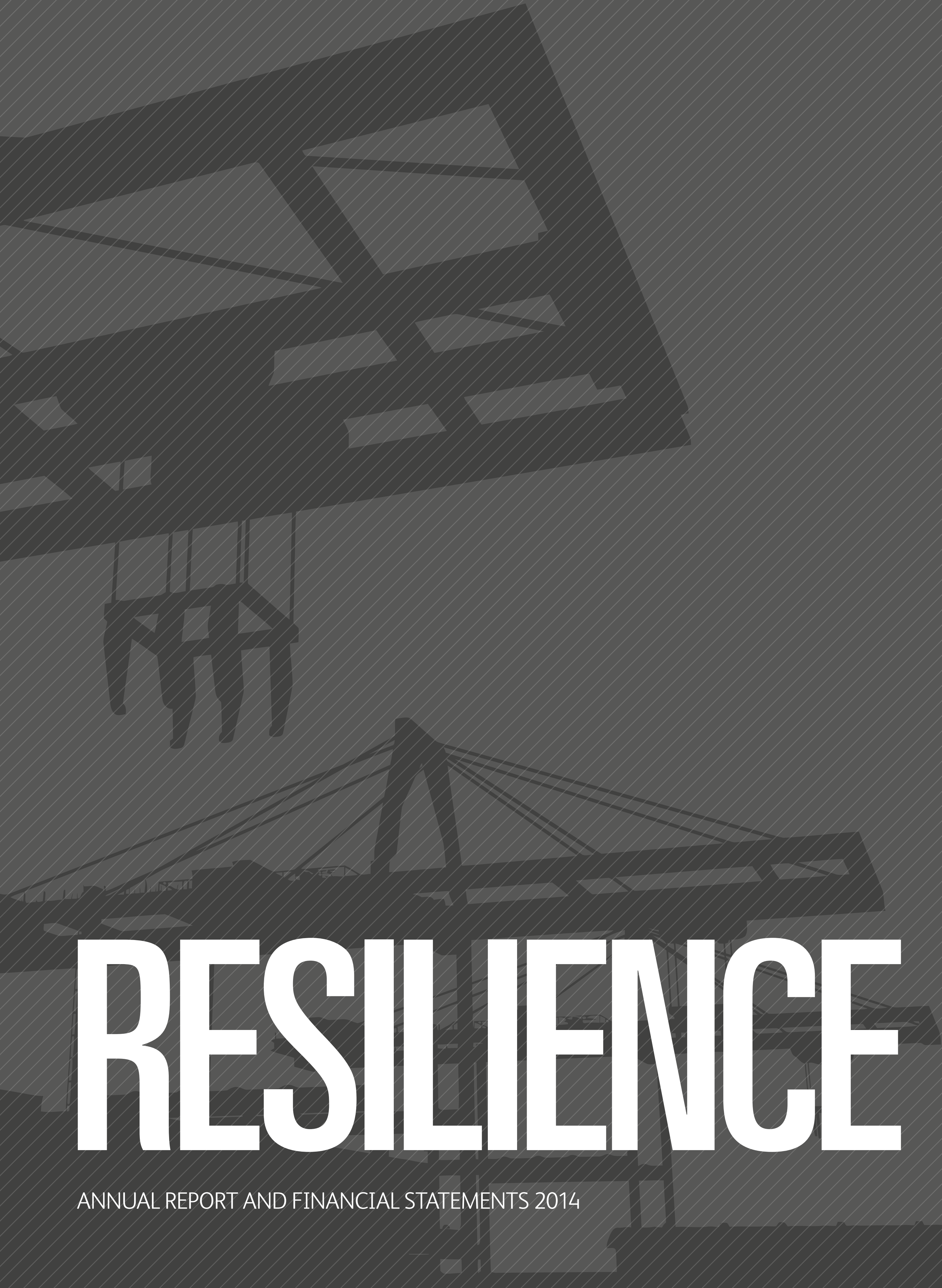

METINVEST®

RESILIENCE

ANNUAL REPORT AND FINANCIAL STATEMENTS 2014

WE ARE METINVEST, AN INTERNATIONAL, VERTICALLY INTEGRATED STEEL AND MINING GROUP WITH ASSETS IN UKRAINE, EUROPE AND THE US. WE MANAGE EACH LINK OF THE PRODUCTION CHAIN: FROM MINING IRON ORE AND COAL AND PRODUCING COKE TO MANUFACTURING VALUE-ADDED STEEL PRODUCTS.

CONTENTS

For further information visit our website
www.metinvestholding.com

#2
Iron ore producer in the CIS

#6
Steel producer in the CIS

#9
Iron ore producer in the world

#33
Steel producer in the world

STANDING UP TO THE CHALLENGE

In 2014, Metinvest delivered a resilient performance in the face of enormous geopolitical and economic difficulties in its domestic market and headwinds in the global markets for steel and raw materials. The Group's performance ensured that it remains on track to achieve its goal of becoming a leading European steelmaker.

COMPLETION OF MERGER OF SCM AND SMART HOLDING'S STEEL ASSETS

In July 2014, SCM and Smart Holding completed the merger of their metals and mining assets into the jointly managed Metinvest B.V., concluding the transaction with an additional share issue in favour of Smart Holding. The two parties also signed a shareholder agreement outlining the relevant and proportional corporate governance rights of each in Metinvest B.V. This marks the completion of a seven-year process and makes Metinvest's corporate governance structure more transparent and efficient.

MAINTAINING CONTROL OF ASSETS IN EASTERN UKRAINE

Despite unprecedented challenges, Metinvest maintained control of all of its assets in Donetsk and Luhansk regions, the two areas directly affected by the conflict in Eastern Ukraine. Metinvest maintained the physical integrity of its major steelmaking assets. However, raw material shortages caused by damage to transportation infrastructure impacted the operations of its steelmaking and coking assets.

CONTINUED IMPLEMENTATION OF TECHNOLOGICAL STRATEGY

Despite funding constraints and a difficult operating environment, Metinvest was able to keep its Technological Strategy on track in 2014 and carried out US$613 million in capital expenditures to make production more efficient and reduce its environmental footprint. By doing this, the Group ensures that it continues to pursue its long-term strategy while maintaining profitability.

CONTRACTUAL DEBT REPAYMENTS MET DESPITE CHALLENGING CIRCUMSTANCES

Despite very difficult circumstances and thanks to still significant cash generation, Metinvest managed to fulfil the large volume of contractual principal amortisation falling due in 2014, repaying US$1,520 million of debt. As a result, the Group reduced its total debt by 25% during 2014. Metinvest's leverage, as measured by total debt to EBITDA fell to 1.2x as of 31 December 2014, compared with 1.8x a year earlier.

EXCHANGE OFFER FOR 2015 NOTES

Anticipating further deterioration in market and operating conditions and liquidity wall risk for 2015, Metinvest launched an offer to exchange its May 2015 guaranteed notes for new notes due in November 2017. Holders of 77.3% of the notes participated in the debt exchange offer.

OPENING OF NEW RETAIL WAREHOUSES FOR STEEL PRODUCTS

Metinvest continued to expand its sales presence, opening three retail warehouses in Ukraine (Kharkiv, Kyiv Region and Mykolaiv) and a sales office in Romania. The expansion of the sales network allows the Group to better meet the needs of customers and to increase its presence as a preferred supplier in regions with long-term growth potential.

APPROVAL OF NEW FIVE-YEAR HSE PROGRAMME

In 2014, Metinvest approved a new, five-year health, safety and environment (HSE) programme designed to improve the systems for occupational health, workplace safety and environmental impact, including quantifiable goals to measure progress. The programme aims to build on the steady decline in fatalities and injuries in the Group's plants and continued progress in reducing environmental impact achieved in recent years through steady investment in technology and training.

LAUNCH OF 'WE IMPROVE THE CITY' SOCIAL INVESTMENT COMPETITION

Metinvest launched the 'We Improve the City' social investment competition in nine cities in Donetsk, Dnipropetrovsk and Luhansk regions in 2014. The programme embodies the Group's approach to investing in local communities by using innovative and efficient approaches by involving local residents in deciding which projects should receive funding.

REVENUES

US$10,565m

-18%

Revenues fell by 18% year-on-year as a result of disruptions to the Group's operations in Eastern Ukraine and challenging conditions in global iron ore and steel markets.

ADJUSTED EBITDA[1]

US$2,702m

+14%

Metinvest achieved strong growth in EBITDA due to a much stronger contribution from the Metallurgical division, a still-decent result from the Mining division, solid contributions from the joint ventures and the efforts to maximise margin.

TOTAL DEBT TO EBITDA

1.2x

-0.6x

As total debt fell by 25% and EBITDA rose by 14%, the total debt to EBITDA ratio improved from 1.8x to 1.2x in 2014.

CAPITAL EXPENDITURE

US$613m

-18%

In difficult circumstances, Metinvest managed to significantly reduce its CAPEX in 2014 and will continue to focus future spending on key projects to preserve cash going forward.

CRUDE STEEL PRODUCTION

9,205kt

-26%

In the second half of 2014, crude steel production slumped by 39% compared with the first half, which substantially impacted annual production. This was due to disruptions of raw material supplies and damage to some facilities and their power supplies caused by the conflict in Eastern Ukraine.

IRON ORE CONCENTRATE PRODUCTION

34,888kt

-6%

Iron ore concentrate production fell modestly year-on-year, due to weather conditions in the first quarter and some infrastructure problems in the second half of the year.

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

VALUE IN OUR RESILIENCE, STRENGTH IN OUR COLLECTIVE EXPERIENCE

Metinvest faced a series of fundamental challenges in 2014. The strength and experience of our team, the right long-term strategy and our proven business model allowed us to address these head on. As a result, we endured the most difficult year in our history and preserved the business for all of our stakeholders.

Challenges and Responses

LOGISTICS

The conflict in Eastern Ukraine led to disruptions of raw material supplies to our steelmakers and shipments of steel products to our customers. Our Logistics and Purchasing function responded quickly and we developed alternative supply channels using alternative rail routes and re-opening decommissioned lines, as well as using seaborne deliveries. To make up for a shortage of coal from our Ukrainian mines, we sourced additional coal from our US mine and from third parties worldwide.

