,000 employees for their ongoing dedication, as seen in our robust performance in 2013.

Competitive Advantages:
Geographic Location

From East...



Ukraine is a geographic bridge between the EU and CIS, while the Donbas and Dnipropetrovsk basins give us a unique natural-resource base and a highly skilled workforce. Through proximity to the Black Sea, Dnipro River and East-West railway links, we have easy access to global markets for steel and iron ore products.

Proximity to resources

Based in central and southeastern Ukraine, our domestic production assets control high-quality iron ore and coking coal reserves in the Dnipropetrovsk and Donbas basins, the heartland of the country's mining and steel industries. Proximity to resources means long-term security for our steelmaking business and creates the option of boosting profitability by selling raw materials to third parties. We also have access to nearby, reliable and low-cost supplies of coking coal from other players in the region.

Access to key markets

Our location between the EU and CIS gives us easy access to both mature and emerging markets by rail and road. We also benefit from Ukraine's membership of the World Trade Organisation and therefore lower tariffs. Ports on the Black Sea allow us to reach the markets of the Middle East and North Africa (MENA), which saw finished steel consumption expand by an overall compound annual growth rate of 7% between 2000 and 2012.[5] In recent years, to diversify our customer base, increase opportunities and boost margins, we have reduced shipping costs, making us competitive in Southeast Asia and other emerging markets.

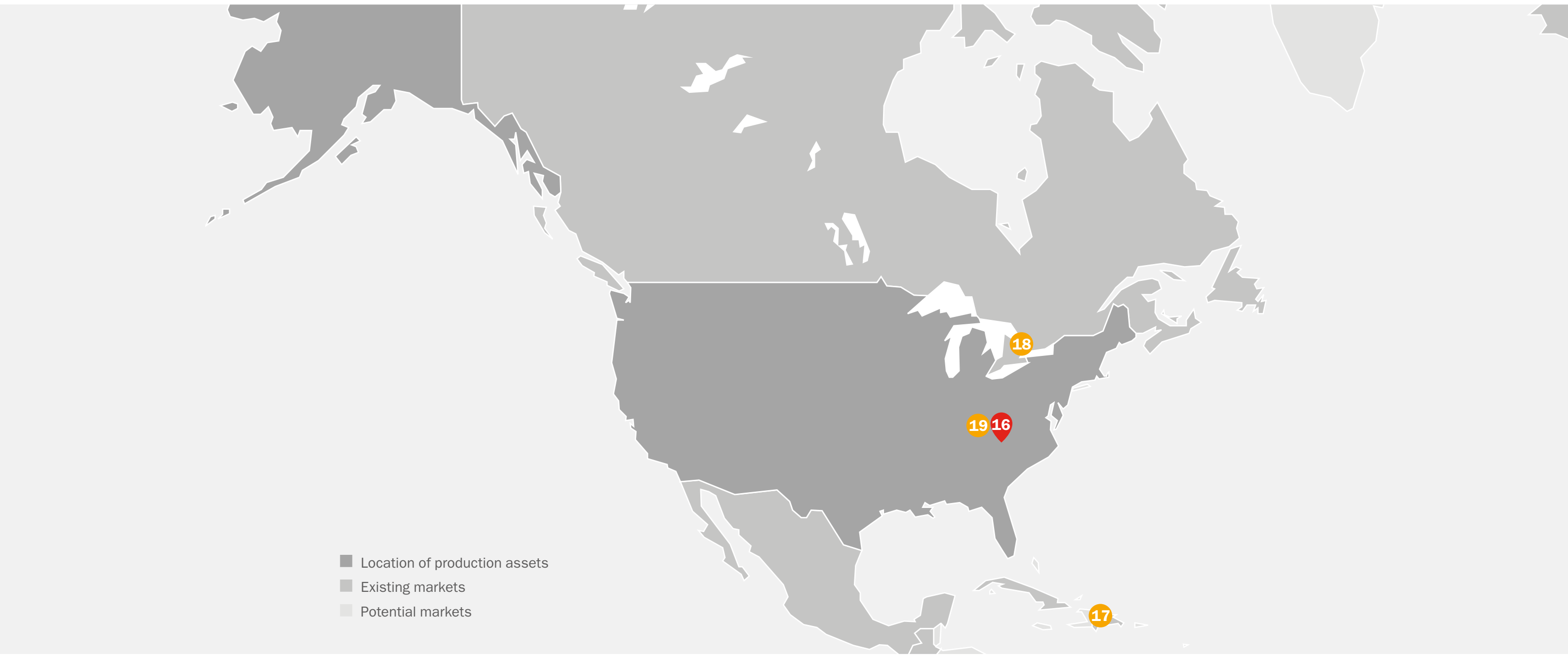
Efficient transportation

Our main production assets are located in close proximity to raw material resources, which helps to reduce supply-chain costs. We also benefit from excellent road, rail and shipping links, including access to ports on the Azov Sea, Black Sea and river ports. These factors combine to reduce our costs and place more target markets within our reach.

5 Source: SteelConsult and World Steel Association.

Competitive Advantages:

Geographic Location continued



Metinvest's Operations

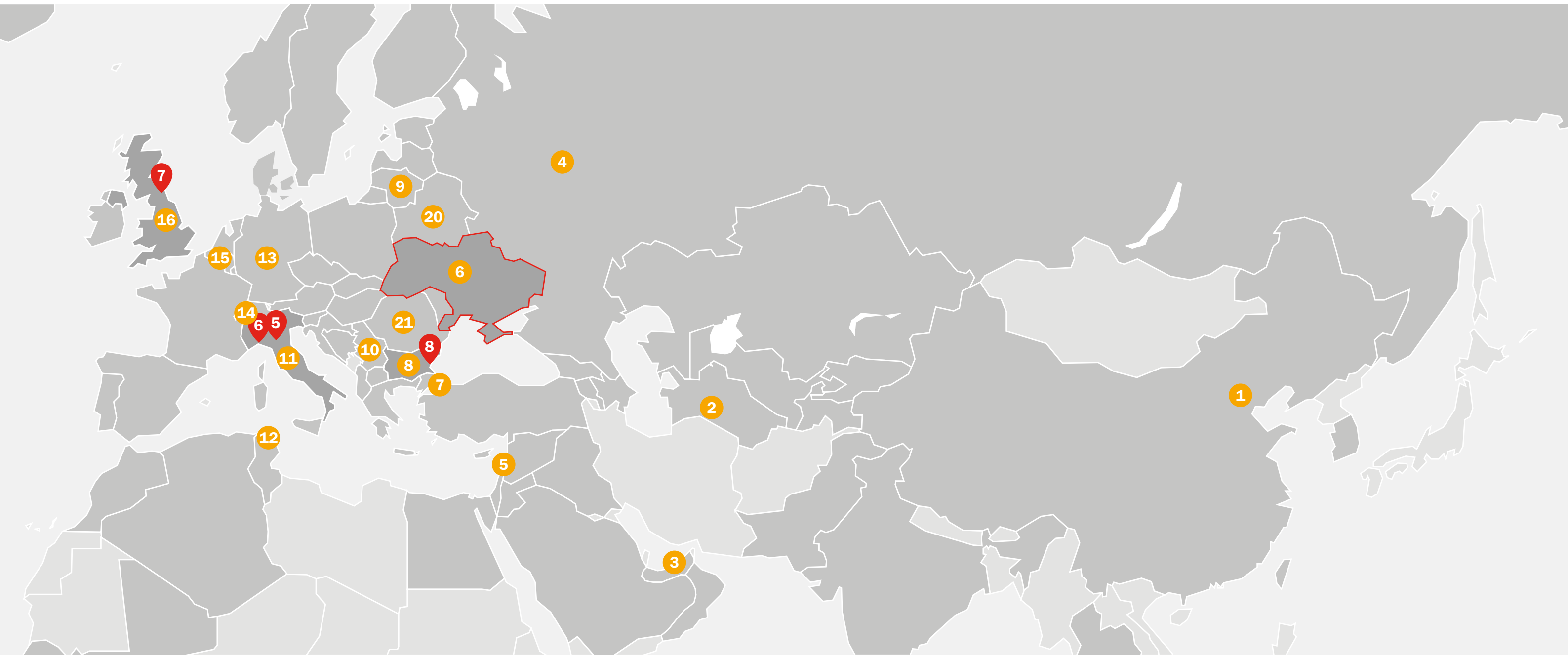
1. Azovstal
2. Ilyich Steel
3. Yenakiieve Steel
4. Khartsyzk Pipe
5. Ferriera Valsider
6. Metinvest Trametal
7. Spartan UK
8. Promet Steel
9. Avdiivka Coke
10. Zaporizhia Coke
11. Donetsk Coke
12. Northern GOK
13. Central GOK
14. Ingulets GOK
15. Krasnodon Coal
16. United Coal
17. Komsomolske Flux

Metinvest's Sales Offices

1. China
2. Turkmenistan
3. United Arab Emirates
4. Russia (19 offices)
5. Lebanon
6. Ukraine (24 offices)
7. Turkey
8. Bulgaria (2 offices)
9. Lithuania
10. Serbia
11. Italy (3 offices)
12. Tunisia
13. Germany (2 offices)
14. Switzerland
15. Belgium
16. United Kingdom
17. Dominican Republic
18. Canada
19. United States
20. Belarus (2 offices)
21. Romania

Ports used by Metinvest

1. Illichivsk
2. Odesa
3. Yuzhny
4. Mykolaiv
5. Oktyabrsk
6. Mariupol
7. Izmail
8. Zaporizhia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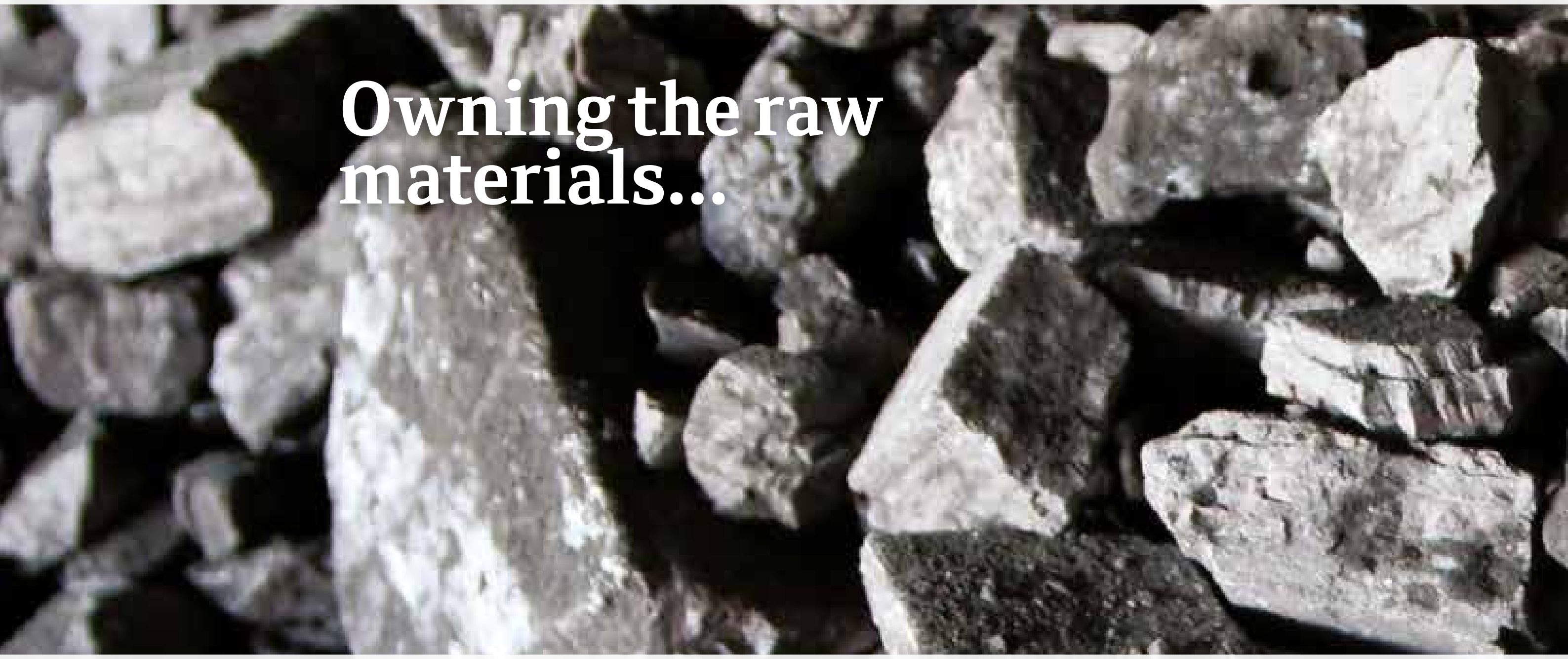
Sea of Azov
Black Sea

Competitive Advantages:
Iron Ore Reserves



Owning the raw materials...

Our accessible and long-life iron ore base provides a degree of resource security enjoyed by few peers, as well as flexibility when reacting to changing demand for steel and raw materials.

2,599MT
Reserves

8,166MT
Resources

...to secure our future development

Regional leader

Metinvest is the largest producer of iron ore in Ukraine, one of the top 10 worldwide based on published operating results, and among the top 20 globally in terms of total reserves and resources.[6] Our investments in technology and focus on quality control have resulted in products with a higher iron content for our own steelmaking needs and third-party sales, while reducing operating costs. Continued improvements in our logistics function have lowered the cost of shipping iron ore products, making us a more competitive supplier worldwide. A shift from sales on the spot market to contracts with third parties makes revenues from iron ore more stable and facilitates long-term planning.

Long-life reserves

We have 8,166 million tonnes of iron ore mineral resources, which includes 2,599 million tonnes of proven and probable reserves.[7] Not only does this protect our ability to produce steel over the long term, it also creates the option of generating additional revenues by selling iron ore products to third parties in our strategic markets. Our proven ability to mine and process our iron ore resources efficiently generates profits that can be reinvested in the further expansion of the Group.

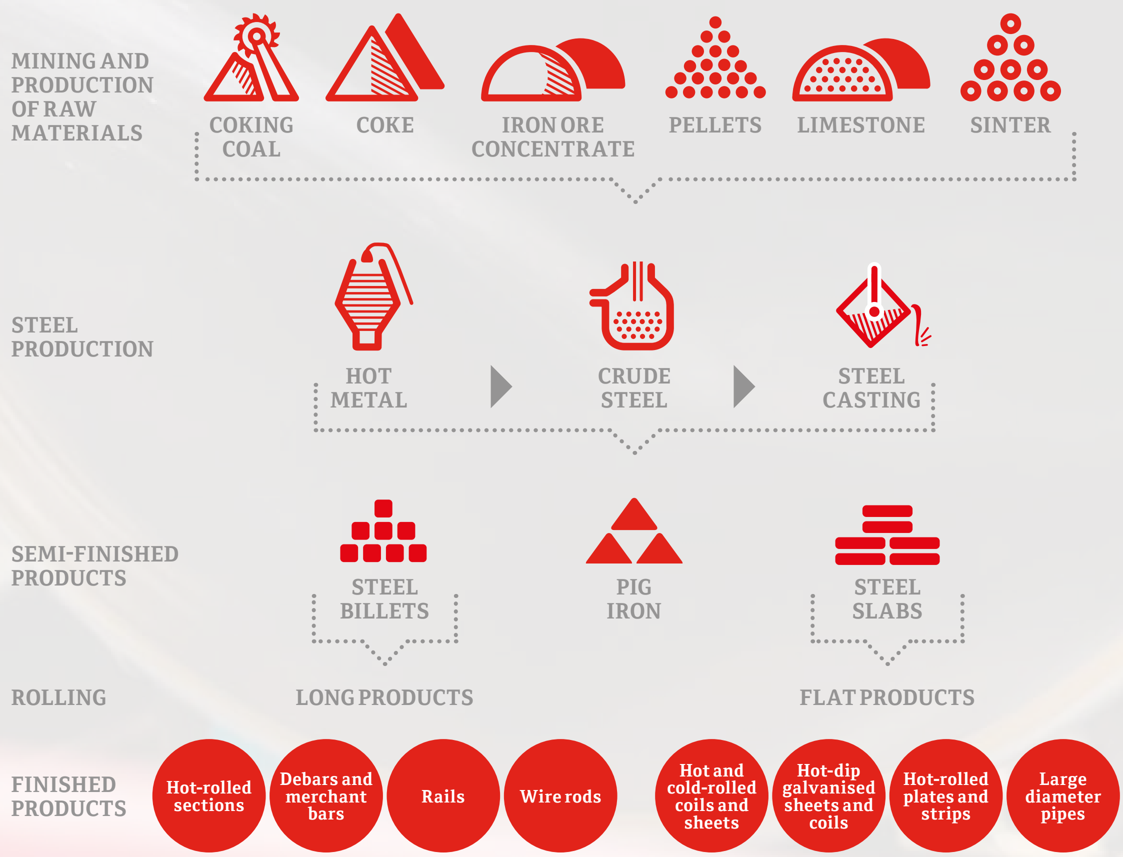
Secure base for the future

Metinvest is comfortably self-sufficient in iron ore: we produce enough iron ore to cover our current and planned levels of steel production under our business plan and long-term strategy. We have also secured supplies for Zaporizhstal, our joint venture and one of our largest third-party customers for iron ore in Ukraine. While we have sufficient ore for our requirements, we buy some coarser sinter ore to blend with our concentrates to improve sinter plant performance. Our iron ore resources are located in the Dnipropetrovsk basin, close to our steelmaking enterprises, which reduces the cost of transporting ore to our mills. Our control over these resources decreases the risk of supply disruption, while investment in new technology in ore processing facilities translates into higher-quality and more cost-effective supplies for our steel plants.

6 Source: AME.
7 According to JORC methodologies, as at 1 January 2010 and adjusted for production and additions between 1 January 2010 and 31 December 2013 of 733 million tonnes of resources and reserves. Ore reserves refer to the economically mineable part of mineral resources.

Competitive Advantages:
Vertical Integration

The right structure...



Controlling the value chain

Metinvest's vertically integrated operating model unites assets that mine and process coking coal, iron ore and limestone; produce steel; support supply chain and logistics infrastructure; and represent a global sales network. Control over the value chain protects us from fluctuations in commodity prices and provides greater flexibility when reacting to changing market conditions. It also allows us to pursue a long-term strategy based on margins moving from raw materials to finished products.

Unlocking synergies

Vertical integration enables Metinvest to pursue a sustainable Technological Strategy that prioritises the most beneficial investments in production facilities for the overall business. As part of achieving our strategic goals, we are pursuing objectives to unlock value and eliminate waste, such as implementing lean manufacturing principles, introducing a single set of business and financial reporting processes, and consolidating back-office functions at the Group level.

We are also implementing SAP Enterprise Resource Planning (ERP) and data processing technology solutions and we are transforming our sales and operations planning. These steps make enterprises more efficient and product quality more consistent. In 2013, for example, we began to apply the strategy for our data centres, commissioning the first main and backup centres and finalising the design of the second main one. We also prepared and centralised the IT infrastructure of various enterprises – Yenakiieve Steel, Avdiivka Coke, Northern GOK and Metinvest-SMC – ahead of implementing SAP at them.

Capturing added value

Vertical integration enables us to achieve economies of scale while focusing on value-added finished steel products. Our scale gives us more options when making decisions about our product mix to meet changing market conditions and customer requirements, such as shifting from long to flat steel products or from iron ore concentrate to pellets. As such, we can minimise our exposure to an economic slowdown or possible trade barriers in any single market or region and focus on product segments and geographies where demand is greater. Centralised and efficient logistics and sales functions make us competitive locally and globally, as we have a relationship on the ground and the ability to reach our key markets in Europe, the CIS, the Middle East and North Africa, Southeast Asia and elsewhere in a cost-effective way.

Competitive Advantages:
People

Our people combine expertise in local industry…

Our people give us a crucial edge at every level. Through our deep industrial, technological and managerial expertise, we make the most of our human assets by combining experience with innovation.

Highly skilled labour pool

Metinvest's single largest and most important asset is its people. With around 100,000 employees, we have an extensive human resource (HR) base in the communities where our production assets are located. Our facilities have people with decades and often generations of dedication at every level. Central and southeastern Ukraine is home to leading technical institutions and universities, and we invest in training employees to enhance occupational health and safety, master new technology, and improve productivity. The application of a unified HR policy across the Group is a strategic objective designed to ensure fair and transparent methods for setting goals, assessing performance and providing feedback. We are committed to creating a shared corporate culture based on common values and vision.

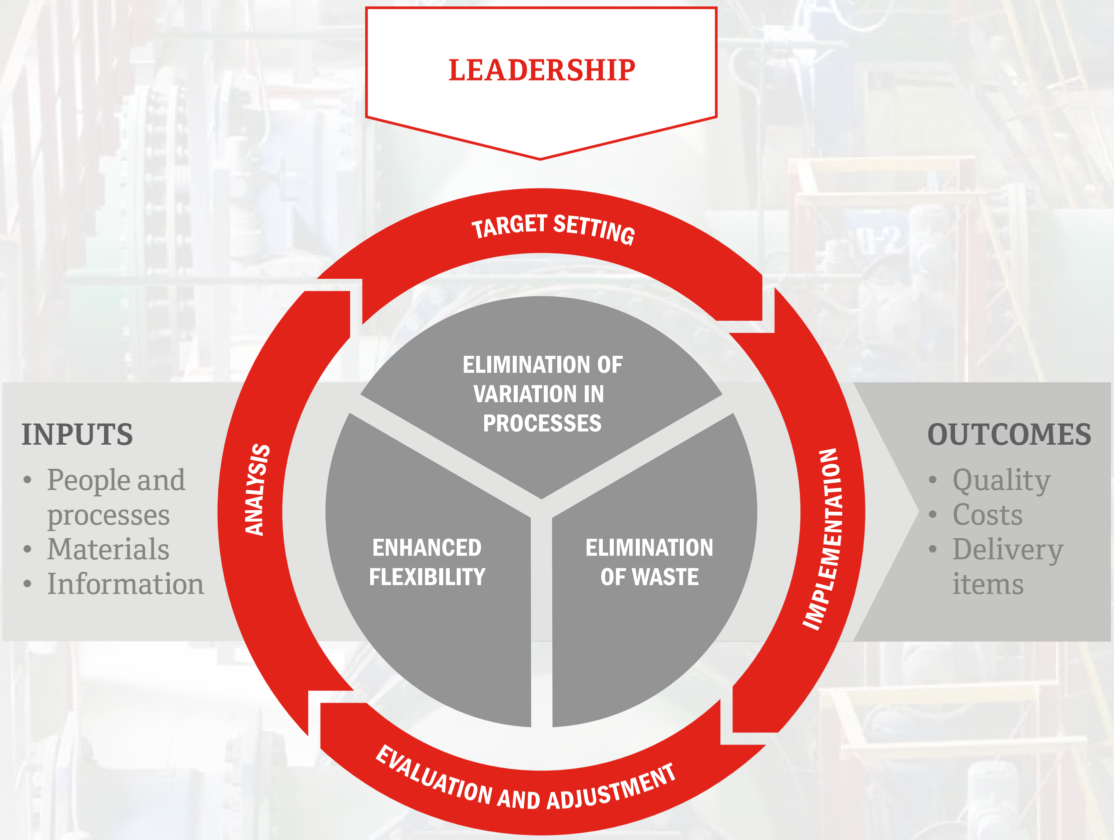
Strong management and institutions

We have assembled a senior management team with deep international experience of steel production and mining, as well as banking, management consulting and law. Through our Corporate University, and work with third-party institutions of higher learning, we are developing the next generation of leaders with the skills needed to manage Metinvest. Strong corporate governance institutions oversee our work, while every member of our team is expected to observe the high standards of ethical conduct in our Code of Ethics adopted in 2013. Our Supervisory Board has 10 directors, including three independent ones. Two of the independent directors head Supervisory Board committees: Audit and Finance; and Health, Safety and Environment.

Relentless focus on safety

By nature, mining and steelmaking are potentially hazardous activities. We invest in health and safety as a moral and commercial priority, and it remains our most important strategic initiative. Our focus is on creating a safety-driven culture based on reporting, prevention and transparency. We have a Health, Safety and Environment Strategy in place to improve safety further, including by monitoring compliance more closely, and ultimately raise standards in line with international best practices. One key goal is to obtain OHSAS (Occupational Health and Safety Assessment Series) 18001 and ISO 14001 certificates for our production assets.

Competitive Advantages:
Lean Manufacturing



...while making us flexible to changing conditions

Customer focus

Metinvest has implemented a continuous improvement (CI) system based on lean manufacturing principles that has become a competitive advantage for the Group and an integral part of its culture. Originally pioneered in the Japanese automotive industry and subsequently developed by leading global manufacturers across a range of industries, our lean manufacturing principles focus on eliminating variation in processes, cutting waste and improving flexibility. The approach exemplifies Metinvest's strategy of applying the best practices to business processes to increase efficiency, add value and deliver top-quality products.

Continuous improvement

CI encompasses changes in business processes that seek to improve operational performance by taking a systematic approach to analysing problems and finding solutions. By 2013, we had implemented CI at all of our Ukrainian production facilities, and we have made plans to do the same in our sales network and at our European assets. The key to CI is its application at all levels of the Group and engagement of every employee in problem solving. In 2013 alone, we received around 23,000 suggestions for reducing waste. Using 2010 as a base, we estimate that CI had an economic effect of over US$669 million in 2013.[8]

Saving resources

Lean manufacturing methods allow us to eliminate waste and save resources through more efficient operations, thus reducing our exposure to potentially volatile cost inputs such as electricity and gas. In 2013, with McKinsey, we launched a new energy saving programme in our Metallurgical division. It includes systematic analysis of power use at our mills to identify opportunities for reducing consumption. A key aspect of lean manufacturing is sharing knowledge through such practices as cross-audits of CI implementation, where a team from one plant verifies the work of another, helping to exchange knowledge.