Page 02

Challenges and Responses

PRODUCTION AND SALES

Interruptions to our raw material supplies resulted in a 39% decline in our crude steel production in the second half of the year. As a consequence, steel sales and consumption of iron ore products by our steelmakers declined. Moreover, our iron ore plants experienced falling demand from our domestic customers. In response, we increased the efficiency and accuracy of our planning function, Sales and Operational Planning, to identify the right product and market combinations to maximise margin and minimise risk for stockpiling, as well as to ensure that we make the most effective use of our available resources.

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Challenges and Responses

DOWNSTREAM INTEGRATION

Prices for raw materials, including iron ore and coking coal, hit multi-year lows in 2014, falling faster than steel prices, with margins shifting from raw materials to steel products as a result. With our high degree of self-sufficiency in raw materials, we had to ensure the most efficient use of our vast resource base. We were able to make effective use of additional steel production capacity added in the last few years, and the contribution of the Metallurgical division to Group EBITDA jumped significantly.

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Challenges and Responses

DEBT LIABILITIES

In 2014, Metinvest was unable to access international markets to refinance its debt due to their effective closure to Ukrainian borrowers, including Metinvest, amid the political and economic instability in the country. In response, Metinvest fulfilled its obligations in full, repaying a record US$1,520 million of debt using cash flows generated by its operations. Moreover, Metinvest managed to reduce debt payments coming due in 2015 by exchanging 77.3% of its 2015 guaranteed notes for new notes due in 2017 and extending the maturity of its seller notes to 2016.

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Challenges and Responses

Challenge

LOGISTICS

The conflict in Eastern Ukraine presented us with enormous logistics challenges, as traditional rail supply routes for several assets were damaged or destroyed during 2014. This created major bottlenecks and affected our ability to supply raw materials to our steelmakers and ship steel products to our customers.

DAMAGE TO KEY INFRASTRUCTURE

Beginning in late spring 2014, amid the conflict in Eastern Ukraine, key railway supply routes to our production assets were damaged or destroyed, while other facilities were disabled due to damage to electricity lines and substations. The subsequent logistical bottlenecks led to a significant drop in our production of coal, coke and crude steel.

The Donetsk railway suffered more than 200 incidents of significant damage and lost up to 80% of its throughput capacity. In particular, the railway stations of Yasynuvata, Ilovaysk and Debaltseve were severely damaged. Power cuts affected several rail links: Avdiivka to Yasynuvata, Donetsk to Elenivka and Yasynuvata to Skotovata.

The Yasynuvata, Ilovaysk and Debaltseve railway stations are critical hubs for supplies for three of our major assets: Yenakiieve Steel, Khartsyzk Pipe and Krasnodon Coal. Damage to them prevented the supply of raw materials to Yenakiieve Steel and strip to Khartsyzk Pipe, and shipments of finished products from them, and they were temporarily shut down. Shipments of products from Krasnodon Coal were sharply restricted, leading to overstocking of the mine's warehouses.

IMPACT ON MARIUPOL STEEL ASSETS

The greatest impact of the partial destruction of these railway stations was on our ability to supply raw materials to our two Mariupol steelmaking plants, Azovstal and Ilyich Steel. This issue was compounded in late December, when a critical railway bridge linking Mariupol seaport and the city's main railway station was destroyed. In August-December 2014, the two plants received around 30% of their raw materials from the port and shipped more than 60% of their steel products via it.

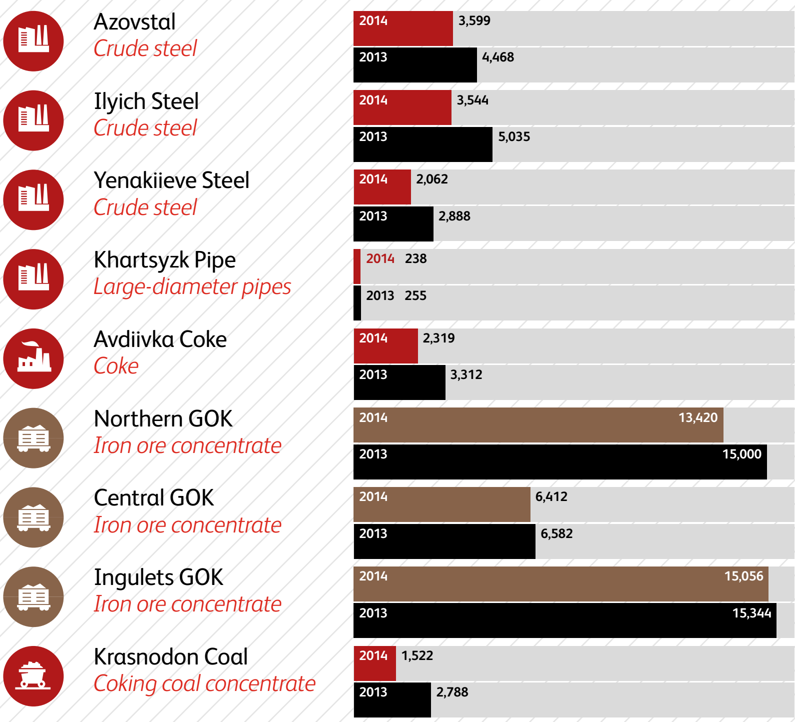
READ ABOUT OUR
RESPONSE TO THIS
CHALLENGE OVER PAGE

Response

Painstaking work to develop alternative supply routes of raw materials kept our steelmaking plants in Mariupol and Yenakiieve productive. Our ability to develop alternative supply channels using rail also allowed us to maintain production at both steel assets in Mariupol in the second half of 2014 and restart production at Yenakiieve Steel in early 2015.

METINVEST'S KEY OPERATIONS IN UKRAINE

2013-2014 production (kt)



ALTERNATIVE ROUTES

Our ability to build a highly efficient organisation to carry out centralised logistics and purchasing for the Group allowed us to find the best solutions to the major challenges presented by damaged infrastructure. Working closely with Ukrainian Railways and the port authorities, we developed alternative supply channels using rail and seaports, and around 5.5 million tonnes of raw materials were shipped to Mariupol assets via these routes between August and December.

To address the disruption of key lines and stations in the conflict region, we made use of alternative lines and worked with Ukrainian Railways to re-open decommissioned lines. In this way, we were able to ship via various lines: Polohy-Kamysh-Zaria-Volnovakha to Mariupol, Krasnoarmiisk-Ocheretyno to Avdiivka, Krasny Lyman-Yasynuvata to Yenakiieve Steel and Rodakovo-Krasny Lyman from Krasnodon Coal.

In addition, we organised seaborne shipments via Mariupol seaport and the port at Azovstal, arranging coastal shipping of iron ore from the ports of Berdyansk and Odesa and imports of coking coal by transferring coal from Capesize and Panamax to smaller vessels outside the port limits at Yuzhny. This unprecedented volume of goods, which pushed Ukrainian ports to their capacity limits, required dedicated work to manage port operations and remove bottlenecks.

To compensate for a shortage of coal from our Ukrainian mines, we used seaborne deliveries, increasing the share of seaborne coking coal from United Coal in total intragroup consumption from 14% in 2013 to 17% in 2014. We also increased the share of purchases of external coking coal from 63% to 67%. In 2014, we bought coal from third parties in Ukraine, Australia, Canada, Colombia, Russia and the US.

Through these efforts, which also included the use of road deliveries after the damage to the Mariupol railway bridge in December, Metinvest managed to maintain production at Azovstal and Ilyich Steel at around 60% and 80% of their respective capacities. In addition, we were able to resume operations at Yenakiieve Steel in March 2015.

The fall in steel output at our facilities, which reduced their consumption of iron ore, as well as declining steel production by other Ukrainian plants that buy our iron ore, left excess iron ore products for sale to external markets, mainly to China. Shipments were made from Ukrainian deep-water ports on the Black Sea.

Challenge

PRODUCTION AND SALES

A major challenge in the second half of 2014 was to counteract the drop in overall sales of steel and iron ore products, caused by bottlenecks in raw material deliveries to our steel plants in Eastern Ukraine and operational disruptions for our iron ore customers in the region.

–26%

Crude steel production year-on-year

–6%

Iron ore concentrate production year-on-year

FALLING PRODUCTION

The suspension of operations at Krasnodon Coal and Avdiivka Coke in the second half of the year, coupled with disruptions to key railway lines, limited supplies of coal and coke products to our steelmaking plants in Eastern Ukraine. None of our iron ore production assets were damaged by the conflict, although shipments from them faced associated logistical challenges.

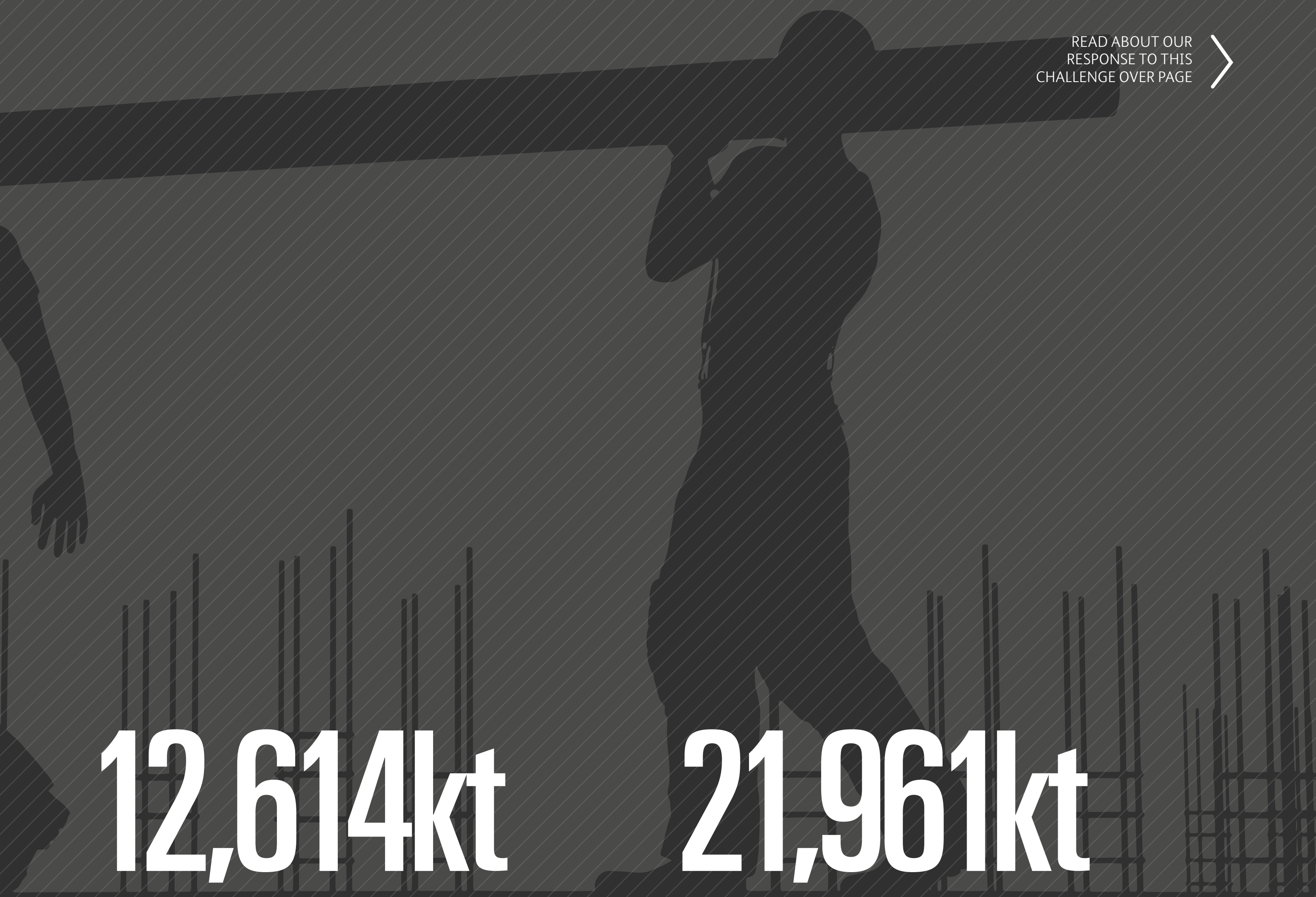
In addition, the local impact of the conflict, coupled with difficulties maintaining rail and power communications, caused us to suspend production at Yenakiieve Steel and Khartsyzk Pipe and reduce output at Azovstal and Ilyich Steel in Mariupol. The combined effect of these factors led to a 39% decline in steel production in the second half of the year, compared with the first six months.

NEED TO OPTIMISE CAPACITY

Also during the year, our iron ore plants experienced disruptions in production and falling demand from some Ukrainian customers due to the conflict. In the first quarter, poor weather affected production at our assets. In the second half, restricted power supplies and infrastructure challenges impacted overall iron ore production. At the same time, clients in Eastern Ukraine experienced major operational disruptions.

While these issues affected our output of steel and iron ore products, logistical bottlenecks also left us with significantly higher stocks. As a result, we faced the challenge of optimising our available production capacity to find the right product and market combination to meet our internal requirements, satisfy customers' needs and maximise our profit margin.

READ ABOUT OUR RESPONSE TO THIS CHALLENGE OVER PAGE



12,614kt

Steel product sales

21,961kt

Iron ore product sales

Response

We have increased the efficiency of our Sales and Operational Planning (S&OP) function, which allows us to react faster and more decisively to the volatile external environment and maximise the margins from our reduced iron ore and steel production capacity.

ENHANCED PLANNING

Our response to the challenge posed by declining production and bottlenecks was to increase the efficiency of our Sales and Operational Planning (S&OP) function. It provides a centralised and cross-functional approach to production and sales planning, one capable of reacting to an uncertain and rapidly changing environment.

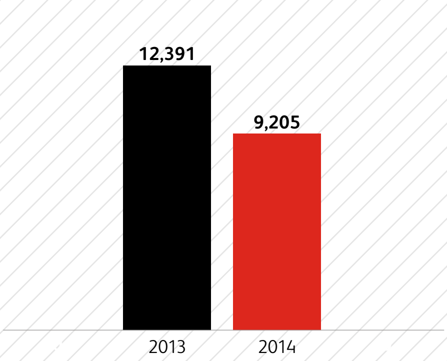
In the second half of the year, our major task was to conduct detailed planning of the production process for steel and iron ore products. In a highly uncertain and changing operating environment, our focus was to improve accuracy in planning and forecasting different scenarios according to potential external factors. Understanding these scenarios allowed us to quickly adjust to changing circumstances, and we achieved an accuracy level of 98%.

Our production planning required us to find the right balance for the ratio of finished versus semi-finished steel products, of iron ore concentrate versus pellets and of iron ore products required for internal consumption versus external sales.

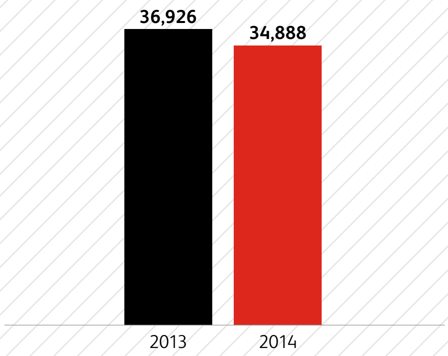
In creating the production programme, we focused on selecting the right combinations of products and geographic markets that maximised margin and minimised potential for stockpiling. Given the constraints on our production capacity, this also enabled us to make the most efficient use of our available resources. For instance, we were able to divert iron ore products intended for Ukrainian third parties for sale in Asia: the share of Ukraine in iron ore product sales fell from 49% in 2013 to 40% in 2014, while that of China rose from 38% to 50%. In Ukraine, amid overall falling demand for steel products from such industries as construction and machine building, we concentrated on market segments with more sustained demand. Ukraine's share in sales of steel products fell from 16% in 2013 to 12% in 2014, while that of Europe increased from 31% to 35%.

As part of the process, the S&OP function developed a system for ranking our product portfolio based on sales according to contract terms and conditions. We also developed a plan for dealing with production, sales and deliveries working around bottlenecks. To increase the efficiency and accuracy of our work, we carried out a transition to single SAP planning platform through the accelerated rollout of the S&OP function at all assets.

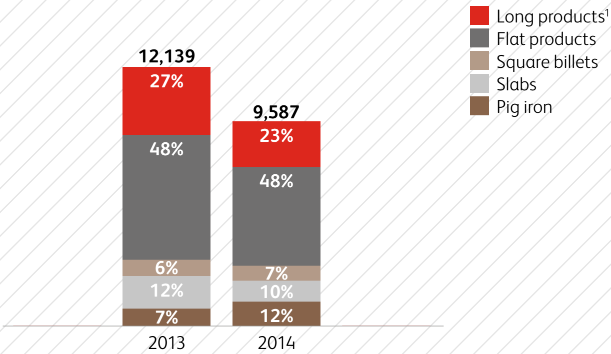
CRUDE STEEL PRODUCTION (kt)



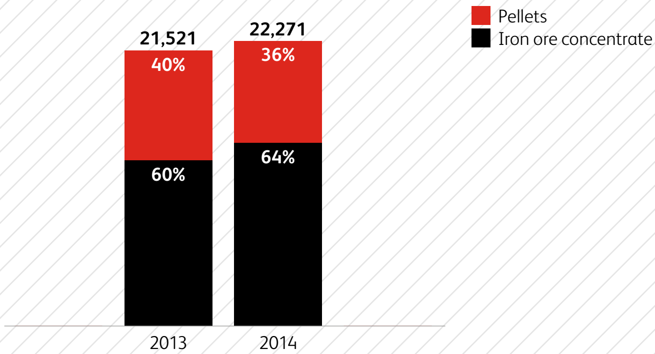
IRON ORE CONCENTRATE PRODUCTION (kt)



STEEL PRODUCT MIX (kt)



IRON ORE PRODUCT MIX (kt)[2]



1 Long products share in 2013 includes 2% share of railway products and 3% share of tubular products, and in 2014 includes 1% share of railway products and 3% share of tubular products
2 Excluding internal consumption

MANAGING RAW MATERIAL FLOWS

In planning production, we changed from a focused to a comprehensive approach to supplying raw materials, based on an understanding of the available resources and alternative supply channels.

We then promptly began diverting material flows as required by the operational and market situation.

As a result of these efforts, including the optimisation of the product portfolio to maximise profitability and improve working capital, as well as the integration of these priorities into the purchasing system, we increased the average profit margin by US$3 per tonne of steel.

In addition, to support production at the Group's iron ore plants, iron ore supplies were reoriented to maritime export. The average monthly volume of supplies via this route, including from our Southern GOK joint venture, increased by 47% year-on-year to 1.8 million tonnes in the fourth quarter of 2014. This increase required using the full capacity of Ukraine's deep-water ports.

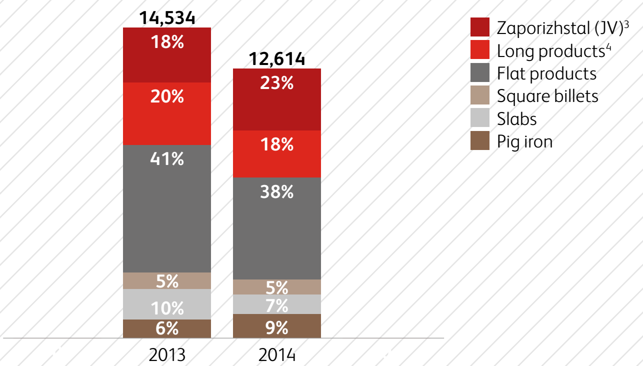
As part of compiling and updating the S&OP function's plan, we made the transition to operating cash flow planning. This substantially improved the quality of the Group's quarterly cash flow projections.