Flexibility in production

Lean manufacturing prioritises flexibility as integral to efficient processes and helps to optimise production cycles, reduce inventories and ensure that sales networks rapidly communicate changing customer preferences and new areas of demand. The planned implementation of CI practices in our logistics function and sales network will help us to react more effectively to changing conditions in the global market. This will give us a crucial tool for mitigating the risks posed by market volatility.

8 This includes the cumulative economic effect of CI programmes and initiatives and the optimisation of headcount, fuel usage, consumption of iron ore, energy usage, maintenance and other cost inputs.

Business Model

Built on our unique set of strengths...

...our Business Model is designed to maximise returns for all stakeholders

Fundamentals

Health, safety and the environment (HSE)
HSE is our number one responsibility, as our investments in the area demonstrate. We continue to target only the highest HSE standards, as measured by key performance indicators.

Transparency
Transparency is key, as it inspires confidence among investors and other stakeholders. We also believe that our policy of openness and accountability makes us more efficient, responsible and dedicated.

Quality
Quality is critical, as it defines our ability, reputation and success. While we are proud of our work, we always seek to do better, notably through continuous improvement.

Strengths

Vast resource base
Our long-life and substantial resource base is one of our key competitive advantages in maximising returns from the value chain.

Diversified product mix
Our scale and flexibility allow us to adapt our product mix to changing market conditions, while we continue to innovate, having launched 30 new steel products in 2013.

Global sales network
Our sales offices cover key global emerging and developed markets, while our focus on efficient logistics enables us to compete on price further afield, such as Southeast Asia.

Geographic location
Our main assets are in central and southeastern Ukraine, which is a centre of industry experience, offers excellent access to key markets, and has competitive labour costs.

Financial conservatism
We have consistently maintained a prudent strategy of conservative debt load, as measured by our ratio of debt to equity or debt to EBITDA.

Human resources
Our managers and employees bring decades of experience and commitment to the job at every level, and we invest in their training and further education so they can unlock their full potential within the Group.

Lean manufacturing
Our application of lean manufacturing principles across the Group is designed to ensure consistency, eliminate waste and improve the flexibility and quality of our production process.

Strong institutions
We are committed to ensuring the highest standards of corporate governance, based on the principles of transparency and accountability, and maintain an effective risk management function that identifies emerging risks and devises plans to mitigate them and even create opportunities.

Corporate social responsibility
We take our corporate social responsibility seriously, as it is a key factor influencing our commercial sustainability, and we strive to meet global standards where possible.

Solid relationships
Our close relationships with our investors, customers and other stakeholders are based on trust, mutual respect and dialogue, and we work tirelessly to maintain them.

Our Strategy

Our strategy is designed to achieve a clear vision...

VISION

We seek to become a leading vertically integrated steelmaker in Europe, delivering sustainable growth and profitability that is resilient to business cycles and providing investors with returns above industry benchmarks

VALUES

- **Professionalism:** we strive to fulfil our responsibilities to the highest possible standards throughout
- **Client focus:** we consider customer service to be one of the core principles of our business
- **Life, health and environment:** we seek to improve our well-being, our working conditions and the surroundings in which we live
- **Leadership:** we encourage leadership among employees to develop and maintain a talent pool
- **Teamwork:** we foster a working culture of close cooperation and mutual concern for safety among all personnel

...of becoming a leading, vertically integrated European steelmaker

GOALS

- **Sustain competitive advantages in steelmaking through vertical integration**
  - Maintain best-practice levels of performance in steelmaking
  - Improve self-sufficiency in key raw materials
  - Expand steelmaking capacity to maximise added value from iron ore resources
  - Ensure continuous improvement of efficiency and cost
- **Strengthen position in strategic markets**
  - Increase sales of finished steel products
  - Boost steel sales in domestic and regional markets
  - Become a preferred supplier of steel products for key accounts
- **Achieve business excellence**
  - Implement advanced management practices aimed at achieving results

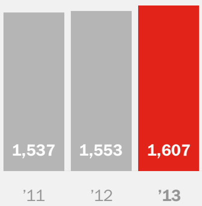
PRIORITIES

- Improve health and safety
- Implement the updated Technological Strategy
- Increase operational efficiency
- Further develop and implement lean manufacturing
- Implement an integrated system of quality management
- Optimise working capital
- Develop sales of target products in key markets
- Improve sales efficiency
- Streamline human resources management across the Group
- Build an efficient logistics function
- Establish an efficient procurement function
- Introduce the Enterprise Planning Resource system
- Implement the updated IT Strategy
- Reduce environmental footprint
- Strengthen corporate governance
- Build a shared corporate culture

Industry Overview and Market Opportunities

GLOBAL PRODUCTION

Crude Steel

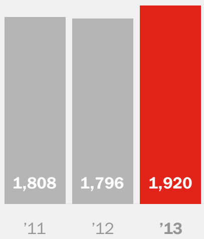


Source: World Steel Association

1,607MT

+3.5%

Iron Ore

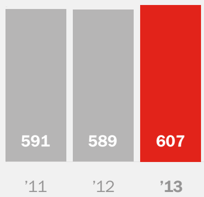


Source: Commodities Research Unit, October 2013

1,920MT

+6.9%

Hard Coking Coal



Source: Commodities Research Unit, November 2013

607MT

+3.1%

Steel production

Conditions in the global steel market remained challenging in 2013, amid record production levels, lower average crude steel prices year-on-year (y-o-y) and continued overcapacity.

Despite concerns about slow growth and the continued fallout from the Eurozone crisis, fiscal policy deadlock in the US and a possible slowdown in China, world steel output broke yet another record in 2013, driven mainly by growth in Asia. According to the World Steel Association (WSA), global crude steel production reached 1,607 million tonnes, 3.5% higher than in 2012, while the International Monetary Fund (IMF) estimated global GDP growth at 3.0%. The average steelmaking capacity utilisation rate also showed mildly encouraging signs, climbing from 76.2% in 2012 to 78.1% last year.

In keeping with the long-term trend of steel production moving from the Atlantic region to Asia, output of crude steel fell by 1.8% y-o-y in the EU and 1.9% in North America, while rising by 7.5% in China and 3.1% in Japan. The Middle East also saw healthy growth of 6.5%, albeit from a small base. Output of crude steel in the CIS fell by 1.9% overall, including decreases of 1.5% in Russia and 0.5% in Ukraine.

China remained the main driver of the global steel industry last year, accounting for 48.5% of crude steel production worldwide, followed by Japan (6.9%), the US (5.4%), India (5.1%) and Russia (4.3%).

Although lower than in 2012 overall, crude steel prices fluctuated comparatively little last year while iron ore prices were more volatile.

According to Steel Business Briefing, after retreating from US$531 a tonne in January to a low of US$490 in June, they finished at US$503 in December. The average price in 2013 was US$510 a tonne, compared with US$557 in 2012.[9]

Raw materials

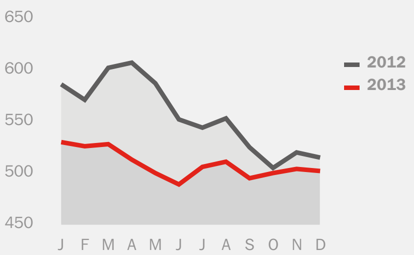
Bulk commodities remained under pressure in 2013, with declining prices for both iron ore and coal during the first half of the year, although the performance of both raw materials in the second half of the year was better than expected.

According to the Commodities Research Unit (CRU), global production of iron ore increased by 6.9% y-o-y to 1,920 million tonnes. At the same time, prices headed steadily downwards from January to June, before recovering some ground in the second half, averaging US$135 a tonne for 2013.[10]

9 Steel Business Briefing, based on billet prices, FOB, at Black Sea ports.
10 Platts IODEX, based on 62% Fe spot prices, CFR, China.

PRICE DYNAMICS

Steel

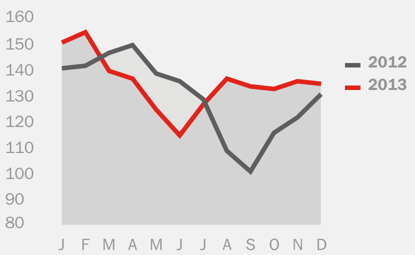


Source: Steel Business Briefing (steel/billet, FOB, Black Sea ports)

US$510/tonne

–8.4%

Iron Ore

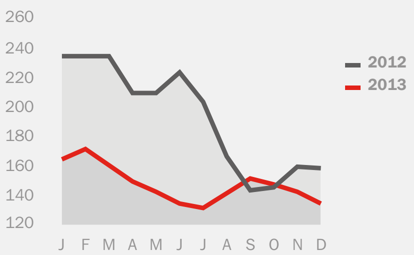


Source: Platts IODEX (62% Fe spot, CFR China)

US$135/tonne

+4.0%

Hard Coking Coal



Source: Platts TSI (hard coking coal spot, FOB, Australia)

US$148/tonne

–23.6%

The trend was similar on the coal market. After retreating in the first half of 2013, prices of hard coking coal staged a modest recovery before returning to the June low, giving a yearly average of US$148 a tonne.[11] Global output was up by 3.1% y-o-y, the CRU estimates.

Outlook

Following the improvement in world trade in the second half of 2013, there is cautious optimism about the short-term outlook for the global economy and, consequently, potential for growth in steel consumption. At the time of writing, the IMF is forecasting global GDP growth of 3.6% for 2014 and 3.9% for 2015, as well as ongoing recovery in the US and end of recession in the EU.

At the same time, the global economy faces significant risks that could slow down or even reverse overall growth and demand for steel products. The US Federal Reserve is expected to continue reducing its quantitative easing measures, while there is also speculation about US interest rates rising earlier than previously expected. This could create pressure for developing economies in terms of financial market volatility, capital outflow and currency depreciation.

In addition, there is lingering concern about a potential slowdown in China, particularly given signs of turbulence in the property market and consequent risks to the broader economy. Other threats to growth include budget deficits in the EU and anaemic growth in large European economies, with the notable exception of Germany and the UK. At the time of writing, the geopolitical challenges centring on Ukraine are creating significant uncertainty and the full implications of events there are far from clear.

Against this backdrop, our approach is to remain cautious and we currently expect no major rise in global steel demand in 2014. World steel production growth looks likely to compare with the figure seen in 2013. Nonetheless, as steelmaking and rolling facilities continue to be commissioned in most regions, except Europe, there is a threat of excess capacity and oversupply. Capacity utilisation is expected to remain comparatively low, implying a high level of competition in large consumer markets.

In addition, we see the potential for continued decline in the price of iron ore. Global availability of iron ore is soaring, as the 'Big Four' expand their production capacity. As such, there could be potential for oversupply of iron ore this year.

In summary, we anticipate continued headwinds in the steel market in 2014, with excess capacity putting pressure on prices, and similar trends in the market for iron ore. Our response to these challenges is built into our strategy: maintaining a conservative approach to debt while making investments in technology and improvements in business processes that translate into greater operational efficiency across the supply chain. We are prepared to weather market uncertainty in the short to medium term, while our vertical integration prepares us for a longer-term shift in margins from raw materials to steel products.

11 Platts TSI, based on hard coking coal spot prices, FOB, Australia.

Chief Financial Officer's Review

Aleksey Kutepov

Decisive action and rigorous financial discipline allowed us to make the most of our competitive advantages and overcome market challenges in 2013.

Overview

Our financial results demonstrated our flexibility and resilience in 2013, despite market turbulence. Notably, amid lower prices of coking coal and scrap metal, we focused more on enhancing production processes and achieved profitability in the Metallurgical division, whose EBITDA swung into positive territory. The Mining division remained the key contributor to the Group's results, with a stable EBITDA margin of 43%. In sum, we were able to increase underlying profitability, while continuing to invest in the future.

Our conservative approach to financing continues to pay off. Our net debt to EBITDA ratio improved from 1.9x to 1.5x, a comfortable level. Last year, we repaid US$632 million in principal debt, including four loan facilities. In April, we raised an additional US$260 million by increasing a US$300 million three-year pre-export finance facility secured at origination in November 2012. In November 2013, we secured another US$300 million five-year pre-export finance facility.

In addition, we successfully executed strategic steps to cut operating expenditure. Despite uncertain market conditions, we are convinced that our conservative financial management and our focus on improving efficiency will help us to continue delivering robust financial results.

Revenues

In 2013, Metinvest's consolidated revenues increased by US$238 million, up 2% year-on-year (y-o-y) to US$12,807 million, driven by sales of steel and iron ore products. The Metallurgical division

EBITDA margin

18%

> "The EBITDA margin rose from 16% to 18%, as the Metallurgical division's margin increased by 5 percentage points due to a fall in raw material prices, the implementation of PCI technology, and the success of the continuous improvement projects."
>
> Aleksey Kutepov, Chief Financial Officer

accounted for 76% of external sales and the Mining division for 24%.

In 2013, the Metallurgical division's top line rose by 5% y-o-y to US$9,727 million, of which steel sales accounted for 94%. Despite falling average steel prices and lower sales volumes of tubular products, higher sales volumes of pig iron, slabs, and flat and long products helped to compensate.

Amid changing demand in 2013, sales of semi-finished products totalled US$1,479 million, up 4% y-o-y. The rise was due to an increase in sales of pig iron by 291 thousand tonnes – mainly to the US, Europe, and the Middle East and North Africa (MENA) – and slabs by 208 thousand tonnes to Europe and MENA. The bulk of slab and plate sales went to the higher-margin markets of Europe and Turkey. Sales volumes of billets decreased by 7% y-o-y, while those of finished long products increased by 5% y-o-y.

In 2013, revenues from sales of finished products declined by 12% y-o-y to US$5,803 million, mainly due to lower average prices of flat, long and tubular products.

In 2013, sales of flat products fell by 7% y-o-y to US$3,716 million; a decline in average prices was partly offset by 4% growth in sales volumes to 5,976 thousand tonnes. Overall sales volumes of flat products increased y-o-y as a result of growing shipments to Southeast Asia and the Middle East, as well as to the higher-margin European market.

Revenues from sales of long products fell by 4% y-o-y to US$1,654 million. The main cause was a 9% drop in average product prices, partly compensated by an increase in sales volumes in Ukraine, Europe and the Commonwealth of Independent States (CIS, excluding Ukraine) of 122 thousand tonnes overall.

In 2013, revenues from sales of tubular products fell by 79% y-o-y to US$111 million, with sales volumes slumping 73% due to a lull in large pipeline projects.

Revenues from sales of railway products decreased by 6% y-o-y to US$322 million in 2013, as volumes in Ukraine declined, while export sales of rails were unchanged y-o-y.

Following the integration of Zaporizhstal, its revenues from sales of flat products increased by US$812 million to US$1,462 million, driven by a boost in volumes of 1,481 thousand tonnes, with most flat products going to MENA (51%) and the CIS (37%).

In 2013, the Mining division's top line dropped by 6% y-o-y to US$3,080 million primarily due to a slump in average coking coal prices.

In 2013, sales of iron ore products grew by 9% y-o-y to US$2,691 million, or 87% of the division's revenues. This was driven mainly by a rise in sales volumes of iron ore concentrate of 661 thousand tonnes and pellets of 937 thousand tonnes. Iron ore prices remained broadly flat y-o-y.

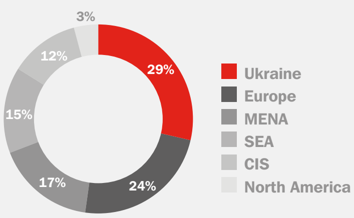
Revenues from sales of iron ore concentrate increased by 7% y-o-y to US$1,517 million in 2013, boosted by shipments to China of 956 thousand tonnes, while volumes to Europe and Ukraine dropped by 295 thousand tonnes y-o-y.

Revenues from sales of iron ore pellets grew by 13% y-o-y to US$1,104 million, attributable to increased sales volumes to China (825 thousand tonnes), Ukraine (284 thousand tonnes) and MENA (233 thousand tonnes), partly offset by a fall in sales to Europe.

In 2013, sales of coking coal concentrate dropped by 37% y-o-y to US$275 million, caused by a slump in average concentrate prices of 36% y-o-y. Overall sales volumes remained broadly stable y-o-y.

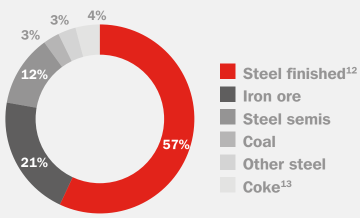
Chief Financial Officer's Review
Continued

Revenues by Region



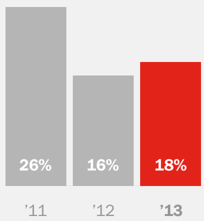
US$12,807M

Revenues by Product



US$12,807M

EBITDA Margin



18%
+2%

Cost of sales
Overall cost of sales amounted to US$10,406 million in 2013, up 3% y-o-y. The main driver of the rise was an increase in resales of Zaporizhstal's products, which climbed by US$796 million. Other key factors included greater sinter ore purchases and some non-cash items, such as higher depreciation charges after a revaluation of property, plant and equipment (PPE) at five assets, as well as impairment and devaluation of PPE at three other facilities.

This was partly offset by a fall in natural gas consumption following the implementation of pulverised coal injection (PCI) technology at Ilyich Steel and a decline in consumption of scrap and ferroalloys, coupled with favourable pricing for these raw materials and coking coal. The application of continuous improvement projects at our steelmaking and coke plants also increased operational efficiency.

As a share of consolidated revenues, the cost of sales was 81% in 2013, marginally higher y-o-y.

Distribution, general and administrative expenses
Distribution expenses consist largely of transportation costs, salaries paid to sales and distribution employees, commissions, and the cost of materials. In 2013, distribution expenses remained unchanged y-o-y at US$1,121 million, or 9% of consolidated revenues.

General and administrative expenses consist largely of salaries paid to administrative employees; consultancy fees; audit, legal and banking services expenses; insurance costs; and lease payments. These expenses marginally decreased to US$391 million in 2013, or 3% of consolidated revenues.

Other operating income/expenses
Other operating expenses consist primarily of bad debt costs, foreign exchange gains less losses, sponsorship and other charity payments, gains/(losses) on disposals of PPE, and maintenance costs for social infrastructure.

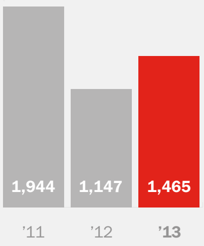
Last year, Metinvest generated other operating income of US$137 million, up US$130 million y-o-y, mainly due to:
– a reversal of a US$56 million impairment of trade and other receivables that were previously written off
– an increase in other income of US$51 million due to fines and penalties received from clients and a decrease in third-party services
– an increase in foreign exchange gains of US$43 million

Other operating income represented 1% of consolidated revenues.

EBITDA
Metinvest's consolidated EBITDA amounted to US$2,291 million in 2013, up 15% y-o-y. The EBITDA margin rose from 16% to 18%, as the Metallurgical division's margin increased by 5 percentage points due to a fall in raw material prices, the implementation of PCI technology, and the success of the continuous improvement projects. As a result, the division generated EBITDA margin of 2%.

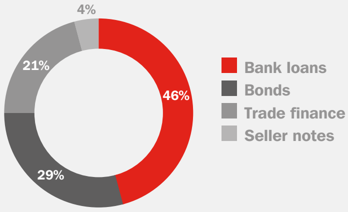
12 Steel finished products includes US$1,462 million of resold flat products made by Zaporizhstal.
13 Coke products includes coke, coke breeze and chemical products.

Operating Cash Flow



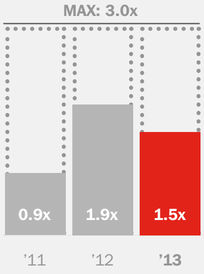
US$1,465M
+28%

Debt Structure



US$4,308M

Net Debt to EBITDA



1.5x
–0.4x

The Mining division remained the key contributor to the Group's results, keeping the EBITDA margin stable at 43%.

Finance income

Finance income comprises net foreign exchange gains, interest income on bank deposits and loans issued, imputed interest on other financial instruments, gains from early repayment of assets and other finance income.

In 2013, finance income increased by 27% y-o-y to US$66 million, or 1% of consolidated revenues. The rise was primarily caused by gains on early recovery of assets.

Finance costs

Finance costs include net foreign exchange losses, interest expenses on bank borrowings and debt securities, imputed interest on seller notes, and interest on retirement benefit obligations. These costs increased to US$341 million in 2013, up 6% y-o-y.

The share of finance costs in consolidated revenues remained unchanged y-o-y at 3%.

Income tax expense

In 2013, Metinvest's income tax expense increased by 40% y-o-y to US$373 million primarily due to a recognised valuation provision of US$155 million against deferred tax assets, resulting in an effective tax rate of 49%.

Net profit

The bottom line amounted to US$392 million in 2013, down 12% y-o-y, giving a net margin of 3%. The fall was due to various one-off transactions that impacted the bottom line:

- a revaluation of PPE at Azovstal, Northern GOK, Ingulets GOK, Khartsyzk Pipe and Avdiivka Coke, which resulted in higher depreciation charges
- an impairment of PPE at Krasnodon Coal, Ilyich Steel and Yenakiieve Steel
- a higher income tax expense due to a recognised valuation provision of US$155 million against deferred tax assets

Consolidated cash flow

Cash generated from operating activities increased by 3% y-o-y to US$2,046 million in 2013. Net cash from operating activities grew by US$319 million to US$1,465 million, due to lower income tax prepayments in 2013.

Net cash from investing activities became positive in 2013, totalling US$263 million. The main drivers were settlements of receivables for bonds, promissory notes and deposit certificates related to the transfers of stakes from SCM and Smart to Metinvest in July 2013 as part of the ongoing restructuring of Metinvest's business.

In 2013, Metinvest paid US$544 million of dividends, down 5% y-o-y.

Liquidity and capital resources

The Group's cash balance stood at US$783 million as at 31 December 2013, compared with US$531 million a year earlier. Proceeds from bank loans amounted to US$579 million. Repayments of bank loans and seller notes totalled US$632 million in 2013, compared with US$500 million in 2012.

Net debt (loans, borrowings and seller notes less cash and cash equivalents) stood at US$3,525 million as at 31 December 2013, compared with US$3,747 million a year earlier.

The Group has credit ratings from two international rating agencies, Fitch (CCC) and Moody's (Caa1), updated on 12 February and 5 February 2014, respectively. They are capped by the Sovereign rating.

Capital expenditure

Capital expenditure marginally decreased by 2% y-o-y to US$747 million in 2013.[14] The Metallurgical division accounted for 42% of capital expenditure and the Mining division for 48%.

14 Includes US$75 million of corporate overheads.

Divisional Review
Mining

In 2013, we sustained record output of iron ore and continued to implement our Technological Strategy and lean manufacturing approach.

Highlights
- Record output of iron ore concentrate of 36,926 thousand tonnes
- Coking coal output of 11,393 thousand tonnes
- Updated our Technological Strategy to incorporate development plans for Krasnodon Coal
- Completed the fourth stage of Affinity mine, increasing our premium coal production capacity by 1.1 million tonnes in 2014

Production assets
Metinvest's main iron ore facilities are Ingulets GOK, which produces concentrate, and Northern GOK and Central GOK, which produce concentrate and pellets. In addition, we own Komsomolske Flux, a large Ukrainian producer of limestone and flux. We have around 8,166 million tonnes of long-life mineral resources, including 2,599 million tonnes of proven and probable iron ore reserves.[15]

Our main coking coal facilities are Krasnodon Coal in the Donbas region of Ukraine and United Coal in the US. As at 31 December 2013, we had unaudited coal reserves of 629 million tonnes.

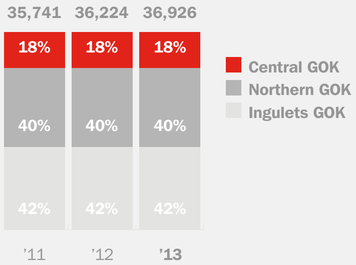
We maintain a quality management system that is certified by Bureau Veritas and Ukrainian state enterprise Krivbasstandartmetrologiya as meeting the standards required for producers of merchant iron ore concentrate and pellets. The system is also certified in accordance with ISO 9001.

Performance
In 2013, our output of iron ore concentrate reached 36,926 thousand tonnes, up 2% y-o-y and a new record, due to continued operational improvements. Excluding intragroup sales and utilisation, we produced 12,939 thousand tonnes of merchant iron ore concentrate, down 9%, and 8,582 thousand tonnes of iron ore pellets, up 25%.

The lower share of concentrate in our merchant product mix was attributable to a decrease in its output at Northern GOK, following a shift in favour of pellets. This was partly offset by an increase in concentrate production at Central GOK and Ingulets GOK.

15 According to JORC methodologies, as at 1 January 2010 and adjusted for production and additions between 1 January 2010 and 31 December 2013 of 733 million tonnes of resources and reserves. Ore reserves refers to the economically mineable part of mineral resources.

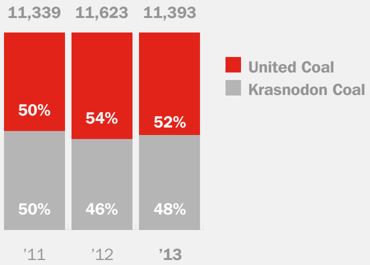
Iron Ore Concentrate Production



36,926KT

+2%

Coking Coal Mining



11,393KT

–2%

The 25% rise in merchant pellet output stemmed from a fall in internal consumption and higher production at Northern GOK, as well as better than expected progress in the maintenance schedule for its roasting machine.

In 2013, our output of coking coal fell by 2% y-o-y to 11,393 thousand tonnes. This was attributable to declining output from United Coal's Affinity mine, which was idle in the fourth quarter, and offset by a rise in output at Krasnodon Coal in Ukraine.

During the year, as part of our updated Technological Strategy, we continued to invest in technology, allocating US$359 million in capital expenditure for key projects. This in line with our strategic objectives of increasing operational efficiency, enhancing safety, and delivering a competitive product for both internal consumption and external sales.

Major projects included the ongoing construction of a crusher and conveyor system at the Pervomaisky quarry at Northern GOK, the reconstruction of the Lurgi 278-B pelletising machine at Northern GOK, and the completion of the fourth section at United Coal's Affinity mine.

Last year, we pressed ahead with a continuous improvement (CI) programme as part of our lean manufacturing approach at our Ukrainian mining assets. Using 2010 as a base, we saw cost efficiencies of US$136 million from CI projects in 2013, as well as an economic benefit of US$105 million across the Mining and Metallurgical divisions due to the more efficient use of iron ore and scrap.[16]

In May 2013, we updated the Technological Strategy with our plans for the future development of Krasnodon Coal, as part of our strategy to secure Ukrainian coking coal supplies over the long term. As part of this project, we envisage mothballing non-productive shafts, investing in new technology for the remaining ones, and establishing a training centre in one of the decommissioned areas.

In addition, continuing our drive to improve safety at Krasnodon Coal, we successfully launched a new gas monitoring and positioning safety system at Eastern Sukhodolska mine as part of a three-year industrial and occupational safety programme.

Elsewhere, we continued to develop a long-term initiative to optimise, prioritise and schedule equipment maintenance and repairs. The aim is to ensure reliability and minimise the risk of unplanned disruption to the production process. In 2014, we are due to approve a road map to identify priority areas over the next five to 10 years and potential bottlenecks.

Outlook and strategy

In 2014, our strategic priority will remain improving health and safety for our employees, as well as building on the progress in reducing lost-time incidents of recent years. Alongside continued improvements in training and systems across the division, we intend to complete the installation and commissioning of the gas control and positioning system at Western Samsonovska mine and to begin implementing the new Technological Strategy for Krasnodon Coal.

Other plans include continuing to focus on our priority investments in the updated Technological Strategy, applying CI across the division, and improving operational efficiency even further.

16 This includes the cumulative economic effect of CI programmes and initiatives and the optimisation of headcount, fuel usage, consumption of iron ore, energy usage, maintenance and other cost inputs.

Divisional Review
Metallurgical

In 2013, we kept steel output stable, while progressing with major investment projects designed to make our main enterprises more productive and reduce their environmental footprint.

Highlights
- Crude steel production of 12,391 thousand tonnes
- Output of metal products of 12,139 thousand tonnes
- Continued productivity gains and cost savings through the launch of PCI at Ilyich Steel

Production assets
Responsible for the Group's steel and coke products, the Metallurgical division has the capacity to produce around 15 million tonnes of steel a year. In 2013, its steelmaking assets included three hot metal facilities with rolling mills (Ilyich Steel, Azovstal and Yenakiieve Steel) and a pipe plant (Khartsyzk Pipe) in Ukraine; three rolling mills in continental Europe (Ferriera Valsider, Metinvest Trametal and Promet Steel); and a rolling mill in the UK (Spartan).

In addition, Metinvest has a 49.9% stake in Zaporizhstal, one of Ukraine's largest steelmakers. As of 31 December 2013, this investment was classified as a joint venture.

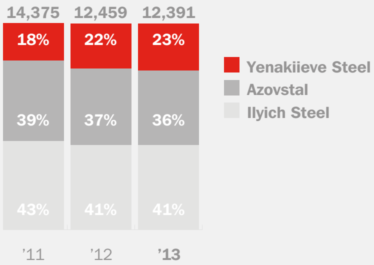
Metinvest is self-sufficient in coke for its steelmaking. The Metallurgical division includes Avdiivka Coke, Donetsk Coke, Zaporizhia Coke and Azovstal Coke Works that produces coke, as well as Inkor Chemicals, which makes chemical products. In 2013, the Group consolidated Donetsk Coke and Zaporizhia Coke, following a series of transactions to secure majority ownership.

The division makes an extensive range of products, including hot-rolled plates and coils, cold-rolled plates and hot-dip galvanised coils; light, medium and heavy hot-rolled sections, debars, merchant bars and wire rods; railway and tubular products; and pig iron, slabs and square billets.

We maintain an ISO 9001:2008-certified quality management system at all of our major steelmaking and re-rolling facilities. In 2013, we launched 30 new steel products, expanding downstream opportunities.

Performance
In 2013, although conditions in the global steel market remained challenging, the Metallurgical division kept its output of crude steel stable at 12,391 thousand tonnes, while increasing output of metal products by 3% year-on-year (y-o-y) to 12,139 thousand tonnes. Production of merchant semi-finished goods rose by 14% to 3,118 thousand tonnes, mainly driven by a 39% increase in the output of pig iron in response to higher demand in the EU and North America. Output of

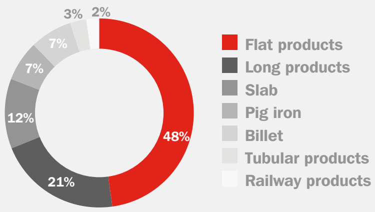
Crude Steel Production



12,391KT

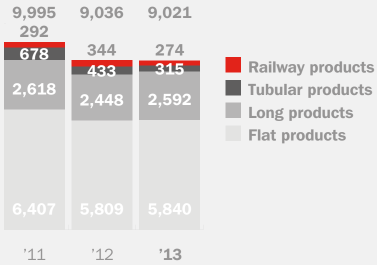
–1%

Total Product Mix



12,139KT

Finished Product Mix



9,021KT

0%

finished goods stood at 9,021 thousand tonnes, virtually unchanged y-o-y.

The division's primary objective last year was the continued implementation of our Technological Strategy, coupled with a relentless focus on cost control at plants. Despite the market turbulence, we maintained CAPEX at US$313 million, sufficient to continue investing in improving operational efficiency and delivering higher-quality products.

Installation of PCI technology at our steelmaking facilities represents a major part of our Technological Strategy. Last year, we launched PCI at Ilyich Steel and began building a PCI facility at Yenakiieve Steel. We also conducted preliminary work to install PCI and a beam caster at Azovstal.

In addition, we continued building infrastructure for a new air separation unit (ASU) at Yenakiieve Steel, to be installed and run by France's Air Liquide. The outsourcing of the ASU enables us to substantially reduce the upfront cost of the project, freeing up resources for investing in other priority projects.

Last year, we made further progress on multi-year projects to dramatically reduce our environmental footprint. We began preparatory work to build a new, environmentally friendly sinter plant at Yenakiieve Steel, the first new facility of its type in Ukraine for more than two decades. We also signed an agreement to prepare an engineering plan for upgrading the sinter plant at Ilyich Steel.

Another major environmental achievement included reducing dust emissions from assets in the Metallurgical division by around 50%, including fitting modern gas cleaning systems to all converters at Yenakiieve Steel and installing dust suppression systems at blast furnaces nos. 1 to 5 at Ilyich Steel.

In addition, we have now implemented a continuous improvement (CI) programme at all of the Ukrainian production assets in the Metallurgical division. Initiatives in 2013 included CI projects to optimise the types of coal consumed and reduce our usage of fuel and electricity. With McKinsey, the division launched a major programme to analyse the consumption of electricity and find energy-saving solutions. As a result, our focus on CI yielded an economic benefit of US$533 million.[17]

In 2013, the Metallurgical division reduced maintenance and repair costs by 18%, while boosting effectiveness. Several measures contributed to the improved performance, including better monitoring and scheduling of maintenance and the concentration of resources in key facilities.

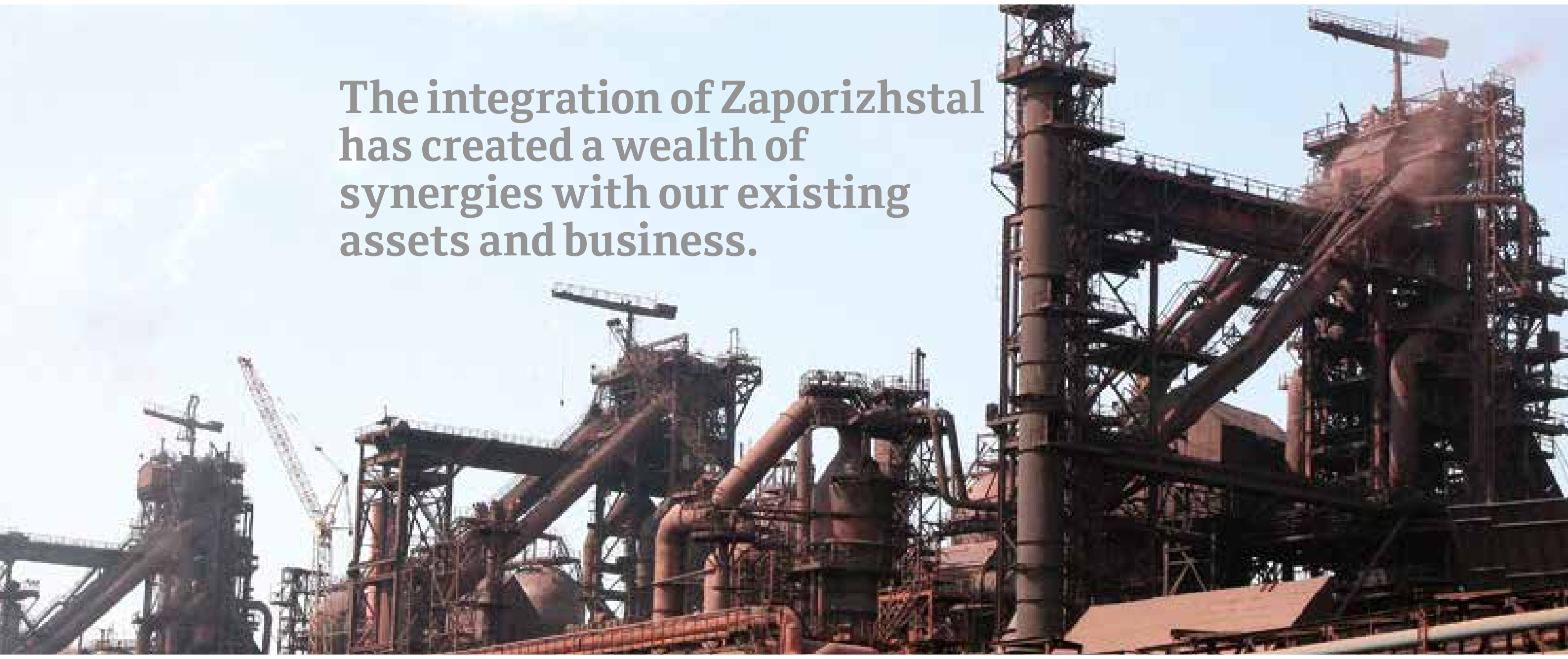
Outlook and strategy

In 2014, we remain focused on completing our current investments in PCI technology to improve operational efficiency and reduce consumption of coke and natural gas. We will also continue the sinter plant projects at Yenakiieve Steel and Ilyich Steel to reduce our environmental footprint. Another strategic priority is the ongoing application of CI at our Ukrainian facilities and the extension of the programme to our European production sites. Among other benefits, these projects reduce consumption of natural gas and electricity, and hence our exposure to volatility in these external cost elements, and are therefore priority cost-saving approaches. We will continue to develop, adopt and launch new products to meet changes in demand from customers and access new markets.

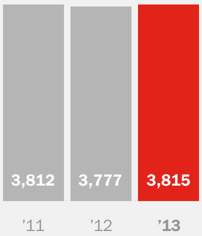
17 This includes the cumulative economic effect of CI programmes and initiatives and the optimisation of headcount, fuel usage, consumption of iron ore, energy usage, maintenance and other cost inputs.

In Focus: Zaporizhstal

The integration of Zaporizhstal has created a wealth of synergies with our existing assets and business.

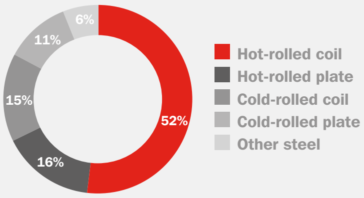


Crude Steel Production



3,815KT
+1%

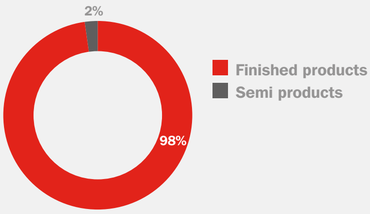
Total Product Mix



Other steel includes joist web, pig iron, strip and tin

3,241KT

Finished vs Semi Products



98%
FINISHED PRODUCTS

A perfect fit

Over 2011–2012, Metinvest acquired 49.9% of Zaporizhstal, one of Ukraine's largest steelmaking plants.[18] Since then, the plant has allowed us to exploit a wealth of synergies with our existing assets and business.

Zaporizhstal is located close to our asset base in central and southeastern Ukraine, positioning it to exploit synergies with our steelmaking enterprises and iron ore producers in the region. In addition, Zaporizhia is on the Dnipro River, providing access to a key transportation route.

Zaporizhstal is one of our top third-party purchasers of iron ore. Its sales and distribution network and product mix are complementary, and we believe that the joint venture provides significant long-term potential.

Value-added product mix

Zaporizhstal has the capacity to produce 3,100 thousand tonnes of hot metal and 4,417 thousand tonnes of crude steel a year. Its facilities consist of a sinter plant, four blast furnaces, eight open-hearth furnaces and several hot- and cold-rolling mills.

Excluding internal consumption, its primary output consists of finished goods, primarily hot- and cold-rolled plates, and hot- and cold-rolled coils, along with small amounts of pig iron. In 2013, despite challenging global market conditions, its hot metal and crude steel production remained steady. Hot metal production increased by 2% y-o-y and to 3,247 thousand tonnes. Crude steel output edged up 1% to 3,815 thousand tonnes over the same period.

Unlocking potential

Through senior positions in the management, together with other shareholders, Metinvest exercises strategic control of Zaporizhstal. We maintain a constructive working relationship with our partners and are currently discussing a major investment plan to modernise the asset over the long term, along with current projects aimed at reducing its environmental impact.

Last year, Zaporizhstal began construction of a new hydrochloric acid pickling line and a regeneration plant for spent acid pickles, due for completion in 2014. Once online, we expect the new plant to prevent discharge into the Dnipro River and reduce emissions significantly.

We are excited by Zaporizhstal's potential. We believe that we can unlock vast synergies between the plant and our nearby assets; contribute our deep experience and strong track record in implementing major technological projects; and introduce business processes that can deliver major gains in operational efficiency.

18 Metinvest classifies Zaporizhstal as a joint venture, as financial and operational decisions relating to the plant involve other shareholders.

Executive Committee

YURIY RYZHENKOV
Committee Chairman, Chief Executive Officer

Yuriy Ryzhenkov was appointed Chief Executive Officer in December 2013. Before that, he held senior positions at DTEK (also part of SCM): namely, Chief Operating Officer and Director from 2010 and Chief Financial Officer from 2007. Prior to DTEK, he worked as Chief Financial Officer of International Steel and Tube Industries Limited (ISTIL, Donetsk and London), in the finance business units of CJSC Mini Steel Mill ISTIL (Ukraine), and at Donetsk Iron and Steel Works.

Yuriy has a degree in Economics from Donetsk State Technical University and in Business Management from King's College (UK). He also holds an MBA from London Business School.

ALEKSEY KUTEPOV
Committee Member, Chief Financial Officer

Aleksey became Chief Financial Officer in August 2013. Before that, he worked in various roles and divisions of Sibur Holding for seven years. From 2011 to 2013, he was Economics and Finance Director for Hydrocarbon Raw Materials at the holding, where his responsibilities included developing and implementing automated systems for business process management, M&A transaction management, and operational efficiency improvement at enterprises. Prior to that, he was Chief Financial Officer at SiburTyumenGaz from 2009 to 2011 and at Tobolsk-Polymer, both Sibur subsidiaries, from 2007 to 2009, and Chief Expert at Sibur Holding from 2006 to 2007. From 2003 to 2006, he was a Senior Consultant at PricewaterhouseCoopers.

Aleksey has a degree in Applied Mathematics and Economic Theory from the Academy of the Federal Security Service in Russia.

DMITRY NIKOLAYENKO
Committee Member,
Sales Director

Dmitry Nikolayenko became Sales Director in October 2011, having previously headed the same function in the Steel and Rolled Products division since 2010. Before that, he was a Director at Metinvest-SMC, a sales unit, from 2007 to 2010; SM Leman, its predecessor, from 2003 to 2007; and Energostal from 1996 to 2003.

Dmitry holds a degree in Economics from the Kyiv-Mohyla Academy and obtained an MBA from the International Management Institute (Kyiv, Ukraine) in 2002.

NATALIYA STRELKOVA
Committee Member,
Director of Human Resources and Social Policy

Nataliya Strelkova has been Director of Human Resources and Social Policy since June 2010. Before that, she held the position of Human Resources Director at MTS (Russia) from 2006 to 2010 and was Director of HR Policy at MTS from 2004 to 2006. She was a Senior Specialist in the HR Policy department at Yukos (Russia) from 2001 to 2004 and Director of HR at the ESN Group (Russia) from 1997 to 2001.

Nataliya obtained a diploma in Physics from the Moscow Institute of Engineering and Physics in 1992, and graduated with a diploma in Organisational Psychology from Moscow State University in 1996. She obtained an MBA from IMD (Lausanne, Switzerland) in 2010.

MYKOLA ISHCHENKO
Committee Member,
Director of Mining division

Mykola Ishchenko has been Director of the Mining division since October 2011. Previously, he was Director of the Iron Ore division from March 2010. Before that, he was General Director at Ingulets GOK from July 2009 to March 2010 and Deputy Director of the Iron Ore division at Metinvest from July 2007 to July 2009. He was Chairman of the Management Board and Chief Executive Officer of Kryvbassvzryvprom, an industrial production enterprise, from September 2000 to July 2007. He also worked as an Economist, Deputy Head of Planning and Economics, and Deputy Director of Marketing and Economics at Kryvbassvzryvprom from 1987 to 2000.

Mykola has two degrees: in 1985, he graduated from Kyiv National University of Economics with a degree in Economics; and in 1992, he graduated from the Kryvyi Rih Mining Institute with a diploma in Mining Engineering. He has a PhD in Economics.

Executive Committee
Continued

VOLODYMYR GUSAK
Committee Member,
Supply Chain Director

Volodymyr Gusak became Supply Chain Director in October 2011, having previously been Director of the Coke and Coal division from 2006. Before that, he was a Manager at SCM from 2002 to 2005 and a Financial Analyst and Deputy Head of Restructuring at Deloitte Touche Tohmatsu from 2000 to 2002. In 1999, he worked as an Accountant with the Centre for Economic Reform and Privatisation and, in 1998, as a Project Administrator for consulting company Chenomics in the US. From 1994 to 1996, he was an Adviser to Soros-Aslund Economic Advisory Group for the Ukrainian government.

Volodymyr graduated from Kyiv's Taras Shevchenko National University in 1996 with an MA in Foreign Languages (English and German). He received his MSc in Economics from Texas A&M University (US) in 1998.

SVETLANA ROMANOVA
Committee Member,
Chief Legal Officer

Svetlana Romanova joined Metinvest in 2012. Before that, she was a Partner in the Kyiv office of Baker and McKenzie CIS Limited, the global law firm's regional business, from 2008 to 2012, having previously served as a lawyer there from 2000. Svetlana also covered CIS issues at Cargill in the US from 1998 to 2000. From 1997 to 1998, she was a research assistant to a professor at the University of Iowa College of Law.

Svetlana has a master's degree in International Law and Translation (English) from the Kyiv Taras Shevchenko National University, as well as an LLM in International and Comparative Law from the University of Iowa's College of Law. She has also completed coursework in International Management at the University of St Thomas Graduate School of Business (St Paul, Minnesota, US).

RUSLAN RUDNITSKY
Committee Member,
Chief Strategy Officer

Ruslan Rudnitsky has been Chief Strategy Officer since 2010. Before that, he headed the Strategy and Investment department in the Iron Ore division from 2006 to 2010. He was also an Industry Group Manager at SCM from 2003 to 2006 and an Auditor at PricewaterhouseCoopers from 2001 to 2003.

Ruslan holds an MSc in International Investment Management from Kyiv National University of Economics. He became a member of the Association of Chartered Certified Accountants (ACCA) in 2006 and a fellow in 2011.

ALEXANDER POGOZHEV
Committee Member,
Director of Metallurgical division

Alexander Pogozhev has been the Director of the Metallurgical division since October 2011. Previously, he was Director of the Steel and Rolled Products division from October 2010. He has extensive professional experience at large enterprises in the metals industry. He served as Chief Operations Director of Severstal International (US) from 2008 to 2010 and worked at Severstal from 1991 to 2008, where he held several executive positions, including Chief Operating Officer.

Alexander holds a degree in Financial Management from the Moscow State Academy of Management (Russia) and an MBA from the Business School of Northumbria University (UK).

OLGA OVCHINNIKOVA
Committee Member,
Logistics Director

Olga Ovchinnikova became Logistics Director in 2013, having previously held the same position in the Supply Chain Directorate from 2012. Before that, from 2006 to 2012, she headed the Logistics department of Severstal Resource, the raw materials division of the Russian steelmaker. From 2002 to 2006, she headed the operations department at Alyanstransoil, part of Alliance Oil.

Olga has master's degrees in Economics and Transportation Management from Moscow State University of Railway Engineering and in Logistics and Supply Chain Management from the Higher School of Economics in Moscow.

ALEKSEY KOMLYK
Committee Member,
PR and Regional Development Director

Aleksey Komlyk has been PR and Regional Development Director of Metinvest since November 2013. Before that, from 2011 to 2013, he served as Managing PR Director at JSC AFK Sistema (Russia). From 2008 to 2011, he was Managing Partner at Mosso Communication Agency (Austria). He previously worked at Uralkali (Russia), serving as Vice President of PR from 2006 to 2008 and as Head of the Media Relations Office from 2003 to 2006.

Aleksey graduated from Irkutsk State Pedagogical University (Russia) in 1998 with a degree in English and German. He is a member of the Russian PR Association (PACO).

Corporate Governance

We are proud of our robust and transparent governance system, which is key to reinforcing our long-term investment proposition.

Metinvest's aim is to build a corporate governance system that rivals those of the most transparent public companies and serves the interests of not only our investors, but also all our other stakeholders, including local communities and employees.

In 2013, we continued to develop our corporate governance institutions, including by publishing a Group Code of Ethics, which aims to help employees at all levels to understand compliance requirements and their obligations. In addition, we established a confidential hotline allowing employees to report concerns about compliance or safety.

Our principles

The Group is managed according to a defined set of core principles. They are:

Specialisation – We focus on the strategic management of the mining and steel businesses, and we strive to do so better than our peers. This increases our efficiency and enhances shareholder value and investment attractiveness.

Vertical integration – We control all elements of the metals and mining production cycle, from extracting coal and iron ore to selling finished products worldwide. This reduces our exposure to market volatility and thus provides greater stability.

Unified strategic management – We carry out unified and consistent strategic planning and management across all of our enterprises. This helps to maximise synergies among our businesses and enhances shareholder value.

Centralisation – We continue to streamline our centralised organisational structure and reduce layers of management. This helps us to optimise management costs, unifies business processes and technology and enhances overall efficiency.

Growth and investments – We believe that making ongoing, targeted investments in our business enables us to prosper in international markets.

Global best practices – We study international best business practices, carefully selecting the most effective management, production and IT approaches for our operations. This helps us to maximise returns on investment and compete in the global marketplace.

Tradition and innovation – We maintain the best traditions in steelmaking and mining, enriching them with modern knowledge and technologies. This ensures that our customers receive high-quality products.

Commitment to leadership – We aim for excellence and foster leadership among

our people. This stimulates long-term growth and maintains a pool of talented leaders.

Personal commitment – We promote a corporate culture based on personal commitment to work. This means that employees take responsibility for their actions and care for others.

Policies

Our corporate governance policies are overseen by an informal Supervisory Board, which is responsible for strategic management, and Executive Committee, which monitors operations.

Supervisory Board

Our Supervisory Board has 10 directors, including three independent ones. Two of the independent directors head Supervisory Board committees: Audit and Finance; and Health, Safety and Environment. It is responsible for key decisions related to Metinvest's activities, including devising strategies and business plans, comparing results and objectives, overseeing hiring and remuneration of senior managers, appointing the external auditor and approving annual reports and financial statements, among other tasks.

In addition, the Supervisory Board must approve investment projects with budgets over US$20 million (up to US$1 billion), material transactions of over US$100 million, and external financing of over US$50 million.

Board committees

Four committees assist the Supervisory Board in its work:
- Audit and Finance
- Strategy and Investment
- Health, Safety and Environment
- Remuneration and Nomination

Audit and Finance Committee

The Committee's main objective is to ensure the ongoing supervision of all aspects of the Group's financial and audit activities in the interests of the stakeholders and on behalf of the Supervisory Board. Its main responsibilities include overseeing budgeting, financial reporting, internal controls, risk management and the internal audit function as well as assessing the external auditor. It is assisted by the Internal Audit Directorate.