DECISIVE RESPONSE

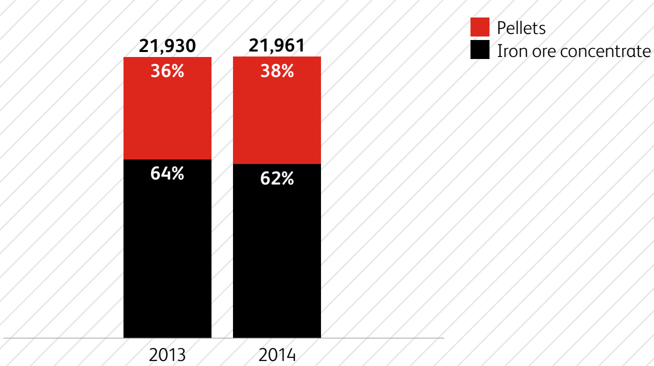
The presence of the S&OP function, and its success in managing the challenges facing our production and sales functions amid the conflict in Eastern Ukraine, is a reflection of the strength of our management team and its ability to act quickly and decisively to face new challenges. The work of the S&OP function as single supply chain management centre has enabled us to act quickly to optimise material flows, establish a balanced forecast and operational plan, enhance the manageability of the sales and production functions on a tactical level and ensure better flexibility in using alternative raw material sources and supply channels.

"In a highly uncertain environment, our focus was to improve accuracy in planning and forecasting."

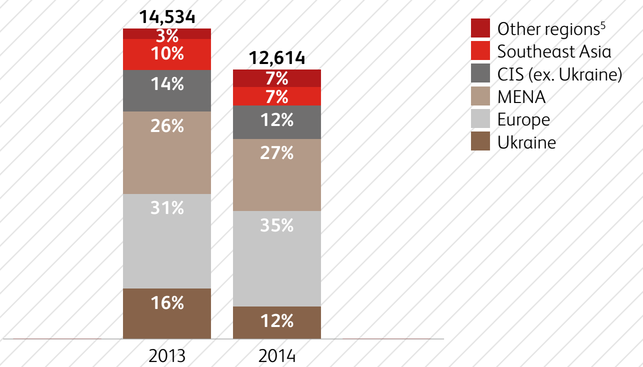
STEEL SALES BY PRODUCT (kt)



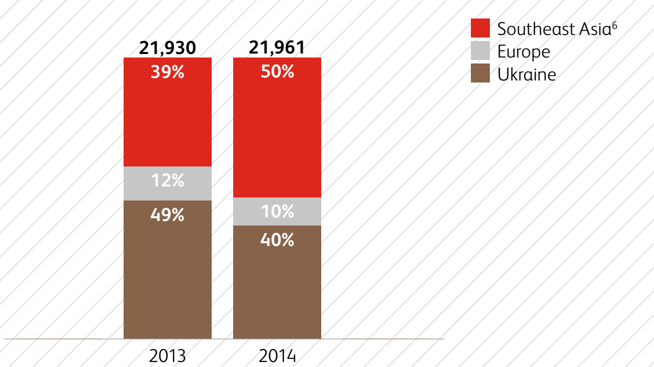
IRON ORE SALES BY PRODUCT (kt)



STEEL SALES BY REGION (kt)



IRON ORE SALES BY REGION (kt)



3 Metinvest purchased steel products from Zaporizhstal (a JV of Metinvest) for re-sale
4 Long products share in 2013 includes 2% share of railway products and 1% share of tubular products, and in 2014 includes 1% share of railway products and 2% share of tubular products
5 Other regions include North America and other
6 Southeast Asia share in 2013 includes 1% share of MENA

- Existing markets
- Operations
- Sales offices
- Rail delivery routes
- Sea delivery routes

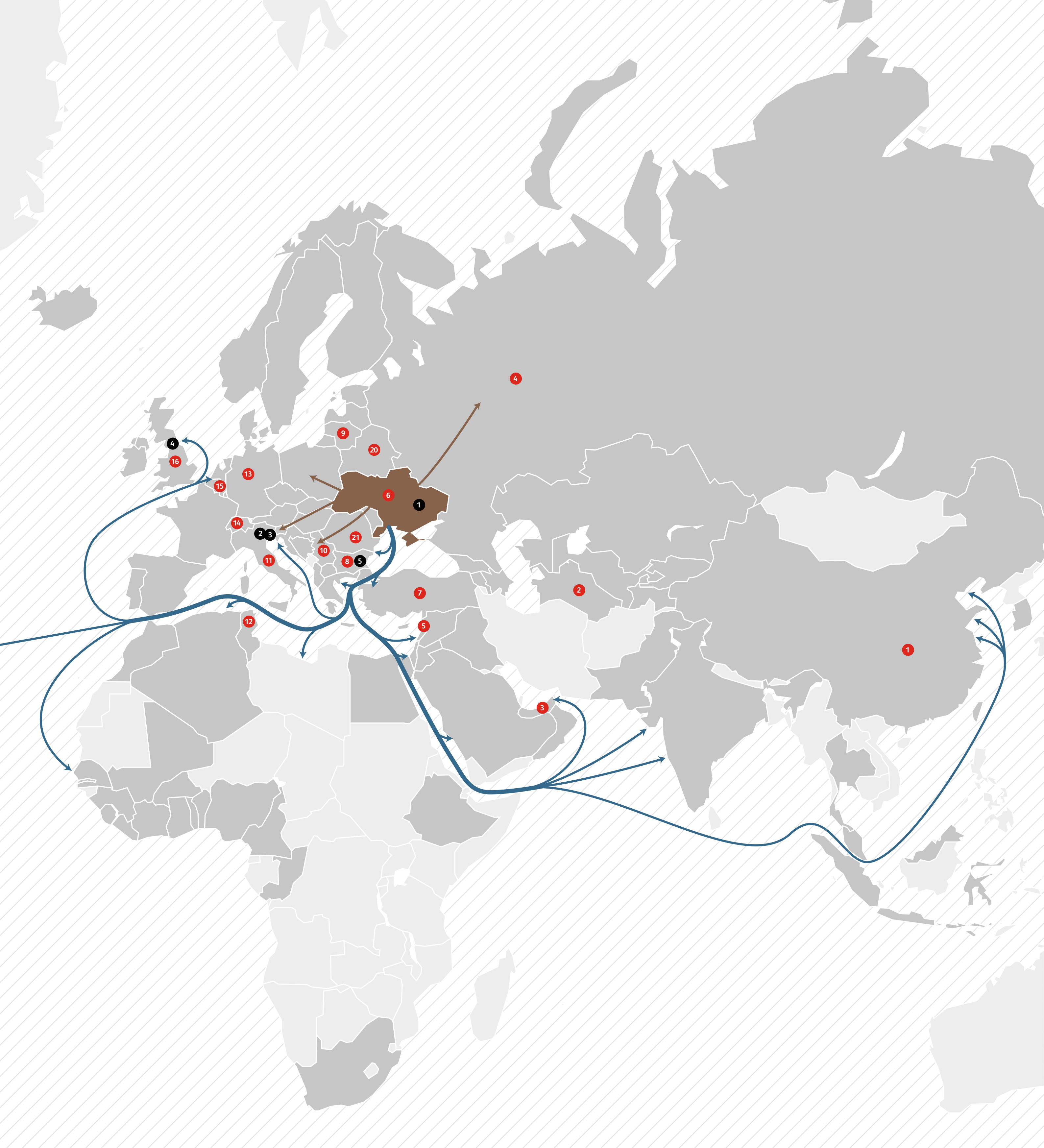
Metinvest's operations

1 Ukrainian operations

Azovstal
Ilyich Steel
Yenakiieve Steel
Khartsyzk Pipe
Avdiivka Coke
Zaporizhia Coke
Donetsk Coke
Northern GOK
Central GOK
Ingulets GOK
Krasnodon Coal

International operations

2 Ferriera Valsider
3 Metinvest Trametal
4 Spartan UK
5 Promet Steel
6 United Coal



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

Challenge

DOWNSTREAM INTEGRATION

We face a major challenge from the current global price environment, in which prices for iron ore are at multi-year lows amid overproduction worldwide. Against this backdrop, we constantly analyse how to optimise the use of our extensive iron ore and coal reserves as margins shift from the mining and production of raw materials to steelmaking.

39%

Metallurgical EBITDA contribution

US$1,123m

Metallurgical EBITDA

RECORD LOW PRICES

Global prices of raw materials collapsed in 2014, as the world's leading producers of iron ore opted to pursue volume-driven rather than price-driven strategies and a structural surplus emerged in the market. In this environment, the average benchmark price for iron ore decreased by 28% year-on-year to US$97 per dry tonne in 2014[1], while that for coking coal fell by 17% to US$115 per tonne[2]. Moreover, in December 2014, iron ore and hard coking coal prices hit their lowest levels in the last five years, of US$69 and US$112 per tonne, respectively.

Key factors driving the 49% slump in iron ore prices over the year and the accelerating decline in the fourth quarter, included increased supplies from Australian ore producers and weaker construction demand from the Chinese market amid cooling growth of the Chinese property market. In addition, mining companies saw lower energy and transportation costs in the fourth quarter due to falling prices for crude oil. For coal producers, the 17% drop in coking coal prices over the year was due to greater supplies from Australian miners amid lower global demand.

1 Platts IODEX (62% Fe spot, China)
2 Platts HCC Peak Downs, spot, FOB Australia
3 Prices for hot-rolled coil CIS export (FOB Black Sea) from the Commodities Research Unit

MARGINS SHIFT TO STEEL

Steel prices were under pressure in 2014 due to falling prices for raw materials and a rising supply of cheap steel products from China. Overall, steel prices experienced a moderate decline, the average benchmark reaching US$526 per tonne, compared with US$538 per tonne in 2013[3]. The comparatively faster decline in prices of raw materials has driven a clear shift in margins from raw materials to steel products.

As we are a vertically integrated steelmaker with a high degree of self-sufficiency in raw materials and opportunities to sell to third parties, this shift in margin raises the question of how to best manage our resources to deliver sustainable growth.

READ ABOUT OUR RESPONSE TO THIS CHALLENGE OVER PAGE

61%

Mining EBITDA contribution

US$1,754m

Mining EBITDA

Challenges and Responses
Downstream Integration continued

Response

Downstream integration allows us to maximise profitability from our raw material base through steelmaking, taking advantage of our control over the entire value chain to deliver strong EBITDA growth through our Metallurgical division, as we did in 2014.