Internal Audit Directorate

The Directorate consists of professional managers with expertise in internal control, audit and accounting reporting to the Audit and Finance Committee as well as senior management. Its main functions include independently evaluating the risk management, control and governance systems. With consultation from the Chief Legal Officer, it also evaluates the Group's compliance with regulatory and legal requirements, both internal and external.

Strategy and Investment Committee

The Committee's main responsibility is to conduct reviews and provide recommendations to the Supervisory Board regarding such issues as the development of strategic objectives, M&A and investment projects exceeding US$20 million.

Health, Safety and Environment (HSE) Committee

The Committee's objective is to maintain the highest international HSE standards and a world-class HSE managerial reporting system. In addition, it investigates serious incidents involving harm to health and/or the environment and minimising future risks, as well as ad hoc HSE inspections at Group assets.

Remuneration and Nomination Committee

The Committee oversees the appointment and terms of employment of senior executives and directors. In addition, its responsibilities include recommending appointments and changes to the supervisory board and overseeing motivation, assessment and compensation systems.

Risk Management

RISK FACTOR	RISK MANAGEMENT APPROACH
External risks	
Commodity price volatility and the cyclicality of demand for the Group's products may negatively affect results	Metinvest carefully monitors current demand and prices, maps potential price volatility, and forecasts changes in price and consumption patterns. The Group's current policy is to sell its products at prices that reflect their value in the market and not to enter into any large-scale price hedging arrangements. Instead, we aim to maintain our low-cost operations and continuously reduce our costs and optimise our product portfolio, depending on market demand and product profitability. In 2012, we implemented a centralised Sales and Operations Planning function at the Group level to create added value by optimising our monthly production programmes and mix of finished and semi-finished products, depending on current profitability. Our Technological Strategy includes investment programmes that help make production more efficient, and focus on higher-value products.
Fluctuations in the cost of raw materials, energy and other inputs may affect our profitability	Metinvest's vertically integrated business means that it can source virtually all iron ore and a significant part of coking coal internally. In addition, the Group has a successful energy reduction programme in place at its production assets, and technological investments, such as PCI, will continue to make operations more energy-efficient.
Accidents, unforeseen changes in regulations and stakeholders' expectations related to HSE could have an adverse effect on Metinvest's business and reputation	Metinvest has made health, safety and the environment (HSE) a board-level function and has integrated provisions into every level of strategic and day-to-day decision-making. We have achieved significant reductions in lost time due to accidents by investing heavily in extensive training, facilities and personal protection equipment for employees. In 2012, the closure of three obsolete coke batteries and the mothballing of the sinter plant at Azovstal significantly reduced emissions from the plant. Further planned projects, such as rebuilding the existing sinter plant at Ilyich Steel and building a new state-of-the-art sinter plant at Yenakiieve Steel, will further reduce CO_2 and other emissions and the risk of releasing other pollutants. We carry out our social baseline studies and risk assessments and engage with local communities in a transparent and culturally appropriate manner, respecting local laws and customs.
Financial market volatility and interest-rate fluctuations may limit Metinvest's access to external financing and negatively affect future results	Metinvest maintains a diversified debt portfolio in terms of both interest rates (fixed and floating) and maturity, and it works with a diverse group of international banking partners. We have also implemented procedures for monitoring and taking advantage of various opportunities for hedging interest rates.

RISK FACTOR	RISK MANAGEMENT APPROACH
External risks continued	
The bankruptcy or insolvency of a client or banking partner could adversely affect Metinvest's business, and even result in disruptions to its operations	Metinvest has developed and implemented procedures for monitoring the credit risk of clients, and it strengthens checks during periods of economic volatility. Where necessary, we obtain guarantees and credit insurance, and modify payment terms according to the risk involved. Credit limit review and approval processes are established for all our customers and financial counterparties. The Risk Management team and the Credit Committee oversee these on a regular basis. The Group holds its liquid assets in first-class international banks, subject to established limits. The risk management function monitors the profile of partners and the broader banking and financial market environment.
Fluctuations in exchange rates may have a significant impact on financial results	Most of Metinvest's export sales, like much of its financing, are in US dollars, while a large proportion of its costs are denominated in the historically weak Ukrainian hryvnia, creating a significant natural hedge, especially during downturns in the commodity cycle. We do not generally believe that active currency hedging provides long-term benefits to our shareholders. Nevertheless, as part of our risk management process, we always assess our exchange-rate exposure and in certain cases, if necessary, may use hedging instruments, swaps and forward contracts to minimise the risk.
Political risk, ranging from changes in legislation and taxes, currency and trade restrictions, and renegotiation of or changes to mining leases and permits, could create substantial problems for the Group's business and impact investor confidence	We manage a broad geographic spread of assets, located in Ukraine, the wider CIS, Europe and North America, thereby diversifying political risk. A thorough risk assessment is conducted on any country where we are considering any activities or investments. We regularly review political, regulatory and social risks within the countries in which we operate to ensure that these have been identified and are being managed within acceptable levels. We follow and address promptly all changes to legislation and ensure that we are compliant at all times with existing and new laws and regulations. As one of the largest taxpayers in Ukraine, which is home to the majority of our production assets, we seek to maintain a positive working relationship with local and national authorities.

Risk Management
Continued

RISK FACTOR	RISK MANAGEMENT APPROACH
Controllable risks	
Metinvest's substantial capital investment programme may not be implemented on schedule or within budget, and, as a result, adversely affect its future operational and financial performance	In the short to medium term, our long-term Technological Strategy prioritises projects that have the shortest payback period, in turn freeing up investment funds for future projects. We are flexible in our capital expenditure commitments and finance only projects that we can fund using our own revenues or export credit. Funding for high-priority projects is also ring-fenced. A specially established Project Management Office and Capital Investment Directorate check to ensure that projects are on schedule and budget, and meet all of our objectives. In addition, the Group's Strategy and Investment Committee monitors the progress of all key investment projects regularly.
Failure to maintain low-cost operations in a highly competitive market may result in reduced margins	The global steel industry is highly competitive: there are major international steel companies with greater capital resources and more efficient production facilities. Metinvest has historically competed on the basis of low-cost production, and it has a unique location between the EU and CIS markets, as well as relative proximity to markets in the Middle East and North Africa. Our long-term strategy envisions exploiting these advantages, while investing in advanced production equipment, introducing lean manufacturing processes, and improving our product mix and sales function to compete in terms of cost, quality and service with the top European steelmakers. Pursuing our strategic objective of ensuring continuous improvement of efficiency and cost, we conduct regular internal audits at operations to identify potential inefficiencies, and incentivise our managers and workers to reduce their costs on a regular basis. In 2013, we achieved real cost savings within our Metallurgical division, allowing it to swing to a positive EBITDA contribution. One way in which Metinvest strives to maintain low-cost operations is through lean manufacturing. Originally pioneered in the Japanese automotive industry and subsequently developed by leading global manufacturers across a range of industries, our lean manufacturing principles focus on eliminating variation in processes, cutting waste and improving flexibility. The approach exemplifies our strategy of applying the best practices to business processes to increase efficiency, add value and deliver top-quality products.

RISK FACTOR	RISK MANAGEMENT APPROACH
Controllable risks continued	
Metinvest may fail to generate adequate liquidity from its operating and financing activities to meet its business needs and financial obligations	Metinvest monitors and manages its forecast cash position constantly. If funding is not available, commitments are not assumed. The Group has long-term funding facilities in place. In 2012, we approved a 10-year Financial Strategy that is committed to optimising our debt profile and improving our overall financial position to ensure long-term financial sustainability. In addition, we also adopted a Technological Strategy, making it flexible to ensure that investments do not threaten our financial stability. Both strategies are regularly revised and updated in accordance with recent developments and changes in assumptions.
Metinvest may fail to successfully execute possible mergers and acquisitions, which could adversely affect future results and financial conditions	The Group's strategy focuses on organic growth and selective acquisitions to strengthen the existing business. In recent years, we have increased our ownership stakes in numerous companies and acquired other companies and assets, demonstrating our ability to smoothly integrate new assets, such as Trametal Group, United Coal and Ilyich Steel.
Failure to attract and retain highly skilled and qualified personnel could negatively affect the Group's business and future prospects	We aim to attract and retain the best people at every level of our business. The strategy for how we will recruit, retain and develop our personnel is regularly discussed at the Board and Executive Committee levels. We strive to provide our people with industry- and country-leading career development opportunities and competitive remuneration and incentives. We believe that our developed management structure, coupled with our support for entrepreneurial initiative, offers unparalleled career opportunities and is a key retention feature.

Our People

Our employees are one of our core competitive advantages, and our objective is to build a HR system designed to achieve our goals by unlocking their potential.

Our responsibility

Metinvest is one of Ukraine's largest employers, with more than 100,000 people worldwide. A key priority for us is to create the right conditions for our staff to achieve maximum returns and efficiency and for our most talented people to unlock their potential by progressing in new roles. Many of our employees have worked at our enterprises for generations.

One of our main tasks in 2013 was to implement measures to increase employees' involvement in achieving the Group's production goals and strengthen their sense of loyalty to Metinvest. We identified priorities through a sociological survey conducted by Hay Group: improving the performance management system, encouraging career development and ensuring two-way communication.

In 2013, we improved the programme for creating a leadership talent pool, and we developed Key Performance Indicator (KPI) systems for key groups of employees, holding 'staff meetings' involving the senior management, and enhancing internal communication. As a result of these measures, employee engagement increased by 8%, satisfaction regarding potential career growth at Metinvest by 13%, and the effectiveness of the performance management programme by 8%.

Employee numbers and personnel costs

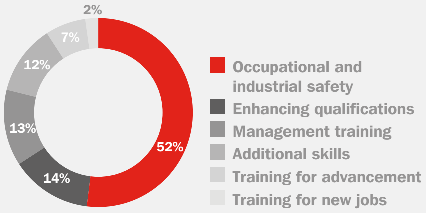
At the end of 2013, Metinvest had around 101,000 employees, 2% lower than a year previously. The drop was due to organisational measures, such as a reduction in management levels, a decrease in the number of employees under a single manager, the optimisation of processes, and more efficient maintenance planning.

The Group's expenditure on salaries was over US$1.2 billion in 2013, unchanged year-on-year. In accordance with rates in the labour market, we increased salaries by 7% on average, financing the increase through optimisation measures, including reducing spending on management personnel by 1%.

In addition, we began work on strategic planning for headcount at the Metallurgical and Mining divisions through to 2020. We developed and implemented a model for calculating employee numbers, taking into account plans for modernising and expanding the enterprises. As a result, we made plans for retraining internally and hiring externally.

With the aim of optimising personnel costs and introducing a salary system in accordance with the latest labour market practices, we introduced a new grading system at Ilyich Steel in 2013.

Management and Professional Training



77,440

EMPLOYEES

In 2013, Metinvest conducted training for 77,400 employees to enable them to grow within the Group and increase safety in the workplace.

Social programmes
Metinvest seeks to improve working conditions for employees wherever possible. Since 2012, at all of our Ukrainian enterprises, we have implemented a social programme called 'Working Life'. In 2013, more than 550 amenity areas for workers were upgraded at a total cost of around US$3.4 million. Thanks to the programme, the status of more than 2,500 amenity areas has been upgraded from 'poor' or 'unsatisfactory' to 'good'.

To increase employee loyalty, Metinvest is implementing Group-wide social programmes aimed at working with retired workers, the disadvantaged and young people. In 2013, we held the Metinvest Sport Games, in which teams from 20 enterprises took part. We also started the 'Hello, Veteran!' corporate programme, as part of which we provided support to more than 66,000 veteran employees and pensioners from our enterprises.

In 2013, as part of the 'Children's Zone' programme, around 20,000 children of employees received subsidised stays at summer camps and took part in 'A Day with Metinvest', a special event about the Group.

In 2013, around 31,500 employees had breaks at the Group's Zdravnitsa Plus social facilities.

Investment in training
One of our most important HR objectives is creating a talent management system, which aims to fill key positions with well trained managers who can lead enterprises, divisions and functions effectively. To fulfil this goal, we are implementing several projects, including the creation of a leadership talent pool for the Group and the development of a Corporate University. In 2013, around 1,800 employees were involved in the leadership talent pool.

Those involved in the talent management system go through specially developed programme modules. In 2013, 135 members of the talent pool underwent training at the Leadership Academy, devised with Ernst & Young to develop leadership, strategic thinking and the skills needed to apply continuous improvement (CI) methodologies.

In addition, more than 9,000 line managers from our enterprises completed the Corporate University's five-module 'Management DNA' programme. It creates a skills base for managers using production targets and the CI system.

We seek to give our employees every opportunity to improve their professional skills. In 2013, more than 10,500 took part in courses to gain further professional qualifications, over 5,000 to increase their grade, and more than 9,000 to learn an additional profession.

Workplace and industrial safety remained our main priority in 2013, when more than 40,000 employees took part in safety training.

Plans for 2014
In 2014, a key HR objective will be developing the talent management and occupational training system at our enterprises. The aim will be to better prepare students on work placements about our work and increase returns from investment in training. In addition, we will continue to implement strategic planning projects and deploy them across our enterprises.

Another priority will continue to be enhancing employee engagement and loyalty and boosting the returns from existing performance management. Finally, we will seek to contain personnel costs, while keeping the average salary at or above the rate on the Ukrainian labour market.

Health and Safety

Improving health and safety is a moral and commercial responsibility.

Culture of safety

Improving the health and safety of our employees tops our list of strategic priorities, and maintaining the highest standards in the workplace is a core value. Since our creation, we have reduced lost-time incidents at our facilities significantly by making major investments in production processes, safety equipment and systems, and training. We have also invested in occupational health to identify risks and introduce safer working practices.

We consider it vital to create a culture based on the notion of 'safety first' and accountability when rules are violated. We have a dedicated Health, Safety and Environment (HSE) Committee that oversees our safety systems and ensures compliance with local regulations and international best practices. It reports directly to the Supervisory Board.

If we identify unsafe working conditions, or an injury occurs, we conduct root-cause analysis to establish where our safety system failed and prevent any repeat in the future. We notify the CEO within 24 hours of any lost-time incident.

A safety-based work culture is also one where every employee on each level takes responsibility for his or her own safety and that of their co-workers, knows the rules, and understands the incentives to report unsafe working conditions. As part of this drive, we have instituted Cardinal Rules, a set of non-negotiable universal safety directives that define a set of clear standards and underpin site and job-specific rules.

They must be followed at all times by all employees, with violations leading to corrective actions, including dismissal.

Results in 2013

Last year, Metinvest spent US$138 million on employee health, protection and safety, representing 1.1% of annual revenues. As measured by incidents per million man-hours worked, the frequency of fatal and lost-time incidents at our facilities fell again to 0.074 and 1.102, respectively, the latter representing a record low. While this demonstrates further progress, we will not stop in our efforts to reduce these indicators to zero and improve our reporting systems.

Spending on health and safety

US$138M

We continue to invest steadily each year in direct health and safety measures, including equipment and training, while also building safety into all of our technological investments and business plans.

Last year, 7,041 employees underwent training in corporate HSE standards, including HAZID, ENVID, HAZOP, LOTOTO and permit-to-work procedures across the Group.[19] We continued to introduce corporate safety standards covering work practices across our enterprises, while training our managers in programmes for these standards.

We saw progress and continued to invest in improving worker safety at Krasnodon Coal, where we are in the middle of a three-year programme to improve safety and occupational health. In 2013, the enterprise reduced injuries by 33%, the best performance in the Group. We also successfully tested and fully commissioned a new gas monitoring and positioning safety system at the enterprise's Eastern Sukhodolska mine. It enables us to act swiftly if hazardous gases build up as well as track people and equipment in real time. In addition, we launched new training procedures, including a new series of animated videos designed to address safety issues raised during audits.

We have pioneered an initiative to provide enhanced medical checks for all 'HSE-critical jobs', which involves screening employees for acute health issues that could pose safety hazards at work. Critical jobs are those where health issues could have serious implications in the workplace, such as other people being endangered or equipment being damaged. In 2013, we screened 100% of employees identified as holding 'HSE-critical jobs', a total of over 26,000 people. Metinvest is the first large industrial company in Ukraine to undertake such an initiative.

The programme is an example of our strategic drive to adopt international best practices in HSE and obtain OHSAS 18001 and ISO 14001 certifications for our assets. Azovstal, Yenakiieve Steel, Khartsyzk Pipe, Northern GOK, Ingulets GOK, Krasnodon Coal, Komsomolske Flux and Inkor Chemicals are OHSAS 18001-certified.

Outlook for 2014

Our health and safety agenda for 2014 is more ambitious than ever. Notably, we plan to complete the installation, testing and launch of a cutting-edge gas control and positioning system at Western Samsonovska mine at Krasnodon Coal.

In addition, as part of our strategic drive to reduce lost-time instances due to illness, we plan to launch three pilot projects targeting non-communicable diseases. The initiative covers the cardiovascular, respiratory tract and musculoskeletal systems. Another major drive is aimed at identifying, registering and analysing health reasons for absenteeism.

19 HAZID (Hazard Identification), ENVID (Environmental Hazard Identification) and HAZOP (Hazard and Operability Study) are procedures for assessing the safety and environmental effect of both new projects and existing processes. LOTOTO (Lock Out, Tag Out, Try Out) is a safety procedure to ensure that potentially dangerous equipment has been shut down correctly to prevent hazardous releases during maintenance, repair or cleaning activities.

Environment and Communities

We continue to invest in mitigating our environmental footprint and improving life in our local communities.

Investing in sustainable technology

At Metinvest, we understand that our activities have a major effect on the environment, both locally and globally. We adhere to local environmental regulations wherever we are present, and our strategy envisages complying with the highest European and global standards.

In 2013, in line with our updated Technological Strategy, we invested US$446 in environmental initiatives.[20]

In our Metallurgical division, major environmental projects during the year included the overhaul of blast furnace no. 5 and the installation of a modern blast furnace gas cleaning system at Yenakiieve Steel. In addition, at Ilyich Steel, we overhauled a converter system and built nitrogen-based dust suppression systems at blast furnaces nos. 1 to 5, reducing dust emissions from them by 50%.

We are also pressing ahead with modernising our sinter plants, a key initiative to reduce emissions drastically. In 2013, we continued preparations to build a new, environmentally friendly sinter plant at Yenakiieve Steel. In December, we signed an agreement with Italy's Termokimik Corporation to prepare an engineering plan to modernise the sinter plant at Ilyich Steel, including the installation of new filters to remove dust and sulphur from emissions. We have budgeted US$180 million for the work, making the project the largest of its kind in Ukraine's recent history.

In our Mining division, key environmental initiatives included the introduction of TNT-free explosives and various dust suppression measures during blasting at Northern GOK's quarries, which have cut emissions by 5,000 tonnes. At Central GOK, among other work, we processed 8.3 million tonnes of enrichment sludge to recover an additional 1 million tonnes of iron ore concentrate.

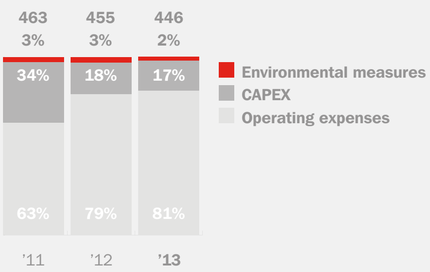
By the end of 2013, 10 of our plants were certified as compliant with ISO:14001 environmental standards, and our strategy envisages that the remainder will become compliant in the next few years.

Recognition of our efforts

We were pleased to see that our long-term efforts to minimise our environment footprint received recognition last year. In October, Azovstal won two awards for environmental initiatives at the second 'Green Mind' environmental forum, which

20 Operating expenses accounted for 81%, capital expenditure 17%, and spending on environmental measures 2%.

Spending on Environment



US$446M
–2%

> In 2013, we maintained a consistently high level of investment in environmental initiatives across the Group in order to ensure the long-term sustainability of our business and quality of life of our local communities.

promotes sustainable business development. At the same event, our Zaporizhstal joint venture won an award for developing cleaner production processes.

Corporate citizenship

As one of Ukraine's largest employers and taxpayers, Metinvest has an important and positive role to play as a committed corporate citizen. In particular, as Ukraine endures a period of economic and political turbulence, the Group seeks to contribute to stability wherever possible.

Last year, we also helped to develop a countrywide strategy for assisting the development of corporate social responsibility in Ukraine. The project brought together CSR experts and representatives from non-profit organisations, business and government to devise initiatives to foster high CSR standards at all levels of business.

In 2013, as part of our commitment to best practices in sustainability, we published a comprehensive social report detailing our activities in 2011 and 2012, prepared in accordance with the B+ level of the international Global Reporting Initiative standards.

Metinvest in the community

The Social Partnership programme is our primary channel for implementing our social policies. In 2013, we invested around US$11 million in local community projects in Ukraine, in line with the previous year, and built on our Social Partnership agreements with the nine cities in the three regions where we have production assets. In each city, Metinvest supports the development of social infrastructure projects, such as creating recreation areas, equipping parks and sports grounds, and investing in educational and healthcare institutions. In 2013, we implemented more than 130 major projects.

Among these, we opened a beach facility specially equipped for people with limited mobility in Mariupol, and more than 5,000 people from 27 cities in Ukraine used it in the summer. In Kryvyi Rih, we launched several major initiatives aimed at improving local infrastructure and providing green space and sporting facilities.

In addition, we implemented a programme across all of our communities to provide secondary schools with computers and other equipment for teaching information technology skills. We also continued our football programme for young people in cooperation with Shakhtar Donetsk football club, with 1,500 children taking part last year.

We pressed ahead with the pioneering 'The City – Our Hands' initiative, which allows residents to propose projects and obtain funding to change their communities at the grass-roots level. As part of this, 81 small and medium-sized projects were implemented in 2013.

In line with our continued focus on improving the urban environment, we have launched a major new initiative in Mariupol and Yenakiieve called 'Green Centre', which aims to landscape yards, children's playgrounds and parks and remove rubbish. In 2013 alone, we cleaned around 500,000 m^2 of land and disposed of some 350 tonnes of waste.

Outlook for 2014

We are committed to engaging more closely with our communities to address their concerns, particularly regarding environmental issues. Our community investments will remain focused on sustainable initiatives that empower local governments and residents to improve their quality of life. In the meantime, we intend to progress our environmental projects as much as possible, particularly the unprecedented work on the sinter plants at Yenakiieve Steel and Ilyich Steel.

Metinvest B.V.

Abbreviated IFRS Consolidated Financial Statements

Abbreviated IFRS Consolidated Financial Statements

Notes to the IFRS Consolidated Financial Statements

Independent auditor's report

To: the general meetings of shareholders of Metinvest B.V.

The accompanying summary financial statements, which comprise the summary consolidated balance sheet as at 31 December 2013, the summary consolidated income statement, the statements of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of Metinvest B.V. for the year 2013. We expressed an unqualified audit opinion on those financial statements in our report dated 28 March 2014. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain the company financial statements as required by International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. Reading the summary financial statements, therefore, is not a substitute for reading the complete audited financial statements of Metinvest B.V.

Directors' responsibility
The directors are responsible for the preparation of a summary of the audited financial statements.

Auditor's responsibility
Our responsibility is to express an opinion on the summary financial statements and the related explanatory notes based on our procedures, which we conducted in accordance with Dutch Law, including the Dutch Standard 810 "Engagements to report on summary financial statements".

Opinion
In our opinion, the summary financial statements derived from the audited financial statements of Metinvest B.V. for the year 2013 are consistent, in all material respects, with those financial statements.

Emphasis of an uncertainty in the financial statements with respect to the political and economic uncertainties in Ukraine
We draw your attention to Note 2 to the consolidated financial statements. The operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our opinion is not qualified in respect of this matter.

Amsterdam, 28 March 2014
PricewaterhouseCoopers Accountants N.V.

Original signed by P.C. Dams RA

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
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Abbreviated Consolidated Balance Sheet

All amounts in millions of US dollars	Note	**31 December 2013**	31 December 2012 (restated)	1 January 2012 (restated)
ASSETS				
Non-current assets				
Goodwill	7	**1,005**	980	961
Other intangible assets	8	**912**	938	989
Property, plant and equipment	9	**8,212**	8,248	7,299
Investments in associates and joint venture	10	**786**	764	276
Deferred tax asset	26	**226**	277	290
Other non-current assets	11	**188**	272	234
Total non-current assets		**11,329**	11,479	10,049
Current assets				
Inventories	12	**1,863**	2,135	2,137
Income tax prepaid		**193**	253	51
Trade and other receivables	13	**2,738**	3,190	2,988
Cash and cash equivalents	14	**783**	531	792
Total current assets		**5,577**	6,109	5,968
TOTAL ASSETS		**16,906**	17,588	16,017
EQUITY				
Share capital	15	**–**	–	–
Share premium	15	**5,461**	5,461	5,461
Other reserves	16	**(3,088)**	(3,213)	(3,818)
Retained earnings		**6,277**	6,957	6,594
Equity attributable to the owners of the Company		**8,650**	9,205	8,237
Non-controlling interest		**981**	1,201	1,188
TOTAL EQUITY		**9,631**	10,406	9,425
LIABILITIES				
Non-current liabilities				
Loans and borrowings	17	**2,425**	2,654	2,614
Seller's notes	18	**75**	150	220
Retirement benefit obligations	19	**803**	714	643
Deferred tax liability	26	**192**	182	142
Other non-current liabilities	20	**63**	80	79
Total non-current liabilities		**3,558**	3,780	3,698
Current liabilities				
Loans and borrowings	17	**1,718**	1,384	1,057
Seller's notes	18	**90**	90	90
Trade and other payables	21	**1,909**	1,928	1,747
Total current liabilities		**3,717**	3,402	2,894
TOTAL LIABILITIES		**7,275**	7,182	6,592
TOTAL LIABILITIES AND EQUITY		**16,906**	17,588	16,017

Signed and authorised for release on behalf of Metinvest B.V. on 28 March 2014:

Originally signed by Managing Director B, Yuriy Ryzhenkov

Originally signed by Managing Director A, ITPS (Netherlands) B.V.

The accompanying notes form an integral part of these financial statements.

Abbreviated Consolidated Income Statement

All amounts in millions of US dollars	Note	**Year ended 31 December 2013**	Year ended 31 December 2012 (restated)
Revenue	6	**12,807**	12,569
Cost of sales	22	**(10,406)**	(10,070)
Gross profit		**2,401**	2,499
Distribution costs	22	**(1,121)**	(1,123)
General and administrative expenses	22	**(391)**	(394)
Other operating income/(expenses), net	23	**137**	7
Operating profit		**1,026**	989
Finance income	24	**66**	52
Finance costs	25	**(341)**	(321)
Share of result of associates and joint venture	10	**14**	(9)
Profit before income tax		**765**	711
Income tax expense	26	**(373)**	(266)
Profit for the year		**392**	445
Profit is attributable to:			
Owners of the Company		**158**	190
Non-controlling interests		**234**	255
Profit for the year		**392**	445

The accompanying notes form an integral part of these financial statements.

Abbreviated Consolidated Statement of Comprehensive Income

All amounts in millions of US dollars	Note	**Year ended 31 December 2013**	Year ended 31 December 2012 (restated)
Profit for the year		**392**	445
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit obligation		**(70)**	(30)
Revaluation of property, plant and equipment	9, 22	**553**	1,071
Income tax relating to items that will not be reclassified subsequently to profit or loss	26	**(81)**	(174)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**29**	27
Total other comprehensive income		**431**	894
Total comprehensive income for the period		**823**	1,339
Total comprehensive income attributable to:			
Owners of the Company		**567**	939
Non-controlling interest		**256**	400
		823	1,339

The accompanying notes form an integral part of these financial statements.

Abbreviated Consolidated Statement of Cash Flows

All amounts in millions of US dollars	Note	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
Cash flows from operating activities			
Profit before income tax		**765**	711
Adjustments for:			
Depreciation of property, plant and equipment (PPE) and amortisation of intangible assets	22	**1,070**	900
Impairment and devaluation of PPE	22	**192**	86
(Gain)/loss on disposal of PPE and intangible assets	23	**1**	(33)
Finance income	24	**(66)**	(52)
Finance costs	25	**341**	321
Unrealised foreign exchange differences		**7**	3
Change in retirement benefit obligation		**(71)**	(54)
Impairment of accounts receivable	23	**(56)**	–
Share of result of associates and joint venture	10	**(14)**	9
Write-offs of inventory	12	**14**	(17)
Other non-cash operating losses		**10**	11
Operating cash flows before working capital changes		**2,193**	1,885
Decrease in inventories		**318**	53
Increase in trade and other accounts receivable		**(383)**	(276)
(Decrease)/increase in trade and other accounts payable		**(81)**	327
Decrease in other non-current assets		**–**	6
Decrease in other non-current liabilities		**(1)**	(2)
Cash generated from operations		**2,046**	1,993
Income taxes paid		**(330)**	(622)
Interest paid		**(251)**	(225)
Net cash from operating activities		**1,465**	1,146
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(763)**	(699)
Proceeds from sale of property, plant and equipment		**82**	15
Settlement of receivables for subsidiaries and associates sold to related parties in prior periods		**277**	–
Settlement of receivables for bonds, promissory notes and deposit certificates sold to related parties in prior periods		**409**	–
Acquisition of associates		**(8)**	–
Acquisition of interest in Zaporizhstal Group	10	**–**	(512)
Acquisition of subsidiaries from parties under common control		**(33)**	–
Loans issued to related parties	11, 13	**(15)**	(133)
Proceeds from repayments of loans issued	11, 13	**240**	161
Interest received		**60**	68
Proceeds from disposal of other non-current assets		**14**	6
Net cash generated from/(used in) investing activities		**263**	(1,094)
Cash flows from financing activities			
Proceeds from loans and borrowings	17	**579**	721
Repayment of loans and borrowings	17	**(542)**	(410)
Repayment of seller's notes	18	**(90)**	(90)
Net trade financing proceeds	17	**73**	51
Payment for acquisition of non-controlling interest in subsidiaries		**(952)**	(10)
Dividends paid		**(544)**	(575)
Net cash used in financing activities		**(1,476)**	(313)
Net increase/(decrease) in cash and cash equivalents		**252**	(261)
Cash and cash equivalents at the beginning of the year		**531**	792
Cash and cash equivalents at the end of the year	14	**783**	531

The accompanying notes form an integral part of these financial statements.

Abbreviated Consolidated Statement of Changes in Equity

All amounts in millions of US dollars	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to owners of the Company						
Balance at 1 January 2012 (as previously reported)	–	5,461	(3,818)	6,673	8,316	1,201	9,517
Retrospective application of amended IAS 19, Employee Benefits	–	–	–	(79)	(79)	(13)	(92)
Balance at 1 January 2012 (restated)	–	5,461	(3,818)	6,594	8,237	1,188	9,425
Revaluation of property, plant and equipment (Note 9, 22)	–	–	893	–	893	178	1,071
Remeasurement of retirement benefit obligation	–	–	–	(26)	(26)	(4)	(30)
Income tax relating to components of other comprehensive income (Note 26)	–	–	(149)	4	(145)	(29)	(174)
Currency translation differences	–	–	27	–	27	–	27
Other comprehensive income for the period	–	–	771	(22)	749	145	894
Profit for the period	–	–	–	190	190	255	445
Total comprehensive income for the period	–	–	771	168	939	400	1,339
Realised revaluation reserve	–	–	(191)	191	–	–	–
Acquisition of subsidiaries from parties under common control	–	–	25	–	25	56	81
Acquisition of non-controlling interest in subsidiaries				4	4	(9)	(5)
Dividends declared by non-wholly-owned subsidiaries	–	–	–	–	–	(434)	(434)
Balance at 31 December 2012	–	5,461	(3,213)	6,957	9,205	1,201	10,406
Balance at 1 January 2013 (as previously reported)	**–**	**5,461**	**(3,238)**	**7,052**	**9,275**	**1,160**	**10,435**
Acquisition of subsidiaries from parties under common control – effect of application of predecessor values method (Note 10)	**–**	**–**	**25**	**–**	**25**	**56**	**81**
Retrospective application of amended IAS 19, Employee Benefits	**–**	**–**	**–**	**(95)**	**(95)**	**(15)**	**(110)**
Balance at 1 January 2013 (restated)	**–**	**5,461**	**(3,213)**	**6,957**	**9,205**	**1,201**	**10,406**
Revaluation of property, plant and equipment (Note 9, 22)	**–**	**–**	**528**	**–**	**528**	**25**	**553**
Remeasurement of retirement benefit obligation	**–**	**–**	**–**	**(67)**	**(67)**	**(3)**	**(70)**
Income tax relating to components of other comprehensive income (Note 26)	**–**	**–**	**(87)**	**9**	**(78)**	**(3)**	**(81)**
Currency translation differences	**–**	**–**	**26**	**–**	**26**	**3**	**29**
Other comprehensive income for the period	**–**	**–**	**467**	**(58)**	**409**	**22**	**431**
Profit for the period	**–**	**–**	**–**	**158**	**158**	**234**	**392**
Total comprehensive income for the period	**–**	**–**	**467**	**100**	**567**	**256**	**823**
Realised revaluation reserve	**–**	**–**	**(309)**	**309**	**–**	**–**	**–**
Acquisition of non-controlling interest in subsidiaries	**–**	**–**	**–**	**(479)**	**(479)**	**(476)**	**(955)**
Acquisition of subsidiaries from parties under common control	**–**	**–**	**(33)**	**–**	**(33)**	**–**	**(33)**
Dividends declared	**–**	**–**	**–**	**(610)**	**(610)**	**–**	**(610)**
Balance at 31 December 2013	**–**	**5,461**	**(3,088)**	**6,277**	**8,650**	**981**	**9,631**

The accompanying notes form an integral part of these financial statements.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013

All tabular amounts in millions of US dollars

1 METINVEST B.V. AND ITS OPERATIONS

Metinvest B.V. (the Company or Metinvest), is a private limited liability company registered in the Netherlands. The Company is beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management (SCM).

The Company and its subsidiaries (together referred to as the Group or Metinvest Group) are an integrated steel producer, owning assets in each link of the production chain – from iron ore mining, coking coal mining and coke production, through to semi-finished and finished steel production; as well as pipe rolling and plate/coil production. The steel products, iron ore and coke are sold on both the Ukrainian and export markets.

Until November 2007, the Company was indirectly 100% controlled by SCM (System Capital Management) Limited (SCM Cyprus).

In November 2007 the Company acquired from parties known as Smart Group (SMART or Smart Group) 82% of PJSC Ingulets Iron Ore Enrichment Works in exchange for the transfer to SMART of 25% of the Company. SCM Cyprus and SMART additionally agreed that SMART would contribute their equity interest in JSC Makeyevka Steel Plant (MMZ) and JSC Promet Steel. In exchange SMART would acquire certain veto rights over the management of the Company. Due to the complexity of the transaction, Promet Steel was acquired in 2009 and MMZ in October 2010. Both MMZ and Promet Steel were consolidated on 1 January 2009. Following this transaction, Metinvest B.V. was owned 75% by SCM Cyprus and 25% by SMART. It was further agreed that SCM Cyprus would sell/contribute remaining equity interests in certain subsidiaries owned by SCM as at 31 December 2007 and certain other equity investments to Metinvest B.V. As a part of execution of the additional agreement in July 2013, SCM sold to the Group 23.5% of shares in PJSC Central Iron Ore Enrichment Works, 15.0% of shares in PJSC Northern Iron Ore Enrichment Works, 26.0% of shares in JSC Zaporozhkoks, 31.3% of shares in JSC Donetskkoks and 40.0% of shares in PrJSC Yenakievskiy Koksohimprom. In addition in July 2013 the Group acquired 3.1% of shares in PJSC Ingulets Iron Ore Enrichment Works from SMART.

In 2011, as part of the acquisition of Ilyich Group, the Company issued 5% of its share capital to the sellers of Ilyich Group. As of 31 December 2013, Metinvest B.V. is owned 71.25% by SCM Cyprus and 23.75% by companies of the Smart Group, and 5% by a company linked to previous owners of Ilyich Group.

The principal subsidiaries of Metinvest B.V. are presented below:

Name	Effective % interest as at 31 December 2013	2012	Segment	Country of incorporation
Metinvest Holding LLC	**100.0%**	100.0%	Corporate	Ukraine
MetalUkr Holding Limited	**100.0%**	100.0%	Corporate	Cyprus
PJSC Azovstal Iron and Steel Works	**96.2%**	96.1%	Metallurgical	Ukraine
PJSC Yenakiieve Iron and Steel Works	**91.4%**	90.7%	Metallurgical	Ukraine
JV Metalen LLC	**100.0%**	100.0%	Metallurgical	Ukraine
PJSC Khartsyzk Pipe Plant	**98.2%**	98.0%	Metallurgical	Ukraine
Ferriera Valsider S.p.A.	**70.0%**	70.0%	Metallurgical	Italy
Metinvest Trametal S.p.A.	**100.0%**	100.0%	Metallurgical	Italy
Spartan UK Limited	**100.0%**	100.0%	Metallurgical	UK
Metinvest International SA	**100.0%**	100.0%	Metallurgical	Switzerland
Metinvest Eurasia LLC	**100.0%**	99.0%	Metallurgical	Russia
Metinvest Service Metal Centres LLC	**100.0%**	100.0%	Metallurgical	Ukraine
Metinvest Ukraine LLC	**100.0%**	100.0%	Metallurgical	Ukraine
JSC Promet Steel	**100.0%**	95.3%	Metallurgical	Bulgaria
PJSC Makiivka Iron and Steel Works	**90.2%**	90.2%	Metallurgical	Ukraine
PJSC Ilyich Iron and Steel Works	**99.2%**	99.2%	Metallurgical	Ukraine
PSC Ilyich Steel	**100.0%**	100.0%	Metallurgical	Ukraine
PJSC Avdiivka Coke Plant	**92.8%**	92.6%	Metallurgical	Ukraine
JSC Zaporozhkoks	**53.1%**	51.0%	Metallurgical	Ukraine
JSC Donetskkoks	**93.6%**	68.8%	Metallurgical	Ukraine
PJSC Northern Iron Ore Enrichment Works	**78.4%**	63.3%	Mining	Ukraine
PJSC Central Iron Ore Enrichment Works	**99.8%**	76.0%	Mining	Ukraine
PJSC Ingulets Iron Ore Enrichment Works	**85.6%**	82.5%	Mining	Ukraine
OSC Komsomolske Flux Plant	**99.7%**	99.7%	Mining	Ukraine
United Coal Company LLC	**100.0%**	100.0%	Mining	USA
PJSC Krasnodon Coal Company	**92.7%**	92.5%	Mining	Ukraine

The shareholdings as of 31 December 2012 for the subsidiaries that have been acquired from entities under common control during 2013 have been presented as if the Group had these shareholdings as of 31 December 2012.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued
All tabular amounts in millions of US dollars

1 METINVEST B.V. AND ITS OPERATIONS (continued)
As at 31 December 2013, the Group employed approximately 101 thousand people (31 December 2012: 103 thousand).

The Company's registered address is Alexanderstraat 23, 2514 JM, The Hague. The Company is registered with the commercial trade register under the number 24321697. The principal places of production facilities of the Group are in Ukraine, Italy, UK, Bulgaria and USA.

The consolidated financial statements of Metinvest B.V. for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 28 March 2014.

For better understanding of Metinvest's financial position and the results of operations, these abbreviated financial statements should be read in conjunction with the Metinvest's audited financial statements as of and for the year ended 31 December 2011, which include all disclosures required by Dutch legislation.

The complete set of financial statements together with the auditor's report is available on request at Alexanderstraat 23, 2514 JM, The Hague.

2 OPERATING ENVIRONMENT OF THE GROUP
The Group is one of the largest mining and steel companies globally and is the largest steel and iron ore producer in Ukraine.

Metinvest's financial performance is largely dependent on the global price of and demand for steel and steel products, iron ore and coal. The prices of steel products are influenced by many factors, including global economic conditions, demand, worldwide production capacity, capacity utilisation rates, raw material costs, foreign exchange rates and improvements in steel making processes. In recent years steel prices have experienced significant fluctuations.

Having its key production subsidiaries in Ukraine and selling part of output on the domestic market, the Group is also dependent on the situation in Ukraine. The Ukrainian economy is considered to be developing and characterised by relatively high economic and political risks. The situation recently deteriorated following the protests in Kyiv which resulted in the dismissal of the President and establishment of an interim government. There is further uncertainty in Crimea where a referendum on joining the Russian Federation was held on 16 March 2014, following which the region of Crimea and the Russian Federation announced the joining of Crimea to Russia.

In early 2014, Moody's Investors Service downgraded Ukraine's sovereign rating to Caa2 from Caa1 with a negative outlook. During January–March, the Ukrainian hryvnia devalued against the major world currencies by approximately 25%. The future stability of the Ukrainian economy continues to be largely dependent upon reforms and the effectiveness of economic, financial and monetary measures as well as re-establishing cooperation with international financial institutions to avoid the possibility of default. Devaluation of the hryvnia will have a short-term positive impact on the Group's overall profitability. At the same time, there has been some decline in demand for the Group's products in the Ukrainian market. As of 31 December 2013, the Group had significant balances receivable with and prepayments made to the State including prepaid income taxes and VAT recoverable. The timing of settlement of these balances is uncertain and is dependent upon the availability of State funds.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances. However the final resolution and the effects of the political and economic crisis are difficult to predict and they may have severe effects on the Ukrainian economy and the Group's business.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
Basis of preparation and statement of compliance
These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union. The consolidated financial statements have been prepared under the historical cost convention unless stated otherwise. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. New and revised standards and interpretations adopted by Group are disclosed in Note 5.

These consolidated financial statements are presented in millions of US dollars and all values are rounded off to the nearest million except where otherwise indicated.

Critical accounting estimates and judgements in applying accounting policies
The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the IFRS consolidated financial statements are disclosed in Note 4.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation

Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. 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 purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. The date of exchange is the acquisition date where a business combination is achieved in a single transaction. Where a business combination is achieved in stages, the previously held interest in an acquired business is included into the cost of business combination at fair value as of the acquisition date with resulting gains recognised in consolidated income statement.

Costs directly related to acquisition of subsidiaries are recognised in the consolidated income statement in the period when incurred and the services are received.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ('negative goodwill') is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group.

Non-controlling interest (NCI) is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of equity.

Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted under the predecessor values method. Under this method the financial statements of the entity are presented as if the businesses had been consolidated from the beginning of the earliest period presented (or the date that the entities were first under common control, if later). The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's book values. The difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity. This is recorded as a merger reserve. No additional goodwill is created by such purchases.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, 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 interests are also recorded in equity. Non-controlling interest is valued on proportionate basis of net assets.

Investments in associates and joint ventures

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. A joint venture is an arrangement whereby the parties that contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control have rights to the net assets of the arrangement. Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates and joint ventures includes goodwill identified on acquisition, and is reduced for accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates and joint ventures is recorded in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate, including any other unsecured accounts receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and their associates and joint ventures are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Any excess of the fair value of the Group's share in the acquired associate's or joint venture's net assets ('negative goodwill') is recognised immediately in the consolidated income statement.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the General Director of the Group that makes strategic decisions.

Foreign currency translation

The currency of each of consolidated entity is the currency of the primary economic environment in which the entity operates. The functional currency for the majority of the consolidated entities is either Ukrainian hryvnia (UAH) or US dollar (USD).

Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year end official exchange rates are recognised in the consolidated income statement.

The principal rate of exchange used for translating foreign currency balances is as follows:

	31 December 2013	31 December 2012
USD/UAH	**7.993**	7.990
EUR/UAH	**11.042**	10.298

Monetary assets and liabilities are translated into functional currency at the official exchange rate at the respective balance sheet dates. Translation at year end does not apply to non-monetary items. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation from functional to presentation currency

The Group has selected the USD as the presentation currency. The USD has been selected as the presentation currency for the Group as: (a) management of the Group manages business risks and exposures, and measures the performance of its businesses in the USD; (b) the USD is widely used as a presentation currency of companies engaged primarily in metallurgy; and (c) the USD is the most convenient presentation currency for non-Ukrainian users of these IFRS consolidated financial statements.

The results and financial position of each consolidated entity are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity. All the components of consolidated equity at each balance sheet date are translated at the closing rate, except for retained earnings, which is stated at historical rates. The balancing figure goes to cumulative currency translation reserve in other reserves in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and at each balance sheet date are translated at the closing rate. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the currency translation differences deferred in equity are reclassified to the consolidated income statement.

Exchange restrictions in Ukraine are limited to compulsory receipt of foreign accounts receivable within 90 days of sales. Foreign currency can be easily converted at a rate close to the National Bank of Ukraine rate. At present, the UAH is not a freely convertible currency outside of Ukraine.

Property, plant and equipment

Property, plant and equipment are stated using the revaluation model. Fair values are based on valuations by external independent valuers. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Subsequent additions to property, plant and equipment are recorded at cost. Cost includes expenditure directly attributable to acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. As at 31 December 2013 and 31 December 2012 property, plant and equipment are stated at revalued amounts less accumulated depreciation and provision for impairment, if required.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the other reserves in equity. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Decreases that offset previous increases in the carrying amount of the same asset decrease the previously recognised revaluation reserve through other comprehensive income; all other decreases are charged to the income statement. The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised either on the retirement or disposal of the asset or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Upon recognition, items of property, plant and equipment are divided into components, which represent items with a significant value that can be allocated to a separate depreciation period.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as an expense when incurred.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains and losses on disposals determined by comparing proceeds with carrying amount of property, plant and equipment are recognised in the consolidated income statement.

Depreciation is charged to the consolidated income statement on a straight-line basis to allocate costs or revalued amounts of individual assets to their residual value over the estimated remaining useful lives. Depreciation commences at the moment when assets is ready for use. The estimated remaining useful lives are as follows:

	Remaining useful lives in years
Buildings and structures	from 2 to 60
Plant and machinery	from 2 to 35
Furniture, fittings and equipment	from 2 to 10

Estimates of remaining useful lives are made on a regular basis for all buildings, plant and machinery, with annual reassessments. Changes in estimates are accounted for prospectively.

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 assets 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. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents prepayments for property, plant and equipment, and the cost of property, plant and equipment, construction of which has not yet been completed. No depreciation is charged on such assets until they are ready for use.

The Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Asset retirement obligations

According to the Code on Mineral Resources, Land Code of Ukraine, Mining Law, Law on Protection of Land and other legislative documents, the Group is responsible for site restoration and soil rehabilitation upon abandoning its mines. Estimated costs of dismantling and removing an item of property, plant and equipment are added to the cost of an item of property, plant and equipment when the item is acquired. Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate are recognised in the income statement or other reserves in equity to the extent of any revaluation balance existence in respect of the related asset. Provisions in respect of abandonment and site restoration are evaluated and re-estimated annually, and are included in these consolidated financial statements at each balance sheet date at their expected net present value, using discount rates which reflect the economic environment in which the Group operates and are specific to a liability.

Goodwill

Goodwill on acquisitions of subsidiaries is presented separately in the consolidated balance sheet. Goodwill on acquisitions of associates is included in the investment in associates. It is carried at cost less accumulated impairment losses, if any. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business to which the goodwill arose.

Other intangible assets

All of the Group's other intangible assets have definite useful lives and primarily include capitalised computer software, licences, coal reserves and long-term sales contracts. Acquired computer software and other licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

Other intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. 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. Licences and coal reserves are amortised using the units-of-production method over all estimated proven and probable reserve assigned to the mines. Proven and probable reserves exclude non-recoverable coal and ore reserves and estimated processing losses. Amortisation rates are updated when revisions to coal reserve estimates are made. Coal reserve estimates are reviewed when events and circumstances indicate a reserve change is needed. Long-term sales contracts are amortised using a units-of-production method, based on fulfilment of the contract.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. For purposes of assessing impairment, assets are grouped to the lowest levels for which there are separately identifiable cash flows (cash generating unit). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Classification of financial assets

The Group classifies financial assets as loans and receivables.

Loans and receivables are financial receivables created by the Group by providing money, goods or services directly to a debtor, other than those receivables which are created with the intention to be sold immediately or in the short term or which are quoted in an active market. Loans and receivables comprise primarily loans, trade and other accounts receivable including purchased loans and promissory notes. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Initial recognition of financial instruments

The Group's principal financial instruments comprise loans and borrowings, cash and cash equivalents and short-term deposits. The Group has various other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations.

The Group's financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price, except for the transactions with related parties which are based on contract value. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost.

Subsequent measurement of financial instruments

Subsequent to initial recognition, the Group's financial liabilities and loans and receivables are measured at amortised cost. Amortised cost is calculated using the effective interest rate method and, for financial assets, it is determined net of any impairment losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

The face values of financial assets and liabilities with a maturity of less than one year, less any estimated credit adjustments, are assumed to be their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

The Group derecognises financial assets when: (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired; or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets; or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The income tax charge is recognised in the consolidated income statement except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or 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 taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred 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.

Deferred income tax is provided on post acquisition retained earnings and other post-acquisition movements in reserves 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.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average principle. The cost of finished goods and work in progress comprises raw material, 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.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered to be indicators that the trade receivable is impaired. 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. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement against other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement against other operating expenses.

Renegotiated trade and other receivables are measured at amortised cost based on the new pattern of renegotiated cash flows. A gain or loss is recognised in the consolidated income statement on the date of renegotiation, which is subsequently amortised using the effective interest method. If the terms of a receivable are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are charged to the income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

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. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date are included in other non-current assets. Cash and cash equivalents are carried at amortised cost using effective interest rate method.

Share capital

Ordinary shares issued 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 in the notes as a share premium.

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue. If settlement of a dividend liability exceeds 12 months from the balance sheet date it is included within long-term liabilities and measured at the present value of the future cash flows required to settle the liability using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The effect of initial discounting and subsequent accretion of the discount is recognised directly in equity.

Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently carried at amortised cost using the effective interest method.

Cash flows related to receipt and repayment of trade finance borrowings are presented within the statement of cash flows on a net basis.

Trade and other payables

Trade and other payables are recognised and initially measured under the policy for financial instruments. Subsequently, instruments with a fixed maturity are remeasured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Prepayments received

Prepayments are carried at amounts originally received, net of VAT.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount 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.

Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent assets and liabilities

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Employee benefits – defined benefit plan

Certain Ukrainian entities within the Group participate in a mandatory State defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. Certain Ukrainian entities also provide lump sum benefits upon retirement subject to certain conditions, as well as some other long-term employee benefits. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by professional actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Past service costs are recognised immediately in profit or loss.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of VAT and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods, by-products and merchandise

The Group manufactures and sells a range of steel products to large, medium and small sized customers. By-products and merchandise are sold to the same range of customers. Revenues from sales of goods, by-products and merchandise are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. The Group uses standardised INCOTERMS such as cost-and-freight (CFR), free-carrier (FCA), cost-insurance-freight (CIF), free-on-board (FOB) and ex-works (EXW) which define the point of risks and rewards transfer. Revenue is recorded on an accrual basis as earned.

Sales are recorded based on the price indicated in the specifications to the sales contracts. The sales price is established separately for each specification.