UNLOCKING VALUE

Vertical integration allows us to manage every link of the value chain, from mining and processing iron ore and coal to making and selling semi-finished and finished steel products. In this context, downstream integration represents another key advantage derived from vertical integration, and uses our steelmaking capacity to make maximum use of our raw material base and capture margin through sales of semi-finished and finished steel products.

Our ability to divert more raw materials to our own steelmaking is due to additional capacity acquired by the Group in recent years, notably through the purchase of Ilyich Steel and our joint venture participation in Zaporizhstal. The more modest fall in steel prices compared with raw material prices allows us to maximise margin.

CAPTURING MARGIN

In 2014, consumption of our iron ore concentrate by our steelmaking assets fell slightly year-on-year to 29% of total iron ore concentrate output, as our production of hot metal fell amid the situation in Eastern Ukraine in the second half of the year.

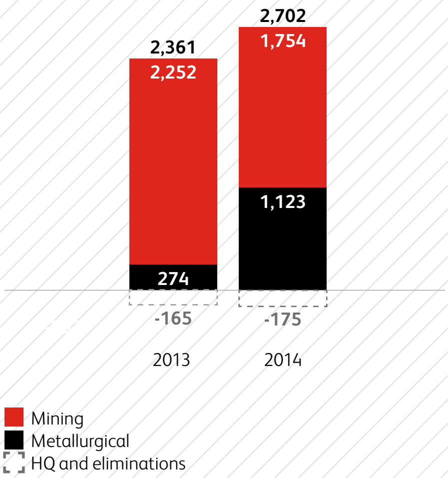
Consumption at the Zaporizhstal joint venture remained at 8% of overall output of iron ore concentrate. Despite this, our mills processed 10,180 thousand tonnes of iron ore concentrate and Zaporizhstal 2,836 thousand tonnes.

The result was enhanced EBITDA at our own steelmaking plants and Zaporizhstal. In 2014, EBITDA increased by US$435 million year-on-year at Azovstal, US$487 million at Ilyich Steel, US$171 million at Yenakiieve Steel and US$112 million at Zaporizhstal (our share of the joint venture).

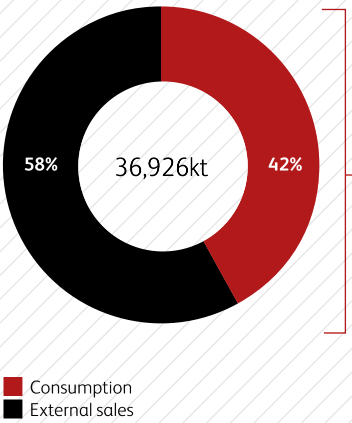
At the same time, we continue to sell iron ore externally to customers located primarily in Ukraine, Europe and China.

Consumption of our iron ore and coking coal by our steelmakers caused the contribution of EBITDA in 2014 to swing significantly from the Mining to the Metallurgical division. Before adjusting for eliminations and overheads, the latter's share of Group EBITDA jumped by 28 percentage points year-on-year to 39%. In absolute terms, the Metallurgical division's contribution to Group EBITDA rose to US$1,123 million in 2014, compared with US$274 million in 2013. Over the year, the Metallurgical division's EBITDA margin increased from 3% to 14%.

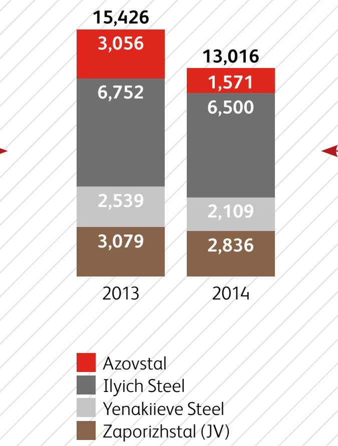
EBITDA CONTRIBUTION BY DIVISION (US$m)



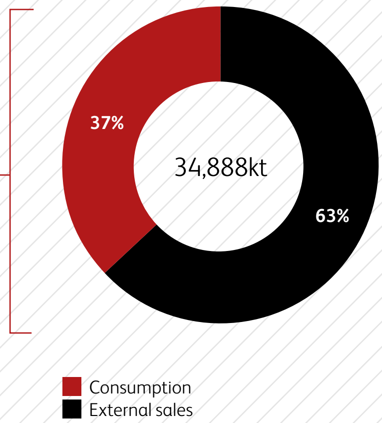
IRON ORE CONSUMPTION AND EXTERNAL SALES IN 2013



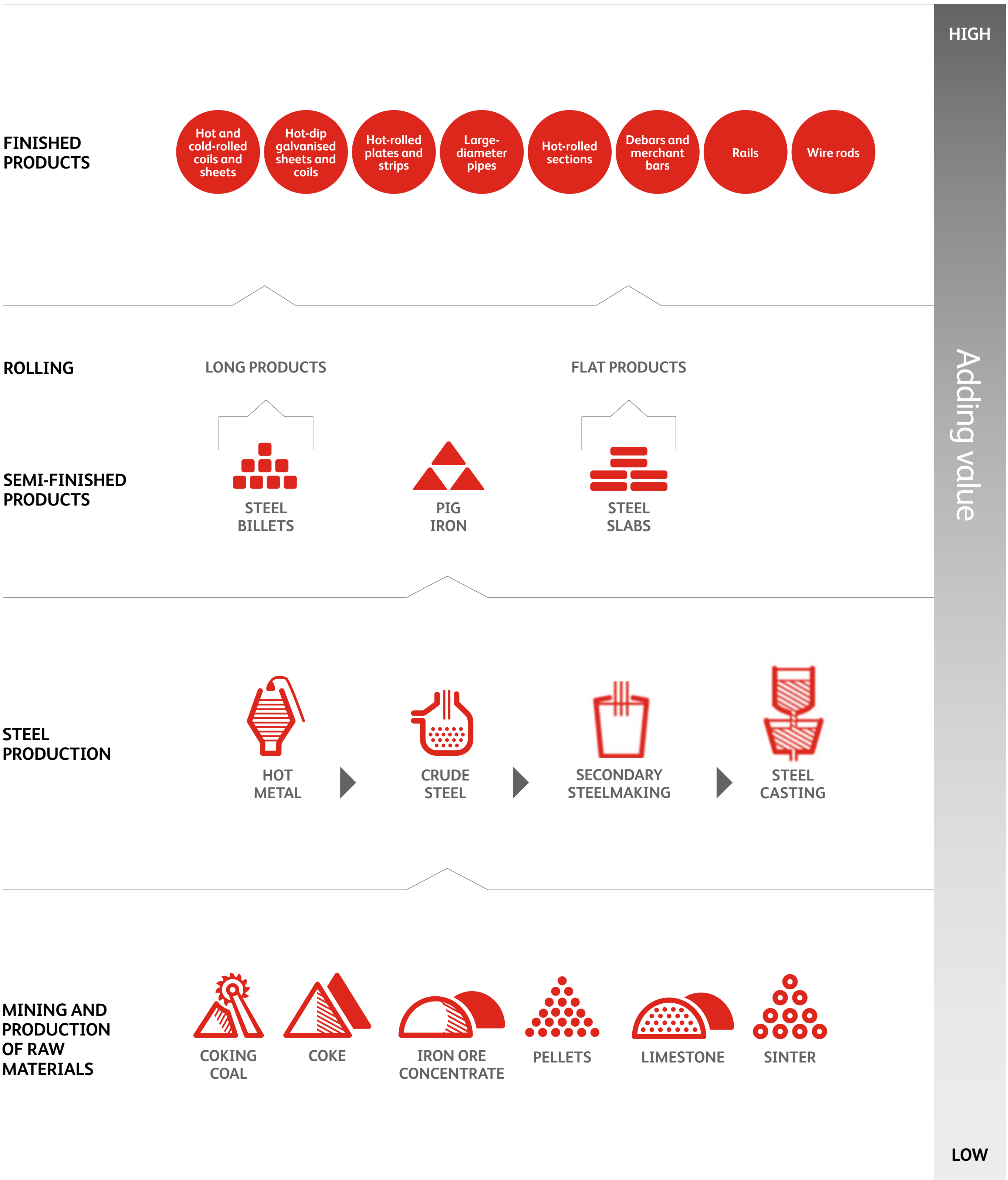
IRON ORE CONSUMPTION BY ASSET (kt)



IRON ORE CONSUMPTION AND EXTERNAL SALES IN 2014



VERTICAL INTEGRATION



Challenge

DEBT LIABILITIES

Metinvest has long maintained a conservative debt position. However, national economic and political instability since late 2013 and the conflict in Eastern Ukraine in 2014 have sharply limited our ability to obtain funding from international markets and reduced liquidity.

US$3,232m

Total debt

DIFFICULT MACRO CONDITIONS

Ukraine's finances were hit hard by domestic political and economic instability in 2014. Lower demand from international investors and limited liquidity in the domestic capital and debt markets have meant that businesses in Ukraine – including Metinvest, which has many assets in the country – have faced enormous challenges in obtaining new funding.

In addition, our business faced logistical challenges and production bottlenecks that led to lower production. Conditions in the global steel markets, including continued overcapacity, have reduced prices for steel products. Prices for iron ore have been unfavourable and hit multi-year lows. All of these factors contributed to an 18% decline in our revenues in 2014.

We began 2014 with total debt of US$4,308 million. Of this, we had short-term debt of US$1,808 million, including trade finance of US$911 million, which was due to be repaid during the year. Despite the challenges outlined above, we continued to make all scheduled debt repayments using cash flows generated by our operations.

REDUCED LIQUIDITY

Our inability to access the international capital markets meant that we could not refinance existing debt, which resulted in a shortfall in cash proceeds. Nonetheless, we honoured all scheduled payments in 2014. As a result, by the year-end, the Group's cash balance had fallen to US$114 million. This is abnormally low and we consider it to be inadequate in the ordinary course of our business. In addition, at the beginning of 2015, the risk of a partial or total loss of our trade finance facilities significantly increased.

READ ABOUT OUR RESPONSE TO THIS CHALLENGE OVER PAGE

US$1,520m

Debt repayment

Challenges and Responses
Debt Liabilities continued

Response

In 2014, despite very difficult circumstances and thanks to still significant cash generation, the Group managed to face the large volume of contractual principal amortisation falling due. Anticipating liquidity wall risk, we also took steps to reduce payments coming due in 2015 and we continue to work closely with our banks and bondholders to restructure our debt repayments sustainably.