The Group also engages in sale and purchase transactions the objective of which is to manage cash flows. Such transactions are not revenue generating to the Group and accordingly such sales and purchases are presented on a net basis with any gain or loss presented in other operating income/(expenses). Accounts receivable and payable from such transactions are presented gross.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(c) Sale of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Commission income

The Group acts as an agent for sales transactions on behalf of the third parties. The commission income received by the Group as a fee for facilitating such transactions is recognised at the point of transfer of risks and rewards of ownership of the goods to the customers of the third parties. Such income is reported as part of other operating income.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

VAT

VAT in Ukraine, where the majority of the Group operations are concentrated, is levied at two rates: 20% on domestic sales and imports of goods, works and services and 0% on export of goods. Export of services is exempt from VAT. A taxpayer's VAT liability equals the total amount of VAT collected within a reporting period, and for domestic operations arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer; for export operations arises on the date of customs clearance of exported goods. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. For domestic and export operations rights to VAT credit arise when a VAT invoice is received, which is issued on the earlier of the date of payment to the supplier or the date goods are received. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. VAT assets recoverable in cash from the State are included into Group's assets. All other VAT assets and liabilities are netted only within the individual companies of the Group.

Recognition of expenses

Expenses are accounted for on an accrual basis. Cost of goods sold comprises the purchase price, transportation costs, commissions relating to supply agreements and other related expenses.

Finance income and costs

Finance income and costs comprise interest expense on borrowings, pension obligations, losses on early repayment of loans, interest income on funds invested, income on origination of financial instruments and foreign exchange gains and losses.

All interest and other costs incurred in connection with borrowings are expensed using the effective interest rate method if not capitalised. Interest income is recognised as it accrues, taking into account the effective yield on the asset.

Changes in presentation

Where necessary, corresponding figures have been adjusted to conform to changes in the presentation in the current year.

4 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 year. 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 the accounting policies. Judgements that have the most significant effect on the amounts recognised in the IFRS consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of property, plant and equipment and goodwill

The Group and its subsidiaries are required to perform impairment tests for their cash generating units when there is indication that a cash generating unit may be impaired. One of the determining factors in identifying a cash generating unit is the ability to measure independent cash flows for that unit. Within the Group's identified cash generating units a significant proportion of their output is input to another cash generating unit. Therefore judgement is needed in determining a cash generating unit.

Annually the Group assesses whether goodwill is impaired. This requires estimation of the value in use/fair value less costs to sell of the cash generating units or groups of cash generating units to which goodwill is allocated. Allocation of goodwill to groups of cash generating units requires significant judgement related to expected synergies. Estimating value in use/fair value less costs to sell requires the Group to make an estimate of expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amounts of goodwill and cash generating units were estimated based on the fair value less costs to sell. Additional information is disclosed in Note 7.

Impairment of trade and other accounts receivable

Management estimates the likelihood of the collection of trade and other accounts receivable based on an analysis of individual accounts. IAS 39 requires the estimate of an impairment loss which is computed as the difference between the carrying value of a receivable and the present value of the future cash flows discounted at the receivables effective interest rate. Factors taken into consideration when estimating the future cash flow include an ageing analysis of trade and other accounts receivable in comparison with the credit terms allowed to customers, and the financial position of and collection history with the customer. In the current environment there is significant judgement in estimating the expected payment date, the discount rate and whether penalty interest will be collected. Should actual collections be less than management's estimates, the Group would be required to record an additional impairment expense.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Deferred income tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the long-term strategy prepared by management. The strategy is based on management's expectations that are believed to be reasonable under the circumstances and are disclosed in Note 7. In addition, a number of tax planning opportunities are available to the Group to recover the deferred tax asset recognised.

Post-employment and other long-term employee benefits obligations

Management assesses post-employment and other long-term employee benefit obligations using the projected unit credit method based on actuarial assumptions which represent management's best estimates of the variables that will determine the ultimate cost of providing post-employment and other employee benefits. Since the plan is administered by the State of Ukraine, the Group may not have full access to information and therefore assumptions regarding when, or if, an employee takes early retirement, whether the Group would need to fund pensions for ex-employees depending on whether that ex-employee continues working in hazardous conditions, the likelihood of employees transferring from State funded pension employment to Group funded pension employment could all have a significant impact on the pension obligation.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The major assumptions used in determining the net cost (income) for pensions include the discount rate and future salary and benefits increase rate. Any changes in these assumptions will impact the carrying amount of pension obligations as disclosed in sensitivity analysis in Note 19.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on the current market conditions. Additional information is disclosed in Note 19.

Tax legislation

Ukrainian tax, currency and customs legislation continue to evolve. Conflicting regulations are subject to varying interpretations. Management believes its interpretations are appropriate and sustainable, but no guarantee can be provided against a challenge from the tax authorities (Note 28).

Related party transactions

In the normal course of business the Group enters into transactions with related parties. Judgement is applied in determining if transactions are priced at market or non-market terms, where there is no active market for such transactions. Financial instruments are recorded at origination at fair value using the effective interest method. The Group's accounting policy is to record gains and losses on related party transactions, other than business combination or equity investments, in the income statement. The basis for judgement is pricing for similar types of transactions with unrelated parties and an effective interest rate analysis.

Revaluation of property, plant and equipment

On an annual basis management of the Group carries out an analysis to assess whether carrying amounts of items of property, plant and equipment differ materially from that which would be determined using fair value at the end of the reporting period. The analysis is based on price indices, developments in technology, movements in exchange rates since the date of latest revaluation, profitability of underlying businesses and other relevant factors. Where the analysis indicates that the fair values of items of property plan and equipment differ materially from the carrying amounts, further revaluation is performed involving independent valuers.

As most of the Group's property, plant and equipment is of specialised nature, its fair value is determined using depreciated replacement cost (Level 3) or, where it is available, the market value (Level 2). When performing valuation using these methods, the key estimates and judgements applied by the independent valuers, in discussion with the Group's internal valuation team and technicians, are as follows:

- choice of information sources for construction costs analysis (actual costs recently incurred by the Group, specialised reference materials and hand-books, estimates for cost of construction of various equipment etc.);
- determination of comparatives for replacement cost of certain equipment, as well as corresponding adjustments required to take into account differences in technical characteristics and condition of new and existing equipment; and
- selection of market data when determining market value where it is available.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

The fair values obtained using depreciated replacement cost are validated using discounted cash flow models (income approach, Level 3), and are adjusted if the values obtained using income approach are lower than those obtained using depreciated replacement cost (i.e. there is economic obsolescence). Inputs into discounted cash flow models are consistent with the assumptions used for goodwill impairment testing (Note 7), except for discount rates which are specific to each of the Group's subsidiaries.

Changes in the above estimates and judgements could have a material effect on the fair value of property, plant and equipment, which, however, is impracticable to quantify due to wide variety of assumptions and assets being valued.

Remaining useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the technical requirements. Management will increase the depreciation charge where useful lives are less than previously estimated lives.

Functional currency

Judgement was applied in determining the functional currency of Metinvest B.V., which is a holding company for operations of the Group in Ukraine, Italy, United States of America and other countries. The functional currency of Metinvest B.V. was determined on the basis that (i) in management's opinion Metinvest B.V. is not an extension of and is not integral to the Ukrainian operations; (ii) the primary economic exposures are to a number of countries; and (iii) Metinvest B.V. retains cash and obtains financing in US dollars. Management therefore determined the US dollar as the functional currency of Metinvest B.V. Amount of loans and other payables of Metinvest B.V totalled USD 3,312 million as at 31 December 2013 (31 December 2012: USD 3,180 million) where potential foreign exchange gains/losses could arise should different functional currency be determined.

5 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following standards became effective for the first time for the year ended 31 December 2013 and have been adopted by the Group:

- Amendments to IAS 1, Presentation of Financial Statements, and IFRS 13, Fair Value Measurement, which resulted in additional disclosures made within the financial statements prescribed by these pronouncements.
- Amended IAS 19, Employee Benefits, which changed the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transitional provisions of the standard. The impact on the Group has been in the following areas:
  - The standard requires past service cost to be recognised immediately in profit or loss and remeasurement of retirement benefit obligation to be recognised immediately in other comprehensive income. This has resulted in unrecognised past service cost and net actuarial losses, net of deferred tax, of USD 92 million at 1 January 2012 (31 December 2012: USD 110 million) being recognised, with corresponding decrease recorded in equity. The expense recognised in the income statement for the year ended 31 December 2012 has reduced by USD 9 million, as the charge to profit or loss for recognised actuarial gains and losses is no longer required.
  - 'Retirement benefit obligations' as previously reported have been restated at the reporting dates to reflect the effect of the above. Amounts have been restated as at 1 January 2012 as USD 643 million (previously USD 537 million); and 31 December 2012 as USD 703 million (previously USD 572 million).
  - 'Deferred tax asset' and 'Deferred tax liability' as previously reported have been restated at the reporting dates to reflect the effect of the above. Amounts of 'Deferred tax asset' have been restated as at 1 January 2012 as USD 290 million (previously USD 280 million); and 31 December 2012 as USD 261 million (previously USD 245 million). Amounts of 'Deferred tax liability' have been restated as at 1 January 2012 as USD 142 million (previously USD 146 million); and 31 December 2012 as USD 170 million (previously USD 175 million).
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, effective from 1 January 2013 which has no material impact on the Group's financial statements.

Other new or revised standards or interpretations that became effective from 1 January 2013, had no material impact to the Group.

The Group has early adopted the amendment to IAS 36, which removed the requirement to disclose the recoverable amount when a cash generating unit contains goodwill or indefinite lived intangible assets but there has been no impairment.

The following new standards and amendments to the standards which are relevant to the Group and have been adopted by the European Union are effective in the European Union for the annual periods beginning on or after 1 January 2014, and have not been early adopted by the Group:

- IFRS 10, Consolidated Financial Statements;
- Amended IAS 28, Investments in Associates and Joint Ventures;
- IFRS 11, Joint Arrangements; and
- IFRS 12, Disclosure of Interest in Other Entities.

5 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (continued)

The following new standard which is relevant to the Group, has been issued, but has not been adopted by the European Union:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement.

The Group is currently assessing the possible impact of adoption of the above standards.

Other new or revised standards or interpretations that will become effective from 1 January 2014 or later, will likely have no material impact to the Group.

6 SEGMENT INFORMATION

The Group's business is organised on the basis of two main business segments:

- Metallurgical – comprising the production and sale of coke, semi-finished and finished steel products; and
- Mining – comprising the production, enrichment and sale of iron ore and coal.

The Group is a vertically integrated steel and mining business. A significant portion of the Group's iron ore and coke and coal production are used in its steel production operations.

Operating segments' performance is assessed based on a measure of adjusted EBITDA. This measurement basis excludes dividend income, charity, royalty, property, plant and equipment and inventory impairment and the effects of non-recurring expenditure from the operating segments such as goodwill impairments. Revenues and expenses for internal reporting purposes have been accounted for using the IFRS principles.

	Metallurgical	Mining	Corporate overheads	Eliminations	Total
2013					
Sales – external	9,727	3,080	–	–	12,807
Sales to other segments	80	2,214	–	(2,294)	–
Total of the reportable segments' revenue	9,807	5,294	–	(2,294)	12,807
Adjusted EBITDA	204	2,252	(130)	(35)	2,291
Reconciling items:					
Depreciation and amortisation					(1,070)
Impairment and devaluation of PPE					(192)
Share of result of associates and joint venture					14
Finance income					66
Finance costs					(341)
Other					(3)
Profit before income tax					765

	Metallurgical	Mining	Corporate overheads	Total
Capital expenditure	313	359	75	747
Significant non-cash items included into adjusted EBITDA:				
– reversal of receivables impairment	56	–	–	56
– net change in retirement benefit obligations	(27)	(44)	–	(71)

Analysis of revenue by category:

	Metallurgical	Mining	Total
2013			
Sales of own products	8,209	2,956	11,165
– steel products	7,424	–	7,424
– iron ore products	–	2,619	2,619
– coal and coal concentrate	–	275	275
– other	785	62	847
Sales of purchased goods	1,518	124	1,642
– steel products	1,505	–	1,505
– coal and coal concentrate	–	109	109
– other	13	15	28
Total	9,727	3,080	12,807

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

6 SEGMENT INFORMATION (continued)

	Metallurgical	Mining	Corporate overheads	Eliminations	Total
2012					
Sales – external	9,291	3,278	–	–	12,569
Sales to other segments	75	2,024	–	(2,099)	–
Total of the reportable segments' revenue	9,366	5,302	–	(2,099)	12,569
Adjusted EBITDA	(267)	2,277	(115)	101	1,996
Reconciling items:					
Depreciation and amortisation					(900)
Sponsorship and other charity payments					(21)
Impairment and devaluation of PPE					(86)
Share of result of associates and joint venture					(9)
Finance income					52
Finance costs					(321)
Profit before income tax					711

	Metallurgical	Mining	Corporate overheads	Total
Capital expenditure	313	426	26	765
Significant non-cash items included into adjusted EBITDA:				
– net change in retirement benefit obligations	(41)	(13)	–	(54)

Analysis of revenue by category:

	Metallurgical	Mining	Total
2012			
Sales of own products	8,590	2,916	11,506
– steel products	8,147	–	8,147
– iron ore products	–	2,386	2,386
– coal and coal concentrate	–	450	450
– other	443	80	523
Sales of purchased goods	701	362	1,063
– steel products	695	–	695
– coal and coal concentrate	–	314	314
– other	6	48	54
Total	9,291	3,278	12,569

Geographic segments

The Group's two business segments operate in six main geographic areas. Revenue by location of customers is presented below:

	Metallurgical	**Mining**	**Total**
2013			
Ukraine	**2,330**	**1,348**	**3,678**
Rest of Europe	**2,761**	**323**	**3,084**
Middle East and Northern Africa	**2,131**	**35**	**2,166**
Southeast Asia	**792**	**1,164**	**1,956**
Commonwealth of Independent States (CIS)	**1,471**	**2**	**1,473**
North America	**153**	**178**	**331**
Other countries	**89**	**30**	**119**
Total	**9,727**	**3,080**	**12,807**

6 SEGMENT INFORMATION (continued)

	Metallurgical	Mining	Total
2012			
Ukraine	2,415	1,728	4,143
Rest of Europe	2,410	378	2,788
CIS	1,875	4	1,879
Southeast Asia	802	852	1,654
Middle East and Northern Africa	1,577	–	1,577
North America	82	273	355
Other countries	130	43	173
Total	9,291	3,278	12,569

As at 31 December 2013 and 31 December 2012, 92% of the Group's property, plant and equipment were located in Ukraine.

As at 31 December 2013, 56% and 44% of the Group's other intangible assets were owned by Group's subsidiaries in Ukraine and the US respectively (31 December 2012: 58% and 42% respectively).

7 GOODWILL

The movements of goodwill were as follows:

	2013	2012
Book amount as at 1 January, net	**980**	961
Currency translation differences	**25**	19
Book amount as at 31 December, net	**1,005**	980

Management allocates and monitors goodwill at the following groups of cash generating units:

	31 December 2013	31 December 2012
Metallurgical	**659**	634
Mining	**346**	346
Total	**1,005**	980

The recoverable amount has been determined based on fair value less cost to sell estimations. Management estimates that current market conditions, under which iron ore and coal suppliers earn significant margins while steelmakers nearly breakeven, will change in several years, which will result in partial reallocation of margins from producers of raw materials to steel producers starting approximately from 2016 (31 December 2012: 2016). To ensure that impairment testing model fully reflects the anticipated changes in cash flows, for goodwill impairment test the Group used cash flow projections for 10 years (31 December 2012: 10 years) which are based on strategy approved by senior management. Valuation method used for determination of each cash generating unit fair value is based on unobservable market data, which is within Level 3 of the fair value hierarchy.

The following table summarises key assumptions on which management has based its cash flow projections to undertake the impairment testing of goodwill:

	2013	2012
Metallurgical		
Post-tax discount rate	**12.0%**	10.5%
Revenue growth rate	**0% to 12%**	–29% to 20%
Growth rate in perpetual period	**3%**	3%
Gross margins	**7% to 19%**	1% to 18%
EBITDA margins	**5% to 17%**	–1% to 16%
Mining		
Post-tax discount rate	**12.0%**	10.5%
Revenue growth rate	**–7% to 6%**	–18% to 23%
Growth rate in perpetual period	**3%**	3%
Gross margins	**35% to 44%**	38% to 52%
EBITDA margins	**35% to 44%**	37% to 51%

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

7 GOODWILL (continued)

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources.

Discount rate reflects the current market assessment of the risks specific to the groups of cash generating unit. The discount rate has been determined using the capital asset pricing model based on observable inputs, inputs from third party financial analysts and Group-specific inputs.

The assumptions for iron ore prices ranged from USD 105 per tonne to USD 125 per tonne of Fe 62% fines CFR North China in 2014–2022 (31 December 2012: from USD 105 per tonne to USD 125 per tonne of Fe 62% fines CFR North China in 2013–2021) and equals to USD 125 per ton in 2023 (31 December 2012: USD 122 per ton in 2022), last year of forecast. Forecasted prices for other iron ore products and prices at other markets were determined based on respective discounts or premiums for Fe content, transportation costs and historic discounts or premiums usual for those markets.

Forecasted prices for hot-rolled coils at Ukrainian ports gradually increase from current levels to USD 666 per ton in 2023 (31 December 2012: USD 670 per ton in 2022). Forecasted prices for other steel products are based on historic discounts or premiums to prices for hot-rolled coils. Forecasts from industry experts and other external reputable sources, as well as internal analysis were used by management to determine price levels used in the impairment test.

Revenue growth rates depend mainly on projections of future prices for steel and iron ore products.

As at 31 December 2013 the Metallurgical division recoverable amount is USD 4,224 million and exceeds its carrying amount by USD 279 million (2012: USD 5,080 million, exceeded by USD 510 million). The table below summarises the impact of changes in main assumptions with all other variables held constant to the impairment of goodwill related to the Metallurgical division:

	31 December 2013	31 December 2012
Volumes of sales		
Decrease in all the periods by 5%	–	Recoverable amount equals carrying amount
Decrease in all the periods by 10%	**Recoverable amount equals carrying amount**	Impairment of USD 484 million required
Steel prices		
Decrease in all the periods by 0.4%	**Recoverable amount equals carrying amount**	–
Decrease in all the periods by 0.5%	–	Recoverable amount equals carrying amount
Decrease in all the periods by 1%	**Impairment of USD 545 million required**	Impairment of USD 529 million required
Iron ore prices		
Increase in all the periods by 0.7%	**Recoverable amount equals carrying amount**	–
Increase in all the periods by 1%	**Impairment of USD 131 million required**	–
Increase in all the periods by 2%	–	Recoverable amount equals carrying amount
Increase in all the periods by 5%	–	Impairment of USD 816 million required
Discount rates		
Increase in all the periods by 0.3 pp	**Recoverable amount equals carrying amount**	Recoverable amount equals carrying amount
Increase in all the periods by 1 pp	**Impairment of USD 531 million required**	Impairment of USD 942 million required
Growth rate in perpetual period		
Decrease by 0.5 pp	–	Recoverable amount equals carrying amount
Decrease by 0.6 pp	**Recoverable amount equals carrying amount**	–
Decrease by 1 pp	**Impairment of USD 168 million required**	Impairment of USD 428 million required

With regard to impairment testing of the goodwill related to the Mining division, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable amount.

8 OTHER INTANGIBLE ASSETS

The movements of other intangible assets were as follows:

	Coal reserves	Long-term sales contracts	Licences and mining permits	Other intangible assets	Total
As at 1 January 2012					
Cost	418	144	726	46	1,334
Accumulated amortisation	(15)	(133)	(170)	(27)	(345)
Net carrying amount	403	11	556	19	989
Additions	–	–	–	25	25
Amortisation	(8)	(11)	(52)	(5)	(76)
As at 31 December 2012					
Cost	418	–	726	71	1,215
Accumulated amortisation	(23)	–	(222)	(32)	(277)
Net carrying amount	395	–	504	39	938
Additions	–	–	–	41	41
Amortisation	(8)	–	(50)	(9)	(67)
As at 31 December 2013					
Cost	**418**	**–**	**726**	**112**	**1,256**
Accumulated amortisation	**(31)**	**–**	**(272)**	**(41)**	**(344)**
Net carrying amount	**387**	**–**	**454**	**71**	**912**

The iron ore licence is being amortised using the units-of-production method over its remaining useful life of approximately 10 years.

The coal reserves and long-term sales contracts were acquired as part of the acquisition of UCC. The coal reserves are being amortised using the units-of-production method over their useful life of approximately 30 years.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

9 PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment were as follows:

	Land	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
Cost or valuation						
As at 1 January 2012	76	2,759	4,943	117	921	8,816
Acquisition of subsidiaries	–	39	36	–	22	97
Additions	–	–	–	–	741	741
Transfers	1	198	461	57	(717)	–
Disposals	–	(37)	(33)	(6)	(18)	(94)
Disposal of subsidiaries	–	(3)	(4)	–	(1)	(8)
Reclassification to inventory	–	–	–	–	(11)	(11)
Elimination against gross carrying amount upon revaluation	–	(308)	(933)	(20)	–	(1,261)
Revaluation	1	476	504	4	–	985
Currency translation differences	–	2	5	1	–	8
As at 31 December 2012	78	3,126	4,979	153	937	9,273
Additions					**706**	**706**
Transfers	**–**	**220**	**424**	**(10)**	**(634)**	**–**
Disposals		**(43)**	**(101)**	**(1)**	**(2)**	**(147)**
Reclassification to inventory					**(50)**	**(50)**
Elimination against gross carrying amount	**–**	**(192)**	**(676)**	**(14)**	**–**	**(882)**
Revaluation	**2**	**288**	**329**	**10**	**(20)**	**609**
Currency translation differences	**3**	**1**	**2**	**–**	**–**	**6**
As at 31 December 2013	**83**	**3,400**	**4,957**	**138**	**937**	**9,515**
Accumulated depreciation and impairment						
As at 1 January 2012	–	(382)	(1,097)	(31)	(7)	(1,517)
Charge for the year	–	(183)	(613)	(28)	–	(824)
Disposals	–	38	17	1	1	57
Transfers	–	10	–	(10)	–	–
Elimination against gross carrying amount upon revaluation	–	308	933	20	–	1,261
Currency translation differences	–		(2)	–	–	(2)
As at 31 December 2012	–	(209)	(762)	(48)	(6)	(1,025)
Charge for the year	**–**	**(236)**	**(741)**	**(33)**	**–**	**(1,010)**
Disposals	**–**	**34**	**69**	**1**	**–**	**104**
Transfers	**–**	**1**	**(22)**	**21**	**–**	**–**
Elimination against gross carrying amount	**–**	**192**	**676**	**14**	**–**	**882**
Impairment	**–**	**(161)**	**(69)**	**(3)**	**(15)**	**(248)**
Currency translation differences	**–**	**(2)**	**(4)**	**–**	**–**	**(6)**
As at 31 December 2013	**–**	**(381)**	**(853)**	**(48)**	**(21)**	**(1,303)**
Net book value as at						
31 December 2012	78	2,917	4,217	105	931	8,248
31 December 2013	**83**	**3,019**	**4,104**	**90**	**916**	**8,212**

During 2013 and 2012, management performed assessment if carrying amounts of items of property, plant and equipment are materially different from their fair values. Where the material differences were identified as probable, the Group engaged independent appraisers to determine the fair value of its property, plant and equipment. The Group aims to revalue a class of property, plant and equipment simultaneously; in case of revaluing a class on a rolling basis, the Group completes the revaluation within a short period, and keeps revaluations up to date. Substantially all the property, plant and equipment was revalued during 2012–2013.

The majority of the structures, plant and machinery are specialised in nature and are rarely sold in the open market in Ukraine other than as part of a continuing business. The market for similar property, plant and equipment is not active in Ukraine and does not provide a sufficient number of sales of comparable assets to allow for using a market-based approach for determining fair value. Consequently, the fair value of structures, plant and machinery was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economic depreciation, and obsolescence.

9 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciated replacement cost was estimated based on internal sources and analysis of Ukrainian and international markets for similar property, plant and equipment. Various market data was collected from published information, catalogues, statistical data etc, and industry experts and suppliers.

Because of occurrence of specific impairment indicators in 2013 (i.e. decrease of prices for coking coal), the Group has performed impairment test of property, plant and equipment of its coal mining operations and as a result recognised an impairment of USD 221 million. Goodwill related to mining operations is monitored at the segment level; the impairment test of goodwill of the Mining segment (refer to Note 7) did not identify any impairment loss of the segment, and consequently the goodwill.

The assets transferred to the Ukrainian subsidiaries of the Group upon privatisation did not include the land on which the Group's factories and buildings are situated. The Group has the option to purchase this land upon application to the State registration body or to continue occupying this land under a rental agreement. Ukrainian legislation does not specify an expiry date to this option. As at 31 December 2013, the Group has not filed any application to exercise the purchase option. Total payments under land lease agreement for 2013 and 2012 were insignificant.

During 2013 USD 37 million of borrowing costs were capitalised, capitalisation rate was 6% (2012: USD 18 million, capitalisation rate 6%).

As at 31 December 2013 and 2012 no buildings, plant and machinery were pledged to third parties as collateral for loans and borrowings.

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE, AND BUSINESS COMBINATION UNDER COMMON CONTROL

The principal associates and joint venture of the Group are as follows:

			2013		2012	
Name		Segment	**% of ownership**	**Carrying value**	% of ownership	Carrying value
Zaporizhstal	Joint venture	Metallurgical	**49.9%**	**742**	49.9%	739
Zaporozhogneupor	Associate	Metallurgical	**39.7%**	**11**	–	–
Yenakievskiy Koksohimprom	Associate	Metallurgical	**50.0%**	**8**	10%	–
IMU	Associate	Metallurgical	**49.9%**	**22**	49.9%	22
Other	Associate	Mining	**n/a**	**3**	n/a	3
Total				**786**		764

None of the associates nor the joint venture are listed on international stock exchanges.

Movements in the carrying amount of the Group investments in associates and joint venture are presented below:

	2013	2012
Carrying amount at 1 January	**764**	276
Acquisition of interest in Zaporizhstal Group	**–**	544
Acquisition of associate	**8**	–
Share of other equity movements of associates and joint venture	**–**	–
Share of after tax results of associates and joint venture	**14**	(9)
Transfer to subsidiaries	**–**	(47)
Carrying amount at 31 December	**786**	764

As discussed in Note 1, in July 2013 the Group acquired minority stakes of the existing subsidiaries and associates from SCM: 23.5% of shares in PJSC Central Iron Ore Enrichment Works, 15.0% of shares in PJSC Northern Iron Ore Enrichment Works, 26.0% of shares in JSC Zaporozhkoks, 31.3% of shares in JSC Donetskkoks and 40.0% of shares in PrJSC Yenakievskiy Koksohimprom for the total purchase consideration of USD 882 million. In addition, in July 2013 the Group acquired 3.1% of shares in PJSC Ingulets Iron Ore Enrichment Works from SMART for USD 104 million.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE, AND BUSINESS COMBINATION UNDER COMMON CONTROL (continued)

As a result, JSC Zaporozhkoks and JSC Donetskkoks (which were previously reported as Group's associates as at 31 December 2012) became subsidiaries of the Group. In accordance with its accounting policy, the Group has accounted for these purchases of subsidiaries from parties under common control using the predecessor values method. As such, the financial statements of the Group are presented as if the JSC Zaporozhkoks and JSC Donetskkoks had been consolidated from the date that these entities were acquired by SCM, which is 1 December 2012. The assets and liabilities of the subsidiaries transferred under common control are at the predecessor entity's (SCM) book values. The difference between the book value of net assets acquired of USD 128 million and the fair value of previously held interest in the acquired entities of USD 47 million has been recorded as an adjustment to equity. No goodwill has been created from these transactions. Subsequently, the Group also acquired 2.1% of JSC Zaporozhkoks and 24% of JSC Donetskkoks from third parties for the total consideration of USD 1 million.

During 2011–2012 the Group as a result of series of transactions acquired 99.8% interest in Zaporizhstal Group which owns 50.0032% interest in JSC Zaporizhstal Integrated Iron & Steel Works (Zaporizhstal) and significant stakes in various other entities in the steel and mining sector in Ukraine, the most significant of which are JSC Zaporizhya Iron Ore Plant, JSC Zaporozhkoks and JSC Zaporozhogneupor.

As of 31 December 2013, Metinvest's investment in Zaporizhstal is classified as a joint venture due to the fact that strategic financial and operating decisions require participation of and consents from the other shareholders of Zaporizhstal.

The summarised financial information of the Group's joint venture and major associates is as follows:

	% of ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/(loss)
2013							
Zaporizhstal	**49.9%**	**1,454**	**508**	**209**	**938**	**1,710**	**(1)**
Zaporozhogneupor	**39.7%**	**26**	**24**	**14**	**7**	**64**	**–**
Yenakievskiy Koksohimprom	**50.0%**	**15**	**51**	**–**	**50**	**126**	**5**
IMU	**49.9%**	**49**	**–**	**–**	**–**	**–**	**–**

	% of ownership	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit/(loss)
2012							
Zaporizhstal	49.9%	1,383	406	159	881	1,973	(81)
IMU	49.9%	49	–	–	–	–	–

11 OTHER NON-CURRENT ASSETS

	31 December 2013	31 December 2012
Long-term loans issued to related parties (USD denominated, 9% effective interest rate, mature during 2014–2017)	**30**	41
Long-term loans issued to related parties (USD denominated, 11% effective interest rate, mature in 2016)	**98**	98
Long-term receivables from related parties (UAH denominated, 13.6% effective interest rate, mature in 2014)	**–**	83
Long-term loans issued to related parties (USD denominated, 9% effective interest rate, mature in 2015)	**26**	–
Other non-current financial assets	**26**	42
Other non-current non-financial assets	**8**	8
Total	**188**	272

Analysis by credit quality of financial non-current assets is as follows:

	31 December 2013	31 December 2012
Balances neither past due nor impaired:		
– related parties	**154**	222
– other	**26**	42
Total non-current and not impaired	**180**	264

The maximum exposure to credit risk at the reporting date is the carrying value of financial non-current assets. The Group does not hold any collateral as security.

12 INVENTORIES

	31 December 2013	31 December 2012
Finished goods and work in progress	**928**	1,094
Raw materials	**450**	468
Ancillary materials, spare parts and consumables	**414**	374
Goods for resale	**71**	199
Total inventories	**1,863**	2,135

In 2013, inventory write down expense was USD 14 million (2012: reversal of inventory write down USD 17 million).

As at 31 December 2013, inventories totalling USD 158 million (31 December 2012: USD 145 million) have been pledged as collateral for borrowings (Note 17).

13 TRADE AND OTHER RECEIVABLES

	31 December 2013	31 December 2012
Trade receivables and receivables on commission sales	**1,844**	1,676
Receivables for bonds and promissory notes sold	**9**	361
Loans issued to related parties (USD denominated, 10% effective interest rate on average)	**45**	274
Interest accrued on loans issued to related parties	**3**	35
Receivables for disposal of subsidiaries and associates	**5**	176
Receivables for deposit certificates sold	**1**	58
Receivables for property, plant and equipment sold	**–**	39
Other financial receivables	**133**	138
Total financial assets	**2,040**	2,757
Recoverable VAT	**308**	273
Prepayments made	**298**	103
Other receivables	**92**	57
Total trade and other receivables	**2,738**	3,190

Movements in the impairment provision for trade and other receivables are as follows:

	31 December 2013		31 December 2012	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Provision for impairment at 1 January	**118**	**18**	112	24
Net impairment during the year	**(64)**	**8**	–	–
Reclassification	**1**	**(1)**	6	(6)
Currency translation differences	**1**	**–**	–	–
Provision for impairment at 31 December	**56**	**25**	118	18

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

13 TRADE AND OTHER RECEIVABLES (continued)

Analysis by credit quality of financial trade and other receivables is as follows:

	31 December 2013		31 December 2012	
	Trade receivables and receivables on commission sales	**Other financial receivables**	Trade receivables and receivables on commission sales	Other financial receivables
Key customers	**144**	**–**	155	–
SCM and other related companies, including associates and joint venture	**67**	**119**	71	225
Balances covered by bank letters of credit	**295**	**–**	136	–
Balances insured	**265**	**–**	239	–
Existing customers with no history of default	**137**	**20**	125	53
New customers	**4**	**–**	18	2
Balances renegotiated with SCM and other related companies, including associates and joint venture	**37**	**40**	30	778
Balances renegotiated with other customers	**–**	**–**	–	7
Total current and not impaired	**949**	**179**	774	1,065
Past due but not impaired:				
– less than 30 days overdue	**193**	**–**	254	8
– 30 to 90 days overdue	**282**	**2**	286	–
– 90 to 180 days overdue	**292**	**2**	207	–
– 180 to 360 days overdue	**32**	**5**	101	5
– over 360 days overdue	**96**	**8**	54	3
Total past due but not impaired	**895**	**17**	902	16
Total individually impaired	**56**	**25**	118	18
Less impairment provision	**(56)**	**(25)**	(118)	(18)
Total	**1,844**	**196**	1,676	1,081

As at 31 December 2013, 59% of overdue but not impaired receivables related to key customers (2012: 56%) and 32% to SCM and other related parties (2012: 30%).

As at 31 December 2013, trade and other receivables totalling USD 182 million (31 December 2012: USD 123 million) have been pledged as collateral for borrowings (Note 17).

14 CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Current accounts	**765**	519
Bank deposits up to three months	**18**	12
Total cash and cash equivalents	**783**	531

14 CASH AND CASH EQUIVALENTS (continued)

The bank balances and term deposits are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

	31 December 2013	31 December 2012
As rated by Moody's:		
– Aa2	–	5
– A2	607	374
– A3	–	2
– Ba1	3	–
– Baa2	3	5
– Baa3	–	1
– B3	–	–
– Caa1	122	121
Not covered by Moody's rating	48	23
Total cash and cash equivalents	**783**	531

Amounts in banks rated Caa1 relate mainly to First Ukrainian International Bank which is under common control of SCM.

15 SHARE CAPITAL

	Number of outstanding shares		Ordinary shares	Share premium	Total
	Class A	Class B			
At 31 December 2012	9,000	474	–	5,461	5,461
At 31 December 2013	**9,000**	**474**	**–**	**5,461**	**5,461**

As at 31 December 2013, the authorised share capital comprised 42,750 ordinary class A shares (2012: 42,750) and 2,250 ordinary class B shares (2012: 2,250) with a par value of EUR 10. Each ordinary share carries one vote and is fully paid.

16 OTHER RESERVES

	Revaluation of available-for-sale investments and share in OCI of associates	Revaluation of property, plant and equipment	Merger reserve	Cumulative currency translation reserve	Total
Balance as at 1 January 2012	(13)	1,584	(2,987)	(2,402)	(3,818)
Total comprehensive income for the period	–	744	–	27	771
Depreciation transfer, net of tax	–	(191)	–	–	(191)
Acquisition of subsidiaries from parties under common control	–	–	25	–	25
Balance as at 31 December 2012	(13)	2,137	(2,962)	(2,375)	(3,213)
Total comprehensive income for the period	–	441	–	26	467
Depreciation transfer, net of tax	–	(309)	–	–	(309)
Acquisition of subsidiaries from parties under common control	–	–	(33)	–	(33)
Balance as at 31 December 2013	**(13)**	**2,269**	**(2,995)**	**(2,349)**	**(3,088)**

The revaluation reserve for available-for-sale investments is transferred to profit or loss when realised through sale or impairment. Revaluation reserve for property, plant and equipment is transferred to retained earnings when realised through depreciation, impairment, sale or other disposal. Currency translation reserve is transferred to profit or loss when realised through disposal of a subsidiary by sale, liquidation, repayment of share capital or abandonment of all, or part of, that subsidiary.

Retained earnings of the Group represent the earnings of the Group entities from the date they have been established or acquired by the entities under common control. Company subsidiaries distribute profits as dividends or transfer them to reserves on the basis of their statutory financial statements prepared in accordance with local GAAP as appropriate. Ukrainian legislation identifies the basis of distribution as retained earnings only, however this legislation and other statutory laws and regulations are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose the amount of distributable reserves in these consolidated financial statements.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

17 LOANS AND BORROWINGS

As at 31 December, loans and borrowings were as follows:

	31 December 2013	31 December 2012
Non-current		
Bank borrowings	**1,186**	1,419
Bonds	**1,239**	1,235
	2,425	2,654
Current		
Bank borrowings	**777**	519
Trade finance	**911**	835
Bonds	**30**	30
	1,718	1,384
Total loans and borrowings	**4,143**	4,038

	31 December 2013	31 December 2012
Loans and borrowings due:		
– within one year	**1,718**	1,384
– between one and five years	**2,416**	1,915
– after five years	**9**	739
Total borrowings	**4,143**	4,038

The majority of the Group's borrowings have variable interest rates. The weighted average effective interest rates and currency denomination of loans and borrowings as at the balance sheet dates are as follows:

	31 December 2013		31 December 2012	
In % per annum	USD	EUR	USD	EUR
Bank borrowings	**4%**	**2%**	4%	2%
Bonds issued	**9%**	**–**	9%	–
Trade finance	**3%**	**2%**	3%	3%
Reported amount	**3,990**	**153**	3,842	196

As at 31 December 2013, bonds issued carry fixed interest rates (31 December 2012: fixed interest rate); bank borrowings and trade finance denominated in EUR carry interest rates of EURIBOR 1–6 months plus margins of 0.5%–2.5% (31 December 2012: EURIBOR 1–6 months plus margins of 0.5%–2.5%); the bank borrowings and trade finance denominated in USD carry interest rates of LIBOR 1–6 months plus margins of 1%–6% (31 December 2012: LIBOR 1–3 months plus margins of 1%–6%).

In April 2013 the Group increased a three-year loan originally received in 2012 from USD 300 million to USD 560 million.

In April 2013 the Group repaid two credit lines from Sberbank and ING Ukraine in the amount of USD 175 million and USD 85 million respectively.

In November 2013, the Group obtained a syndicate loan in the nominal amount of USD 300 million bearing nominal interest of LIBOR three months plus margin of 5.25% per annum. Principal is repayable in equal monthly instalments starting from June 2015 through November 2018.

As at 31 December 2013, borrowings totalling USD 134 million were secured with inventories (31 December 2012: USD 118 million), borrowings totalling USD 182 million were secured with trade and other accounts receivable (31 December 2012: USD 119 million) and borrowings totalling USD 1,940 million were secured with the future sales proceeds (31 December 2012: USD 1,813 million).

As at 31 December 2013, the fair value of bonds was USD 1,240 million (31 December 2012: USD 1,245 million) as determined by reference to observable market quotations. The fair value of bank borrowings was USD 1,948 million (31 December 2012: USD 1,907 million) as estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As at 31 December 2013, the fair value of trade finance borrowings is approximately equal to their carrying value.

18 SELLER'S NOTES

	31 December 2013	31 December 2012
Non-current portion	**75**	150
Current portion	**90**	90
Total seller's notes	**165**	240

Seller's notes are secured with a 100% of the capital of United Coal Company LLC and subordinated to other borrowings of the Group to the extent that total borrowings do not exceed USD 3 billion excluding interest.

Seller's notes are repayable in equal semi-annual instalments through 2015, bear nominal interest rate of 5% per annum, and are recorded at an effective interest rate of 12.5% per annum.

As of 31 December 2013, the fair value of seller's notes was USD 178 million (31 December 2012: USD 253 million).

19 RETIREMENT BENEFIT OBLIGATIONS

The Group's defined benefit obligations relate to:

	31 December 2013	31 December 2012 (restated)
State-defined early pensions for employees working in hazardous and unhealthy working conditions	**749**	646
Long-term employee benefits under collective bargaining agreements	**54**	68
Total defined benefit obligations	**803**	714

Changes in the present value of the defined benefit obligation were as follows:

	2013	2012 (restated)
Defined benefit obligation as at 1 January	**714**	643
Current service cost	**17**	24
Remeasurements of the defined benefit liability resulting from:		
– changes in financial assumptions	**59**	46
– changes in demographic assumptions	**(3)**	2
– experience adjustments	**14**	(18)
Past service cost	**(5)**	1
Interest cost	**90**	81
Benefits paid	**(83)**	(79)
Acquired with subsidiary	**–**	14
Defined benefit obligation as at 31 December	**803**	714

The amounts recognised in the consolidated income statement were as follows:

	2013	2012 (restated)
Current service cost	**17**	24
Past service cost	**(5)**	1
Interest cost	**90**	81
Total	**102**	106

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

19 RETIREMENT BENEFIT OBLIGATIONS (continued)

The principal actuarial assumptions used were as follows:

	31 December 2013	31 December 2012
Nominal discount rate	**14%**	14%
Nominal salary increase	**4% to 10%**	3.62% to 11%
Nominal pension entitlement increase	**5.2%**	3.62% to 11%
Inflation	**5.2%**	5.5%

The sensitivity of the defined benefit obligation to changes in the principal assumptions is presented below:

	2013	2012
Nominal discount rate increase/decrease by 1 pp	**(55)/62**	(36)/41
Nominal salary increase/decrease by 1 pp	**28/(26)**	20/(19)
Inflation increase/decrease by 1 pp	**27/(26)**	27/(26)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

As at 31 December 2013, the weighted average maturity of the Group's defined benefit obligations is 9.5 years and it varies across different Group's subsidiaries from six to 12 years (31 December 2012: 10.2 years, varying from seven to 13 years). Payments in respect of defined benefit obligations expected to be made during the year ending 31 December 2014 are USD 92 million.

20 OTHER NON-CURRENT LIABILITIES

	31 December 2013	31 December 2012
Tax liabilities under moratorium (Note 28)	**23**	24
Asset retirement obligations	**17**	33
Other non-current liabilities	**18**	17
Deferred income	**5**	6
Total other non-current liabilities	**63**	80

As of 31 December 2013 the fair values of financial other non-current liabilities approximate their carrying values.

21 TRADE AND OTHER PAYABLES

	31 December 2013	31 December 2012
Trade payables and payables on sales made on commission	**1,255**	1,274
Payables for acquired non-controlling interest	**3**	–
Dividends payable to shareholders of Metinvest B.V.	**70**	–
Dividends payable to non-controlling shareholders of Company subsidiaries	**12**	16
Payable for acquired property, plant and equipment, intangibles	**98**	140
Other financial liabilities	**18**	29
Total financial liabilities	**1,456**	1,459
Prepayments received	**189**	238
Accruals for employees' unused vacations and other payments to employees	**116**	101
Income tax payable	**15**	10
Other tax payable	**57**	56
Wages and salaries payable	**35**	34
Other allowances	**41**	30
Total trade and other payables	**1,909**	1,928

22 EXPENSES BY NATURE

	2013	2012
Raw materials including change in finished goods and work in progress	**3,569**	3,974
Goods for resale	**1,608**	1,024
Energy materials including gas, electricity and fuel	**2,221**	2,228
Wages and salaries	**949**	930
Transportation services	**912**	938
Repairs and maintenance expenses	**355**	390
Pension and social security costs	**301**	314
Pension costs – defined benefit obligations (Note 19)	**12**	25
Depreciation and amortisation	**1,070**	900
Impairment and devaluation of property, plant and equipment	**192**	86
Taxes and duties	**133**	118
Services and other costs	**596**	660
Total operating expenses	**11,918**	11,587
Classified in the income statement as:		
– cost of sales	**10,406**	10,070
– distribution costs	**1,121**	1,123
– general and administrative expenses	**391**	394
Total operating expenses	**11,918**	11,587

Raw materials include externally purchased coke and coal, iron ore, scrap metal, ferroalloys, ancillary and other materials and cost of their transportation.

Auditor's fees

The following fees were expensed in the income statement in the reporting period:

	2013	2012
Audit of the financial statements (including audit fee of the signing firm of USD 0.1 million)	**3**	3
Tax services	**–**	–
Other non-audit services	**–**	1
Total	**3**	4

23 OTHER OPERATING INCOME, NET

Other operating income and expenses for the year ended 31 December were as follows:

	2013	2012
Reversal of impairment of trade and other receivables (Note 13)	**56**	–
Maintenance of social infrastructure	**(66)**	(53)
Foreign exchange (gain)/loss, net	**101**	58
Sponsorship and other charity payments	**(15)**	(42)
(Loss)/gain on disposal of property, plant and equipment and intangible assets, net	**(1)**	33
Other income	**62**	11
Total other operating income, net	**137**	7

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

24 FINANCE INCOME

Finance income for the year ended 31 December was as follows:

	2013	2012
Net foreign exchange gain	–	1
Interest income:		
– loans issued	28	36
– bank deposits	5	5
– imputed interest on other financial instruments	13	10
Other finance income	20	–
Total finance income	**66**	52

The majority of finance income relates to term deposits and long term loans issued to related parties.

25 FINANCE COSTS

Finance costs for the year ended 31 December were as follows:

	2013	2012
Net foreign exchange loss	6	–
Interest expense:		
– borrowings	95	89
– bonds	118	112
– seller's notes	12	16
– imputed interest on seller's notes	16	19
Loss on origination of financial assets	–	–
Interest cost on retirement benefit obligations	90	81
Other finance costs	4	4
Total finance costs	**341**	321

26 INCOME TAX

Income tax for the year ended 31 December was as follows:

	2013	2012
Current tax	394	381
Deferred tax	(21)	(115)
Income tax expense	**373**	266

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its subsidiaries. In 2013, Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 19% (2012: 21%). In 2013, the tax rate for Swiss operations was 10% (2012: 10%) and for European companies tax rate in 2013 varied from 10% to 35% (2012: varied from 10% to 35%). The tax rate for US operations was 35% (2012: 35%).

Reconciliation between the expected and the actual taxation charge is provided below.

	2013	2012
IFRS profit before tax	**765**	711
Tax calculated at domestic tax rates applicable to profits in the respective countries	95	121
Tax effect of items not deductible or assessable for taxation purposes:		
– charitable donations and sponsorship	1	7
– non-deductible expenses	50	53
– non-taxable income	(12)	(11)
Write-down of deferred tax assets	155	23
Effect of other changes in estimates regarding realisability and timing of realisation of deferred tax balances	84	73
Income tax expense	**373**	266

The weighted average applicable tax rate was 12.4% in 2013 (2012: 17.0%).

26 INCOME TAX (continued)

Differences between IFRS and Ukrainian and other countries' statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

	1 January 2013	Credited/ (charged) to income statement	Charged to other comprehensive income	Currency translation difference	31 December 2013
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	69	1	23	–	93
Long-term receivables	105	(13)	–	–	92
Inventory valuation	29	6	–	–	35
Trade and other accounts receivable	23	(15)	–	–	8
Accrued expenses	67	8	–	–	75
Tax losses carried forward	339	(42)	–	–	297
Retirement benefit obligations	114	4	10	–	128
Prepayments received	33	(30)	–	–	3
Other	24	–	–	–	24
Gross deferred tax asset	803	(81)	33	–	755
Less offsetting with deferred tax liabilities	(526)	(3)	–	–	(529)
Recognised deferred tax asset	277	(84)	33	–	226
Tax effect of taxable temporary differences					
Property, plant and equipment and intangible assets	(524)	51	(114)	(1)	(588)
Advances paid	(33)	30	–	–	(3)
Inventory tax differences	(13)	6	–	–	(7)
Borrowings and long-term payables	(115)	23	–	–	(92)
Other	(23)	(8)	–	–	(31)
Gross deferred tax liability	(708)	102	(114)	(1)	(721)
Less offsetting with deferred tax assets	526	3	–	–	529
Recognised deferred tax liability	(182)	105	(114)	(1)	(192)

During the year ended 31 December 2013 the Group recognised a valuation provision in the amount of USD 155 million against deferred tax asset due to a change in estimate regarding recoverability of the related balance (2013: USD 23 million).

Deferred tax asset on unused tax losses not recognised as at 31 December 2013 comprised USD 86 million (31 December 2012: USD 23 million).

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

26 INCOME TAX (continued)

	1 January 2012	Acquired with subsidiaries	Credited/ (charged) to income statement	Charged to other comprehensive income	31 December 2012
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	94	–	(25)	–	69
Long-term receivables	102	–	3	–	105
Inventory valuation	74	–	(45)	–	29
Trade and other accounts receivable	30	–	(7)	–	23
Accrued expenses	41	–	26	–	67
Tax losses carried forward	187	2	150	–	339
Retirement benefit obligations	114	2	(6)	4	114
Prepayments received	44	–	(11)	–	33
Other	20	2	2	–	24
Gross deferred tax asset	706	6	87	4	803
Less offsetting with deferred tax liabilities	(416)	–	(110)	–	(526)
Recognised deferred tax asset	290	6	(23)	4	277
Tax effect of taxable temporary differences					
Property, plant and equipment and intangible assets	(386)	–	40	(178)	(524)
Advances paid	(40)	–	7	–	(33)
Inventory tax differences	(11)	–	(2)	–	(13)
Borrowings and long-term payables	(119)	–	4	–	(115)
Other	(2)	–	(21)	–	(23)
Gross deferred tax liability	(558)	–	28	(178)	(708)
Less offsetting with deferred tax assets	416	–	110	–	526
Recognised deferred tax liability	(142)	–	138	(178)	(182)

The tax charge relating to components of other comprehensive income is as follows:

	2013			2012		
	Before tax	**Deferred tax charge**	**After tax**	Before tax	Deferred tax charge	After tax
Revaluation of property, plant and equipment	**553**	**(91)**	**462**	1,071	(178)	893
Remeasurement of retirement benefit obligation	**(70)**	**10**	**(60)**	(30)	4	(26)
Other comprehensive income	**483**	**(81)**	**402**	1,041	(174)	867

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

27 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

For the purposes of these IFRS consolidated financial statements, parties are 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.