CONSERVATIVE APPROACH

In 2014, Metinvest repaid US$1,520 million of its borrowings, including US$484 million in net trade finance borrowings, US$849 million in loan repayments, US$97 million in bond repayments and US$90 million in seller notes. As a result, total debt decreased by 25% year-on-year to US$3,232 million at year-end.

At the same time, the only new financing that Metinvest obtained in 2014 was a three-year, US$444 million loan from our shareholders in the second quarter of the year to support our working capital. Some US$75 million of the outstanding principal of this loan was repaid in July 2014.

As a result of our commitment to maintain a conservative balance sheet, our leverage, as measured by total debt to EBITDA, fell to 1.2x as of 31 December 2014, compared with 1.8x the previous year. This decline reflected both the fall in total debt and an increase in EBITDA. The share of short-term debt remained unchanged year-on-year and stood at 42% at the end of 2014.

EXTENDING OUR DEBT MATURITY

In 2014, given the open-ended political and economic uncertainty in Ukraine, as well as continued challenging conditions in the global steel and raw material markets, we sought to extend the maturity of our debt profile and significantly reduce the principal due for redemption in 2015.

As such, we conducted a debt exchange offer for US$500 million in guaranteed notes due in May 2015. Holders of 77.3% of the notes, or US$386 million, participated in the offer, resulting in US$289 million in new bonds due in November 2017 and US$97 million in cash.

After the reporting period, on 10 January 2015, United Coal entered into an extension agreement with noteholders and extended the maturity of its US$90 million seller notes until the end of 2016. Under the new terms and conditions, the notes are due to be repaid in equal monthly instalments in 2016. No payments will be made during 2015 except for interest payments, which further supports cash flow.

OUTLOOK FOR 2015

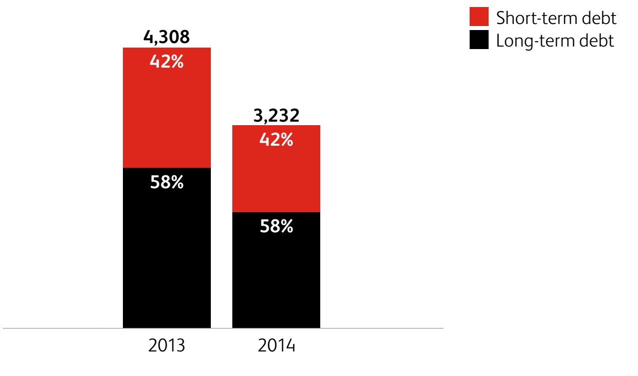
Our goal for this year is to complete debt restructuring negotiations with our lenders.

In early 2015, we launched debt restructuring negotiations with pre-export facilities (PXF) lenders and holders of our 2015, 2017 and 2018 bonds. In the second quarter of 2015, we launched consent solicitation transactions regarding those bonds and discussions with the PXF lenders to agree to a standstill.

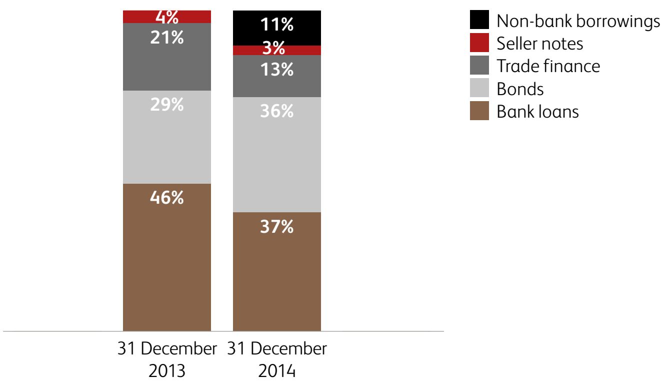
Metinvest currently works with more than 30 international banks and hundreds of bondholders. We are committed to making all efforts to find an equilibrium position amenable to both our bondholders and banks. We understand their concerns about Ukraine's political and economic situation and we are committed to continued transparency and dialogue with our lenders.

At present, due to the essential closure of international markets to Ukrainian borrowers, we consider it unlikely that we will seek to raise money in international capital markets in 2015. At the same time, we believe that, given a more stable situation in Eastern Ukraine, a significant improvement in conditions for Ukrainian borrowers and an improvement in global steel and iron ore prices, we may change our plans. In our view, our resilient results in 2014 demonstrate that our fundamentals remain strong.

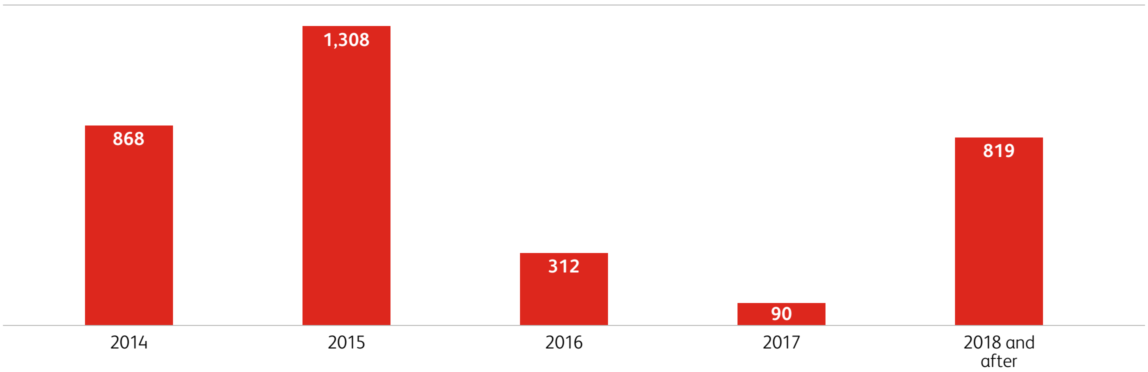
SHORT-TERM VS LONG-TERM DEBT (US$m)



DEBT STRUCTURE

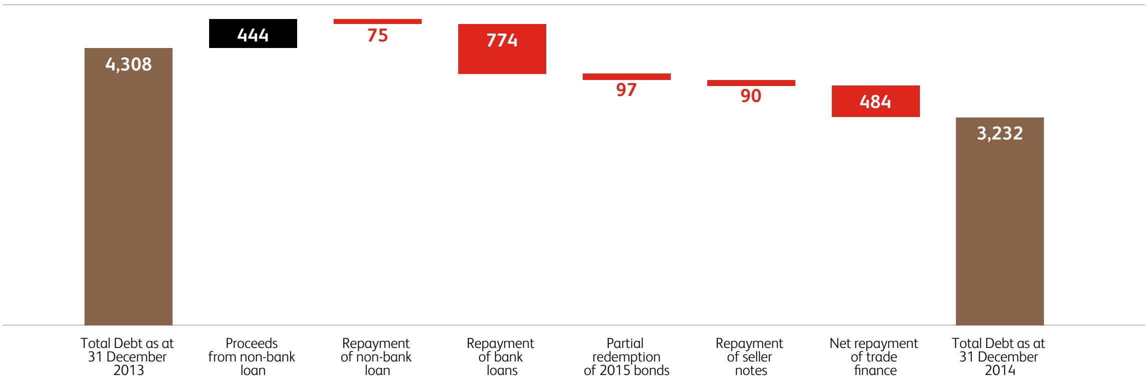


MATURITY SCHEDULE OF PRINCIPAL DEBT AS AT 31 DECEMBER 2013 (US$m)[1]

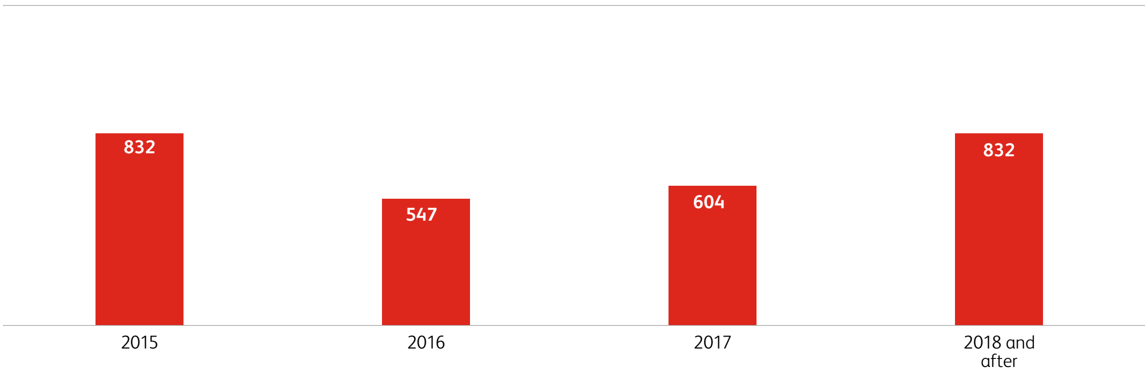


1 Principal instalments are not discounted and include bank loans, bonds and seller's notes, but exclude trade finance. The trade finance balance totalled US$911 million as at 31 December 2013

TOTAL DEBT CHANGE IN 2014 (US$m)



MATURITY SCHEDULE OF PRINCIPAL DEBT AS AT 31 DECEMBER 2014 (US$m)[2, 3]



2 Principal instalments are not discounted and include bank loans, bonds and seller's notes, but exclude trade finance. The trade finance balance totalled US$416 million as at 31 December 2014

3 Maturity schedule is adjusted for a postponed repayments of seller notes from 2015 to 2016 that was negotiated in January 2015

DELIVERING RESULTS AGAINST THE ODDS

In 2014, events in Ukraine combined to create challenges that were unprecedented and formidable by any measure. Through the unfailing commitment of our people and the resilience of our business model, we proved able to deliver commendable results against the odds.

TESTING TIMES

In 2014, we faced enormous challenges and a real test of the resilience of our people and business model. How we faced and overcame these challenges demonstrates the unity and skill of our team at every level of the Group. Throughout the crisis period, our management team has remained unchanged and we have proved able to delegate key decisions to our enterprise managers on the ground.