Unless stated otherwise, other related parties are related through common control of SCM, or are associates of SCM. As at 31 December 2013 and 2012 significant balances outstanding with related parties are detailed below:

	31 December 2013					31 December 2012			
	SCM	**Associates**	**Joint venture**	**Other related parties**	**Smart Group**	SCM	Joint ventures	Other related parties	Smart Group
ASSETS									
Other non-current assets, including:	–	–	98	32	26	–	98	124	–
Long-term loans issued	–	–	98	30	26	–	98	41	–
Other non-current assets	–	–	–	2	–	–	–	83	–
Trade and other receivables, including:	3	34	505	178	40	543	360	452	86
Trade receivables and receivables on commission sales	–	34	291	51	7	–	299	68	6
Prepayments made	–	–	214	2	–	–	59	3	–
Receivables for promissory notes and bonds sold	–	–	–	–	–	140	2	210	–
Loans issued	3	–	–	10	31	185	–	19	70
Interest accrued on long-term loans issued	–	–	–	1	2	25	–	–	10
Receivables for disposal of subsidiaries and associates	–	–	–	5	–	171	–	5	–
Receivables for deposit certificates sold	–	–	–	1	–	20	–	32	–
Other financial receivables	–	–	–	108	–	2	–	115	–
Cash and cash equivalents	–	–	–	122	–	–	–	120	–

	31 December 2013					31 December 2012			
	SCM	**Associates**	**Joint venture**	**Other related parties**	**Smart Group**	SCM	Joint ventures	Other related parties	Smart Group
LIABILITIES									
Non-current liabilities, including:	–	–	1	1	–	–	–	1	–
Other non-current liabilities	–	–	1	1	–	–	–	1	–
Trade and other payables, including:	16	48	55	154	590	2	48	205	–
Accounts payable for promissory notes purchased	–	–	–	–	–	–	–	–	
Dividends payable	–	–	–	–	58	1	–	–	–
Trade payables and payables on sales made on commission	13	47	55	84	531	–	47	135	–
Prepayments received	–	–	–	66	–	–	66	–	
Other financial liabilities	3	1	–	4	1	1	1	4	–

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

27 BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

Significant transactions (excluding purchases) with related parties during 2013 and 2012 are detailed below:

2013	SCM	Associates	Joint venture	Other related parties	Smart Group	Total
Sales, including:	–	56	775	114	61	1,006
Steel	–	8	11	71	22	112
Scrap metal	–	–	138	6	–	144
Coke and coking coal	–	42	331	30	3	406
Iron ore	–	–	284	2	–	286
Other	–	6	11	5	36	58
Other operating income/(expense) net	–	–	–	4	–	4
Sponsorship and other charity payments	–	–	–	–	–	–
Other	–	–	–	4	–	4
Finance income, including:	9	–	11	21	7	48
Interest income – bank deposits	–	–	–	2	–	2
Interest income – other	6	–	11	4	7	28
Other finance income (expenses)	3	–	–	15	–	18

2012	SCM	Associates	Joint venture	Other related parties	Smart Group	Total
Sales, including:	–	606	220	86	–	912
Steel	–	5	11	66	–	82
Scrap metal	–	86	55	6	–	147
Coke and coking coal	–	305	31	5	–	341
Iron ore	–	183	116	1	–	300
Other	–	27	7	8	–	42
Other operating income/(expense) net	–	(4)	2	(7)	–	(9)
Sponsorship and other charity payments	–	–	–	(20)	–	(20)
Other	–	(4)	2	13	–	11
Finance income, including:	16	6	5	14	6	47
Interest income – bank deposits	–	–	–	3	–	3
Interest income – other	17	6	5	1	6	35
Other finance income (expenses)	(1)	–	–	10	–	9

The following is a summary of purchases from related parties in 2013 and 2012:

2013	Associates	Joint venture	Other related parties	Smart Group	Total
Purchases, including:	78	1,307	2,028	79	3,492
Metal products	–	1,278	14	1	1,293
Coke and coking coal	69	2	107	–	178
Raw materials and spare parts	9	11	215	78	313
Electricity	–	–	972	–	972
Gas	–	–	322	–	322
Fuel	–	–	13	–	13
Services	–	–	333	–	333
Other	–	16	52	–	68

27 BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

2012	Associates	Joint venture	Other related parties	Smart Group	Total
Purchases, including:	333	524	1,388	–	2,245
Metal products	218	516	8	–	742
Coke and coking coal	107	–	116	–	223
Raw materials and spare parts	6	3	266	–	275
Electricity	–	–	871	–	871
Fuel	–	–	5	–	5
Services	–	–	90	–	90
Other	2	5	32	–	39

In 2013, the remuneration of key management personnel of the Group comprised current salaries and related bonuses totalling USD 8.6 million (in 2012: USD 9.5 million).

Transactions with related parties were performed at arm's length terms.

28 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Tax legislation

Ukrainian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. With effect from 1 January 2011, Ukraine adopted the new Tax Code of Ukraine. Applicable taxes include VAT, corporate income tax, customs duties and other taxes. As a result, there is significant uncertainty as to the implementation or interpretation of the new legislation and unclear or non-existent implementing regulations. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and State authorities. It is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Group's operations are vertically integrated and a significant portion of the Group's iron ore, coke and coal production is used in the subsequent production operations. Because of non-explicit requirements of the applicable tax legislation, intercompany transactions may be assessed by Ukrainian tax authorities as non-market. Such transactions have not been challenged in the past by the tax authorities. However, it is possible with evolution of the interpretation of tax law in Ukraine and changes in the approach of tax authorities, that such transactions could be challenged in the future.

The tax legislation had been expanded with the new transfer pricing rules effective from 1 September 2013 that are much more detailed than previous legislation and, to a certain extent, better aligned with the international transfer pricing principles. The new legislation allows the 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), if the transaction price is not arm's length and is not supported by relevant documentation.

Management believes it is taking appropriate measures to ensure compliance with the new transfer pricing legislation.

Bankruptcy proceedings

During 2006, bankruptcy proceedings were initiated against the Group's subsidiary JSC Krasnodonugol. The majority of the creditors' claims summarised by the external manager relate to the Group. As at 31 December 2013, the amount of the liabilities recorded in these financial statements is USD 29 million. The Group recognised USD 23 million as non-current liability related to the bankruptcy moratorium (Note 20). For the remaining balance the Group is continually negotiating early settlement and thus recorded those as part of trade and other payables. In addition to that, USD 10 million is not recognised as a liability because, based on the previous court decisions made, management of the Group believes that claims in respect of this amount will be rejected by the court.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

Environmental matters

The enforcement of environmental regulation in Ukraine is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations (including asset retirement obligations) under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

28 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (continued)

Capital expenditure commitments

As at 31 December 2013, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling USD 346 million (31 December 2012: USD 157 million). The Group has already allocated the necessary resources in respect of these commitments. Management of the Group believes that future net income and funding will be sufficient to cover this and any similar commitments.

Guarantees issued

As at 31 December 2013 and 2012, the Group has no outstanding guarantees to third parties.

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including increase in the cost of borrowings and declaration of default. As at 31 December 2013 and as at 31 December 2012 and during 2013 and 2012 the Group was in compliance with the covenants.

Insurance

Metinvest maintains mandatory insurance policies against certain types of risk in accordance with Ukrainian law, including life and health insurance; third party liability insurance on hazardous industrial assets and in respect of cargo and motor vehicles; voluntary insurance cover for most of its production facilities and in respect of cargo and motor vehicles; 'All Risk' insurance to cover property damage and provide business interruption coverage including 'inter-dependency' coverage for its key production facilities in Ukraine; property damage and business interruption policies in respect of its European and US assets.

29 FINANCIAL RISK MANAGEMENT

The Group activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out jointly by the internal control and risk management department and the central treasury department. These departments identify, evaluate and mitigate financial risks in close cooperation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed through (i) borrowings denominated in the relevant foreign currencies; and (ii) different treasury operations like forward, swap and other.

Foreign exchange risk is managed centrally by the Group treasury. The Group treasury has set up a policy to manage foreign exchange risk. The Group treasury sets limits on the level of exposure by currency and maximum amount of exposure. The subsidiaries have not entered into transactions designed to hedge against these foreign currency risks without permission of the Group treasury.

At 31 December 2013, if the UAH had strengthened/weakened by 10% against the USD with all other variables held constant, post-tax profit for the year would have been USD 17 million lower/higher (2012: USD 94 million higher/lower), mainly as a result of foreign exchange losses/gains on translation of USD denominated trade receivables and foreign exchange gains/losses on translation of USD denominated borrowings.

(ii) Price risk

Metinvest's revenue is exposed to the market risk from price fluctuations related to the sale of its steel and iron ore products. The prices of the steel and iron ore products sold both within Ukraine and abroad are generally determined by market forces. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw material inputs) and global economic growth. The prices of the products that Metinvest sells to third parties are also affected by supply/demand and global/Ukrainian economic growth. Adverse changes in respect of any of these factors may reduce the revenue that Metinvest receives from the sale of its steel or mined products.

Metinvest's exposure to commodity price risk associated with the purchases is limited as the Group is vertically integrated and is self sufficient for iron ore and certain portion of coking coal requirements.

No financial instruments are exposed to price risk.

29 FINANCIAL RISK MANAGEMENT (continued)

(iii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are dependent on changes in market interest rates.

The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings attracted at variable rates expose the Group to cash flow interest rate risk. Borrowings attracted at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a balanced borrowings portfolio of fixed and floating rate instruments. As at 31 December 2013, 29% of the total borrowings were provided to the Group at fixed rates (31 December 2012: 31%). During 2013 and 2012, the Group's borrowings at variable rate were denominated in USD and EUR.

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of attracting new debt management uses its judgement to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Refer to Note 11, 13 and 17 for information about maturity dates and effective interest rates of financial instruments.

At 31 December 2013, if interest rates on USD and EUR denominated borrowings had been by 1 pp higher/lower (2012: 1 pp) with all other variables held constant, post-tax profit for the year would have been USD 25 million lower/higher (2012: USD 23 million).

(b) Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. When wholesale customers are independently rated, these ratings are used for credit quality assessment. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial assets, which potentially subject the Group to credit risk, consist principally of cash, loans, trade and other accounts receivable.

Cash is placed with major Ukrainian and international reputable financial institutions, which are considered at time of deposit to have minimal risk of default.

The Group has policies in place to ensure that provision of loans and sales of products/services are made to customers with an appropriate credit history. The Group's credit risk exposure is monitored and analysed on a case-by-case basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The carrying amount of loans, trade and other accounts receivable, net of provision for impairment, represents the maximum amount exposed to credit risk. Concentration of credit risk mainly relates to CIS and European countries where the major customers are located.

The maximum exposure to credit risk at 31 December 2013 is USD 3,002 million (2012: USD 3,555 million) being the carrying value of long and short-term loans issued and receivables and cash. In order to reduce credit risk on receivables, the Group uses letters of credit, guarantees and trade insurance. The Group does not hold any collateral as security.

Management believes that credit risk is appropriately reflected in impairment allowances recognised against assets, and management does not expect any significant losses from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group treasury analyses the ageing of their assets and the maturity of their liabilities and plans their liquidity depending on the expected repayment of various instruments. In case of insufficient or excessive liquidity in individual entities, the Group relocates resources and funds among the entities of the Group to achieve optimal financing of the business needs of each entity.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2013 continued

All tabular amounts in millions of US dollars

29 FINANCIAL RISK MANAGEMENT (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Cash flows from borrowings were calculated using spot rates.

At 31 December 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank borrowings	**849**	**751**	**509**	**15**
Trade finance	**911**	**–**	**–**	**–**
Bonds	**117**	**591**	**914**	**–**
Seller's notes	**98**	**93**	**–**	**–**
Trade and other payables	**1,456**	**–**	**–**	**–**
At 31 December 2012				
Bank borrowings	582	802	685	–
Trade finance	835	–	–	–
Bonds	117	117	718	761
Seller's notes	102	97	93	–
Trade and other payables	1,459	–	–	–

30 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and seller's notes (including current and non-current parts) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The Group needs to comply with certain restrictive covenants such as maintaining certain financial ratios determined by the loan agreements (e.g. gearing). Covenants are monitored by the management and there were no cases of non-compliance with the covenants at 31 December 2013 and 31 December 2012.

The Group has yet to determine its optimum gearing ratio. Presently, the majority of debt is due within one to five years and the Group is actively pursuing mechanisms to extend the credit terms to match its long-term investment strategy. The Group has credit ratings assigned by two international rating agencies, Fitch (CCC) and Moody's (Caa1), updated on 12 February 2014 and 5 February 2014, respectively, capped both by Ukraine's country ceiling.

	31 December 2013	31 December 2012
Total borrowings (Note 17)	**4,143**	4,038
Seller's notes (Note 18)	**165**	240
Less: cash and cash equivalents (Note 14)	**(783)**	(531)
Net debt	**3,525**	3,747
Total equity	**9,631**	10,406
Total capital	**13,156**	14,153
Gearing ratio	**27%**	26%

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date, which is Level 1 of fair valuation hierarchy. The quoted market price used for financial assets held by the Group is the current bid price. This valuation technique is used for fair value disclosures of bonds issued.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Estimated discounted cash flows, are used to determine fair value for bank loans and seller's notes. Calculation is based on current interest rates for new instruments with similar credit risk, currency and remaining maturity; such estimation represents Level 3 of fair value hierarchy. Discount rate used to determine fair value for bank loans and seller's notes as at 31 December 2013 is 6.2% (31 December 2012: 6.7%).

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is required to interpret market data to determine the estimated fair value. Ukraine continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of financial assets carried at amortised cost approximate their fair values.

Financial liabilities carried at amortised cost

The fair value is based on quoted market prices, if available. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ('demandable liabilities') is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid (Note 17, 18 and 20).

32 RECONCILIATION OF CLASSES OF FINANCIAL INSTRUMENTS WITH MEASUREMENT CATEGORIES

All of the Group's financial assets and financial liabilities are carried at amortised cost.

33 EVENTS AFTER THE BALANCE SHEET DATE

In January 2014, Metinvest B.V. declared dividends in the amount of USD 400 million.

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Glossary and Abbreviations

TECHNICAL METALS AND MINING TERMS

Air separation unit (ASU)
A unit that separates atmospheric air into its component elements, including oxygen or nitrogen, and often co-produces argon. In the steelmaking process, the unit provides the large volumes of oxygen needed to ignite carbon dissolved in steel and remove unwanted chemical elements.

Bars
A term used to refer to long bars with round, square, flat, angled and channelled cross-sections.

Blast furnace
A towering cylinder lined with heat-resistant (refractory) bricks, used by integrated steel mills to smelt iron from ore. Its name comes from the 'blast' of hot air and gases forced up through the iron ore, coke and limestone that load the furnace.

Coils
Steel sheets that have been wound.

Coke
The basic fuel consumed in blast furnaces when smelting iron, coke is a processed form of coal.

Coking coal
A grade of coal that meets the requirements for making coke. It must have a low ash and sulphur content and form a coke that is capable of supporting the charge or iron ore and limestone in a blast furnace.

Cold-rolling
Cold-rolling occurs with the metal below its re-crystallisation temperature (usually at room temperature), which increases the strength via strain hardening up to 20%. It also improves the surface finish and supports tighter tolerances. Cold-rolled products typically include sheets, coils and strips.

Continuous improvement (CI)
An aspect of lean manufacturing, CI encompasses various changes in business processes that aim to improve operational results by taking a systematic approach to analysing problems and finding solutions throughout an organisation.

Crude steel
Steel in the primary form of hot molten metal.

Crusher and conveyor system
A transportation system used to move bulk materials from mine shafts to the surface for further processing.

Downstream
In manufacturing, this term refers to processes that happen later in a production sequence or production line.

Environmental Impact Identification (ENVID)
A systematic approach designed to identify and reduce the risk of incidents that can damage the surrounding environment, and to limit the environmental impact throughout the production process.

Enterprise Resource Planning (ERP)
An integrated system of software applications used by companies to monitor all core aspects of their business, such as purchasing to manufacturing to sales, facilitating information sharing and allowing managers to make decisions informed by a global view of what is happening across the supply chain.

Fe content
The chemical symbol for iron, Fe, comes from the Latin word ferrum. Fe content refers to the iron content of an ore.

Ferroalloy
A metal product commonly used as a raw material feed in steelmaking, usually containing iron and other metals that improve the physical and chemical properties of the final steel product.

Finished products
Products obtained by hot-rolling or forging semi-finished steel (blooms/billets/slabs). They comprise two broad categories, namely long and flat products.

Flat products
Steel products that are formed by rolling with smooth surfaces and a range of dimensions, varying in thickness and width. They are used in the automotive and white goods industries, in the production of large welded pipes, and in shipbuilding, construction, infrastructure and boilers. They include hot-rolled quarto plates, hot-rolled heavy plates, and hot-rolled, cold-rolled and hot-dip galvanised sheets and coils.

Galvanised steel
Steel coated with a thin layer of zinc to provide corrosion resistance.

Hard coking coal (HCC)
Hard coking coal is a type of coking coal with better coking properties than semi-soft coking coal.

Hazard and Operability Study (HAZOP)
A structured and systematic examination of a planned or existing process or operation, aiming to identify and evaluate problems that may represent risks to personnel or equipment, or prevent efficient operation.

Hazard Identification (HAZID)
A systematic approach designed to identify and reduce the risk of dangerous incidents, and to ensure safety throughout the production process.

Heavy plate
A steel sheet with a width of up to 5 m and a thickness of at least 5 mm. It is mainly used for construction, heavy machinery, shipbuilding or large-diameter pipes.

Hot-rolling
Hot-rolling is a process that is used to shape metal. Typically, semi-finished products are heated to above their re-crystallisation temperature and processed. After the grains deform, they re-crystallise.

Human resources (HR)
Human resources broadly refers to the people who make up the workforce of a company, while also frequently referring to the human resources management function within the company responsible for ensuring the recruitment and retention of qualified employees, managing goal setting and assessments, overseeing the process of training and further education to meet company requirements and employee potential, as well as other processes required to maintain an effective workforce.

Integrated steelmaking plant
A steel plant using iron ore as the basic raw material for the production of crude steel, which is further rolled into finished shapes in-house. Conventionally, these plants also have captive coke ovens, and the sensible heat of the outgoing gases from iron/coke making is used as fuel for various applications. They therefore includes units with in-house coke making (optional) and iron making, followed by the production of crude steel and finished steel. Thus, all integrated steel plants adopting the BF-BOF route and major producers adopting Corex-BOF, DRI-EAF or MBF-EOF technology fall into this category of mill.

Iron ore
A mineral containing enough iron to be a commercially viable source of the element for use in iron making.

Iron ore concentrate
Iron ore containing the valuable minerals of an ore from which most of the waste material has been removed.

Iron ore pellets
An enriched form of iron ore shaped into small balls or pellets, which are used as raw material in the iron making process.

JORC Code
The 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Lean manufacturing
An approach to manufacturing processes that focuses on creating value for the end user and eliminating waste that has no value.

Limestone
An organic sedimentary rock used in the blast furnace to form slags, which are then used in construction and other applications.

Long products
A classification of steel products that includes hot-rolled sections (light, medium, heavy), debars, merchant bars and wire rods that are 'long' rather than 'flat' and made from blooms or billets.

LOTOTO
Lock out, tag out, try out: a standard that is used to isolate hazardous energy during repair and maintenance work.

Lost time injury frequency rate
An internationally recognised safety indicator, the LTIFR is the ratio of lost-time injuries per million hours worked. It is calculated using the total number of incidents leading to the loss of one day/shift or more from work.

Lurgi machine
One of the first types of facilities for roasting sulphur-bearing materials and concentrates, a key step in the production of metals and chemicals.

Mineral
A natural, inorganic, homogenous material that can be expressed by a chemical formula.

Mineral resources
The concentration of material of economic interest in or on the earth's crust.

Open-hearth furnace (OHF)
A broad, shallow hearth used to refine pig iron and scrap into steel. Heat is supplied from a large flame over the surface, and the refining takes seven to nine hours.

Pelletising
Pelletising is the process of compressing or moulding a product into the shape of a pellet. Doing so with iron ore produces spheres of typically 8–18mm (0.31–0.71") in diameter. The process combines agglomeration and thermal treatment to convert the raw ore into pellets with characteristics appropriate for use in a blast furnace. As iron ore, which is transported over a large distance, becomes powder due to friction, it is first sintered and then compressed into pellets.

Pelletising machine
A pelletising machine has a rotatable matrix disc, a variety of vertically adjustable pressing rollers that control the position of the upper and lower plungers, a drive for adjusting the height of the rollers, a housing accommodating the drive and a bearing block supporting the pressing roller. It is connected with the housing and can be released.

Permit-to-work procedure
A process used to control work that is identified as possibly hazardous.

Pickling line
A production process that removes from steel unwanted oxidised iron (scale) that is formed in the hot-rolling process. Pickling uses hydrochloric acid to remove scale, while other chemicals are used to prevent the acid from harming the steel itself.

Pig iron
Crude iron obtained directly from the blast furnace and cast in moulds.

Platts IODEX
Platts assesses the daily transaction value of seaborne iron ore sold in the spot market and imported into China. The benchmark assessment is based on a standard specification of iron ore fines with an iron (Fe) content of 62%. As a benchmark, it acts as an 'index' from which to price other grades and has been termed the Platts IODEX.

Pulverised coal injection (PCI)
Technologies whereby pulverised/granulated/dust coal is injected into the blast furnace through the tuyeres along with the blast to replace natural gas and a part of the coke requirement.

Public relations (PR)
Communications between an organisation and third parties, in particular members of the general public, aimed at communicating both a positive impression of the organisation and its activities and identifying and addressing negative perceptions. PR uses mass and targeted media as well as public events and other outreach.

Glossary and Abbreviations continued

Reserves (proven, probable, recoverable)
Proven ore reserves are the economically mineable part of a measured mineral resource. They include diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate that, at the time of reporting, extraction could reasonably be justified.

Probable ore reserves are the economically mineable part of an indicated mineral resource and, in some circumstances, a measured mineral resource. They include diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate that, at the time of reporting, extraction could reasonably be justified.

'Recoverable reserves' are an estimate of how much recoverable coal/ore is still left in already found deposits. It can only be an estimate since it is impossible to know exactly how much coal/ore is still in the ground. Because of this uncertainty, reserves are calculated with a certain probability. A reserve estimate followed with, for instance, 'P90' indicates a 90% chance that there is at least as much recoverable coal/ore as the reserve estimate claims.

Roasting machine
One of the types of equipment used to extract iron from iron ore. Such machines usually have variable temperatures so that they can process different types of ore.

Rolled products
Steel produced to a desired thickness and shape by being passed through a set of rollers.

Scrap
Steel waste that is not usable in its existing form and is re-melted to produce crude steel or sold. Depending on its form and type, it is classified as heavy melting scrap, light melting scrap or turnings/borings, etc.

Sections
Blooms or billets that are hot-rolled in a rolling mill to form shapes including 'L', 'U', or 'T', among others. Sections can also be produced by welding together pieces of flat products. They can be used for a wide variety of purposes in the construction, machinery and transportation industries.

Semi-finished products
A product category that includes pig iron, slabs, blooms and billets, the first solid forms in the steelmaking process. Slabs, blooms and billets are further processed to become more finished products, including debars, structural steel and wire rod.

Sinter
An aggregate that is normally produced from relatively coarse fine iron ore and various metallurgical return wastes used as an input/raw material in blast furnaces.

Slab
The most common type of semi-finished steel. Traditional slabs measure 18–25 cm thick x 75–225 cm wide, and are usually about 6–12 m long, while the output of recently developed 'thin slab' casters is approximately 5 cm thick. Subsequent to casting, slabs are sent to hot-strip mills to be rolled into coiled sheet and plate products.

Square billet
A semi-finished steel product with a square cross section of up to 150 mm x 150 mm. This product is either rolled or continuously cast and is further processed by rolling to produce finished long products.

Wire
A broad range of products produced by cold and hot-rolling, or by drawing wire rod through a series of dies to reduce the diameter and improve surface finish, dimensional accuracy, and physical properties. Typical applications include nets, screws, rivets, upholstery springs, furniture wire, concrete wire, electrical conductors, rope wire and structural cables.

Wire rod
Formed from billets, wire rods in coils are an intermediate product with a uniform round cross section dimension.

COMPANY ABBREVIATIONS

Avdiivka Coke
PJSC Avdiivka Coke Plant

Azovstal
PJSC Azovstal Iron and Steel Works

Central GOK
PJSC Central Iron Ore Enrichment Works

Donetsk Coke
PJSC Donetsk Coke Plant

Ferriera Valsider
Ferriera Valsider S.p.A.

Ilyich Steel
Ilyich Iron and Steel Works

Ingulets GOK
PJSC Ingulets Iron Ore Enrichment Works

Inkor Chemicals
Scientific and Manufacturing Association 'Inkor and Co' LLC

Khartsyzk Pipe
PJSC Khartsyzk Pipe Plant

Komsomolske Flux
PJSC Komsomolske Flux Plant[21]

Krasnodon Coal
PJSC Krasnodon Coal Company

Metinvest
Metinvest Group

Metinvest Eurasia
Metinvest Eurasia LLC

Metinvest International
Metinvest International SA

Metinvest-Resource
Metinvest-Resource LLC

Metinvest-SMC
Metinvest-SMC LLC

Metinvest Trametal
Metinvest Trametal S.p.A.

Metinvest-Ukraine
Metinvest Ukraine LLC

Northern GOK
PJSC Northern Iron Ore Enrichment Works

Promet Steel
JSC Promet Steel Plant

SCM
JSC System Capital Management

Metinvest-Shipping
Metinvest-Shipping LLC

Smart
JSC Smart Holding

Spartan UK
Spartan UK Limited

United Coal
United Coal Company LLC

Yenakiieve Steel
PJSC Yenakiieve Iron and Steel Works and JV Metalen LLC

Zaporizhia Coke
PJSC Zaporizhia Coke Plant

Zaporizhstal
PJSC Zaporizhstal Iron and Steel Works

OTHER TERMS

ACCA
Association of Chartered Certified Accountants

CAPEX
Capital expenditure

CFA®
Chartered Financial Analyst

CIS
Commonwealth of Independent States

CSR
Corporate social responsibility

EBITDA
Earnings before income tax, depreciation and amortisation

ECA
Export credit agency

GRI
Global Reporting Initiative

HSE
Health, safety and the environment

IMF
International Monetary Fund

ISO
International Organisation for Standardisation

JSC
Joint-stock company

KPI
Key performance indicator

KT
One thousand metric tonnes

LTIFR
Lost time injury frequency rate

LLC
Limited liability company

MENA
Middle East and North Africa

MT
One million metric tonnes

OHSAS
Occupational Health and Safety Advisory Services

PJSC
Public or private joint-stock company

SEA
Southeast Asia

TSI
The Steel Index

WSA
World Steel Association

21 Komsomolske Flux is a private joint-stock company, while all of the other PJSCs listed are public.

Notes

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