Our flexibility indicates yet again that we also have the right business model in place to adapt to a changing world. Our fundamentals help us to endure over the long term, while our strengths, ranging from our vast resource base to our global sales network and financial conservatism, all served to make us more resilient and able to react to extraordinary conditions.

It is difficult to overstate the scale of the challenges we faced in 2014. The domestic political and economic situation, which had begun to deteriorate in late 2013, worsened significantly. In the second half of the year, the conflict in Eastern Ukraine, where part of our assets are located, further destabilised the domestic environment and led to the disruption of production at some of our plants, as key railway hubs were damaged or destroyed and electricity supplies hit.

Various facilities experienced operational disruptions in the second half of the year. In July, Avdiivka Coke was directly affected by damage to property and its electricity supply. After we restored sufficient power, the plant suffered severe disruption again after damage to its power supply in November, and operations were fully halted after a connecting railway line was damaged in December. Operations were restored after the New Year.

In mid-August, Yenakiieve Steel temporarily halted its main operations due to damage and disruptions to raw material supplies. Production was restored in October, but interrupted again in December.

Following damage to key railway infrastructure in Donetsk and Luhansk regions, operations at Khartsyzk Pipe were also temporarily halted and production at Krasnodon Coal's mines was scaled back in the second half of 2014.

The Group's steelmaking assets in Mariupol, Azovstal and Ilyich Steel, experienced repeated disruptions to production due to damaged infrastructure, which created bottlenecks in deliveries of raw materials. In December, work at the plants was disrupted after a railway bridge providing access to the city's commercial port suffered heavy damage.

In addition to heightened country risk, which has effectively closed domestic and international capital markets to Ukrainian companies, including Metinvest, we have faced a tough price environment for our coking coal, iron ore and steel products, challenging our margins.

Benchmark iron ore prices hit a five-year low in December, down by 49% over the year, mainly due to global overproduction and falling demand from the Chinese construction industry. While steel prices proved more resilient, the averages were still down year-on-year due to the drop in raw material prices and growth in supply of cheap steel products from China.

ADDRESSING THE CHALLENGES

In this report, we have identified the four critical challenges that Metinvest faced in 2014, each a direct outcome of the geopolitical and market environment in which we found ourselves during the year: logistics, production and sales, downstream integration and debt liabilities.

The logistics challenge was profound. The conflict in Eastern Ukraine led to the damage or destruction of key railway hubs. The immediate effect was to cut off supplies to Yenakiieve Steel and Khartsyzk Pipe, leading us to temporarily shut these plants, as well as dramatically reduce production at Krasnodon Coal, as we could not move our products.

At Avdiivka Coke, production was disrupted several times in the second half of 2014 due to damage to property, the power supply and railway links. The greatest impact, however, was on our ability to supply raw materials to our Mariupol steel plants, Azovstal and Ilyich Steel. The destruction of a key railway bridge in December compounded this problem.

Our highly centralised and efficient Logistics and Purchasing function allowed us to find rapid and effective solutions for these infrastructure challenges, using both rail and sea. To address the disruption of key railway lines and stations in the conflict zone, we made use of alternative supply routes and worked to re-open decommissioned lines.

To compensate for a shortage of coal from our Ukrainian mines, we arranged for seaborne deliveries from United Coal in the US and sourced coal from third parties in Ukraine, Australia, Canada, Colombia, Russia and the US. We also worked closely with port authorities to prevent bottlenecks as Ukraine's commercial ports reached full capacity, partly due to an increase in our exports of iron ore products. As a result of these efforts, we kept our Mariupol assets running at 60-80% of capacity and were able to resume operations at Yenakiieve Steel in March 2015.

The production and sales challenge was a result of the 39% decline in our steel production in the second half of the year, due to interruptions in raw material supplies caused by the conflict in Eastern Ukraine, as well as the temporary decline in iron ore orders from domestic customers. As a result, we needed to develop an efficient production and planning mechanism to identify the right product and market combination to meet internal requirements and maximise margins.

To meet this challenge, we increased the role of our Sales and Operational Planning (S&OP) function. Its key task is to conduct detailed planning of the production process for steel and iron ore products, including for possible scenarios linked to a host of external factors. We focused on identifying product and market combinations that would deliver both liquid sales, to avoid stockpiling, and the maximum available margin. As a result of this work, we were able to achieve a US$3 per tonne increase in margin on steel products, while we redirected iron ore supplies for export by sea. In the fourth quarter of 2014, the average monthly volume of supplies via this route, including from Southern GOK joint venture, increased by 47% year-on-year to 1.8 million tonnes.

EBITDA GROWTH

+14%

"The Group's performance in 2014 is a story of two very different half-years. Our flexibility indicates yet again that we have the right business model in place to adapt to a changing world."

ADDRESSING THE CHALLENGES CONTINUED

Our downstream integration challenge reflects the current global pricing environment, in which prices for raw materials are at multi-year lows. Steel prices also fell in 2014, but at a far slower rate than iron ore and coking coal prices. The result is a shift in margin from raw materials to steel products. Given our high degree of self-sufficiency in raw materials, we were required to reassess how we can best manage our ample mineral resources.

Our vertical integration and ability to manage each link of the value chain allowed us to efficiently allocate greater raw material resources to our own steelmaking and exploit the additional capacity acquired by the Group in recent years through the purchase of Ilyich Steel and the Zaporizhstal joint venture. The greater use of our iron ore and coking coal resources by our steel plants translated into a jump in the contribution of the Metallurgical division to Group EBITDA.

Our debt liabilities challenge in 2014 was to meet our obligations while continuing to make crucial investments under our Technological Strategy, designed to improve our operating efficiency and reduce our environmental impact. The effective closure of international capital markets to Ukrainian companies has made it impossible to refinance our debts.

In 2014, despite challenging conditions, we repaid US$1,520 million of our borrowings and had reduced our total debt by 25% by the year-end. Our debt position, as measured by total debt to EBITDA, had fallen to 1.2x as of 31 December 2014, compared with 1.8x a year earlier. In addition, we sought to reduce our debt payments coming due in 2015 by launching a debt exchange offer for our May 2015 guaranteed notes and shifting the repayment of seller notes to 2016. In addition, in early 2015, we launched debt-restructuring negotiations with all bank lenders and bondholders.

ACHIEVING RESULTS

Our effective response to these central challenges helped us to contain the fall in revenues to 18% year-on-year, the top line equalling US$10,565 million. In addition, our focus on supporting margins, combined with foreign exchange effects, translated into a 14% increase in EBITDA to US$2,702 million. The EBITDA margin increased by 8 percentage points to 26%.

The Metallurgical division's EBITDA increased almost three times year-on-year, while the Mining division's fell, although the figure remained decent. Notably, the Zaporizhstal and Southern GOK joint ventures continued to deliver, contributing US$182 million and US$118 million to Group EBITDA, respectively. As for operational results, in 2014, Metinvest's crude steel production fell by 26% year-on-year to 9,205 thousand tonnes and output of semi-finished and finished steel products by 21% to 9,587 thousand tonnes. Most of the decline came in the second half of the year, when the conflict caused logistics bottlenecks to and from our plants.

The Group's output of iron ore concentrate fell by 6% year-on-year to 34,888 thousand tonnes in 2014. None of our iron ore production assets were damaged by the conflict. Production of coking coal declined by 26% year-on-year to 4,098 thousand tonnes, primarily due to a decrease in production at Krasnodon Coal amid the conflict.

TECHNOLOGICAL STRATEGY ON TRACK

Despite operational challenges, we were able to continue with the capital expenditure plans under our Technological Strategy, investing US$613 million in 2014, maintaining CAPEX at 82% of the previous year's levels. These investments are crucial to our long-term competitiveness and compliance with European environmental standards in line with our mission.

In certain cases, we delayed some capital projects given the operating environment and short-term financial position. However, we made progress on almost all of our key projects during 2014, a reflection of our firm belief in the long-term prospects of our business amid short-term difficulties.

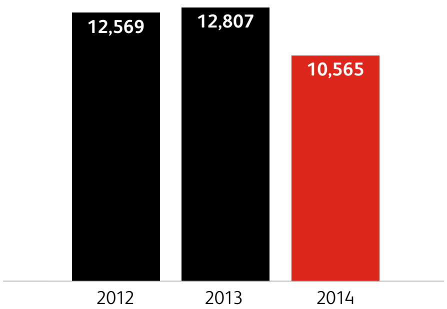
Major technological investments in the Metallurgical division included building the infrastructure for a new air separation unit at Yenakiieve Steel, as part of a joint venture project with Air Liquide (France). We carried out

KPIs

REVENUES

US$10,565m

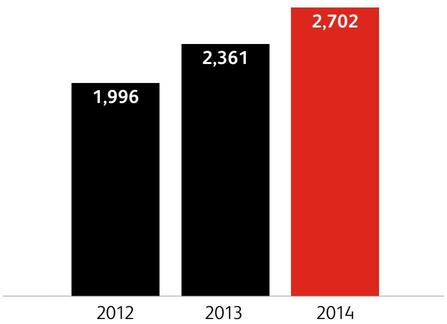
-18%



EBITDA

US$2,702m

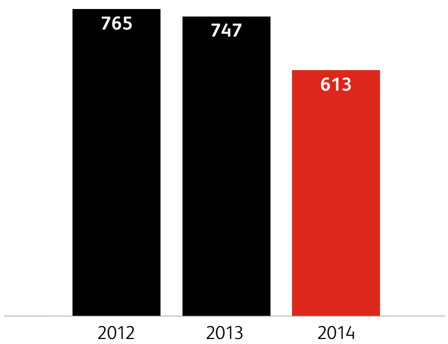
+14%



CAPEX

US$613m

-18%



a major overhaul of basic oxygen furnace no. 1 at Yenakiieve Steel, which included replacing the shell and off-gas ducts, and completed a standby turbine air blower for the plant's blast furnaces. We also continued the major overhaul of blast furnace no. 4 at Azovstal.

Conditions in late 2014 led us to suspend the construction of Pulverised coal injection (PCI) facilities at Yenakiieve Steel and Azovstal. After the end of the reporting period, we also suspended work to rebuild a replacement turbine air blower at Azovstal.

In the Mining division, we made continued progress on installing a crusher and conveyor system at Northern GOK and Ingulets GOK, as well as on rebuilding the pelletising machines at Northern GOK.

OUTLOOK FOR 2015

The political and economic situation in Ukraine, along with the pricing environment in the raw material and steel markets, remains deeply challenging in 2015. However, we will continue to address the key challenges before us. We will press on with the key investments under our Technological Strategy to ensure that our strategic, long-term projects remain on track, and we are working with our JV partner in Zaporizhstal to finalise plans for additional investments at the enterprise.

Our ability to prevent severe and lasting damage to any of our facilities is an important achievement and testimony to the true bravery of countless employees, as well as our partners at power company DTEK and Ukrainian Railways. Our plants are crucial, not just to Metinvest and Ukraine's economy as a whole, but also to local communities, where we are often the largest employer and anchor for an entire town.

However, economic and financial conditions have further deteriorated since the beginning of 2015 and we have faced significant further damage, including from a gas pipeline explosion. Further deterioration is not excluded and creates uncertainty regarding the ongoing utilisation rates of our plants.

We remain committed to an open dialogue with our banks and bondholders and will continue to keep them up-to-date with developments on the ground.

To all of our employees, investors, partners and clients, we thank you for your continued loyalty and belief in the Metinvest story.

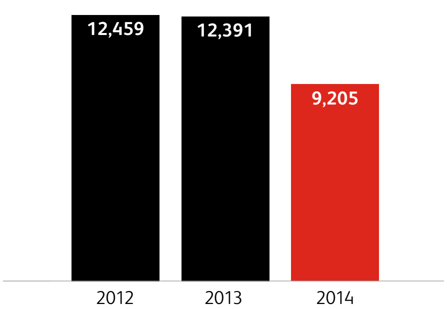
Yuriy Ryzhenkov
Chief Executive Officer

"We were able to continue with the capital expenditure plans under our Technological Strategy, crucial to our long-term competitiveness and compliance with European environmental standards."

CRUDE STEEL PRODUCTION

9,205kt

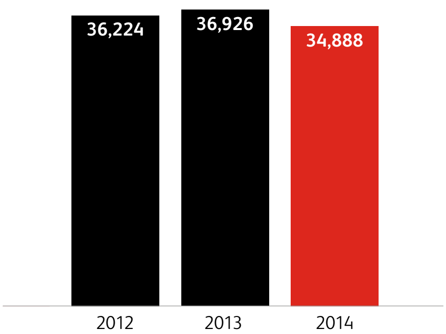
-26%



IRON ORE CONCENTRATE PRODUCTION

34,888kt

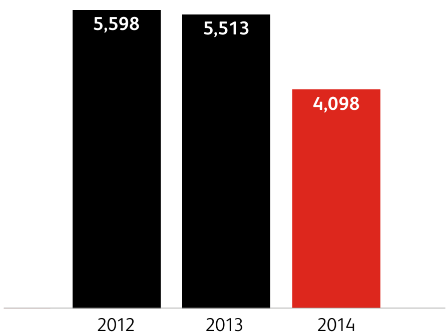
-6%



COKING COAL PRODUCTION

4,098kt

-26%



Executive Committee

Our highly experienced management team remains one of our key strategic advantages and was key to meeting the challenges facing us in 2014.

Yuriy Ryzhenkov

Chairman of the Executive Committee, Director A of the Management Board, 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 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

Chief Financial Officer

Aleksey Kutepov became Chief Financial Officer in August 2013. Before that, he worked in various roles and divisions of Sibur Holding (Russia) 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

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

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

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.

Olga Ovchinnikova

Logistics and Purchasing Director

Olga Ovchinnikova became Logistics and Purchasing Director in 2014, having been Logistics Director of the Group since 2013 and 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.

Alexander Pogozhev

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).

Ruslan Rudnitsky

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.

Svetlana Romanova

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).

Aleksey Komlyk

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 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.

While the challenges of 2014 were unprecedented by any measure, they also served to underscore the resilience of our business model.

BUILT ON UNIQUE FOUNDATIONS

MODEL FOR CHALLENGING TIMES

Metinvest's business model consists of the elements required to meet the challenges that the Group faced in 2014. Its resilience reflects the unique combination of strengths and foundations underpinning it.

- In the second half of 2014, we successfully overcame various logistical challenges thanks to such strengths as our management expertise and geographic location, which gives us with access to ports and alternate supply routes.
- Our vast resource base, diversified product mix and global sales network allowed us to meet numerous production and sales challenges in 2014.
- Our resource base and vertical integration allowed us to manage the challenge of downstream integration, as we can direct our raw materials to our steelmaking capacity, which has grown in recent years, to maximise margin.
- Our history of conservative financial management, strong institutions and solid relationships with our investors has allowed us to address the challenge of our debt liabilities in 2014.

OUR 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, flexibility and centralised and cross-functional approach to planning allow us to adapt our product mix to changing domestic and international market conditions for steel products and raw materials.

Global sales network

Our sales offices cover key global emerging and developed markets, helping us to expand our customer base in regions with strong demand. Our focus on efficient logistics enables us to compete on price further afield, such as in Southeast Asia.

Geographic location

Our headquarters and main production assets are in Ukraine, which, despite current challenges, remains a global centre of industry experience, offers access to key international markets and has competitive labour costs.

Financial conservatism

We have consistently maintained a prudent financial strategy of conservative debt load, as measured by our ratio of debt to equity or EBITDA. This approach enabled us to make all of our debt payments in 2014 and reduce liabilities coming due in 2015, despite the effective closure of global capital markets to Ukrainian companies.

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 in a timely manner 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 wherever possible.

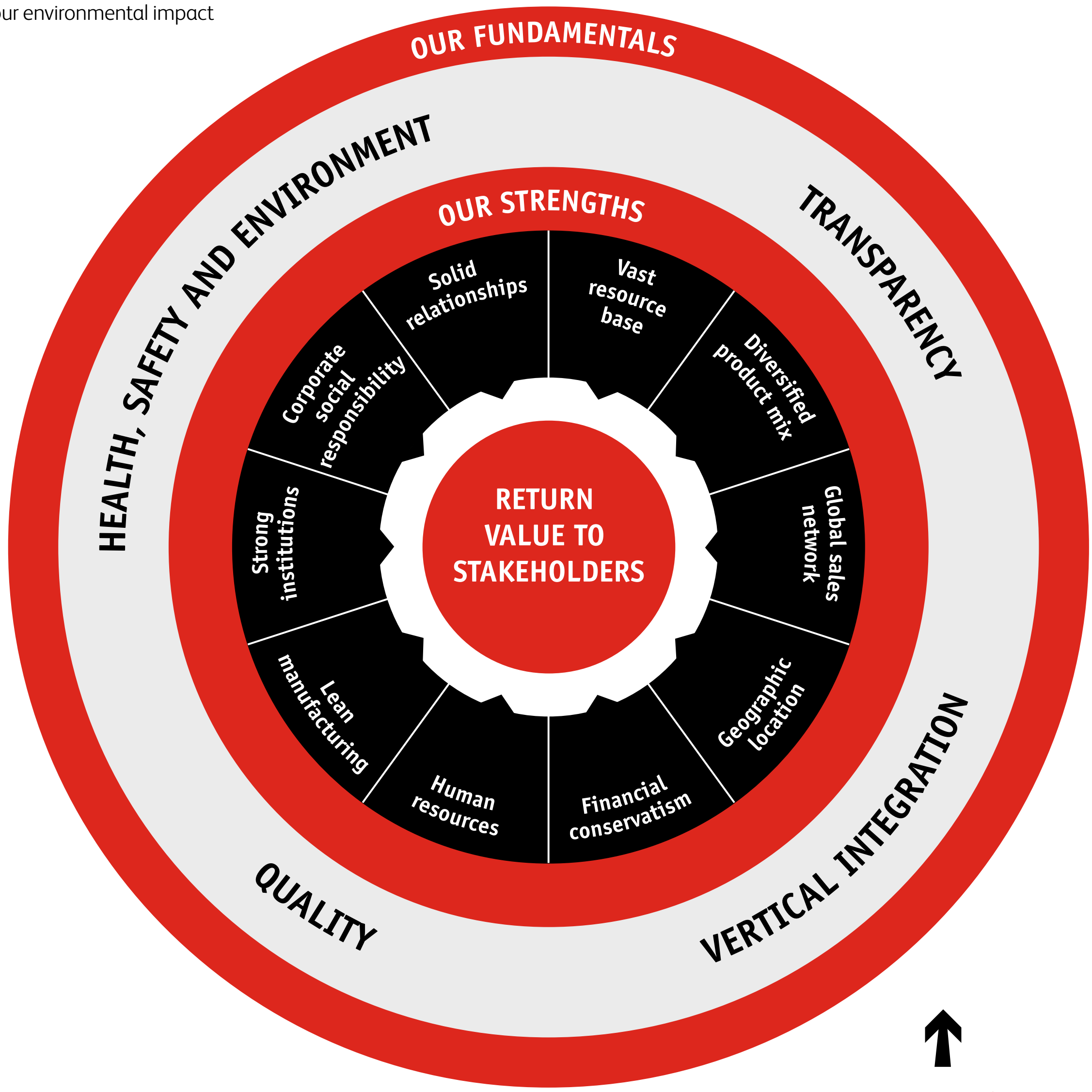
Solid relationships

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, especially in the face of challenging conditions.

OUR FUNDAMENTALS

Health, safety and environment (HSE)
We make HSE a priority, and it is integral to all of our long-term investment plans. We continue to target only the highest standards for health and safety, while investing to reduce our environmental impact each year.

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 the application of continuous improvement.

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

Strategy

Based on key objectives that we fine tune by dividing into priorities, our strategy helps to keep us on course whatever the changes in the external environment.

METINVEST GOALS	STRATEGIC OBJECTIVES
01 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
02 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
03 Achieve business excellence	Implement advanced management practices aimed at achieving results

STRATEGIC PRIORITIES IN 2014	ACHIEVEMENTS
1. Enhance occupational safety, health and environmental systems	We developed a five-year plan for strengthening health and safety systems. We spent US$82 million on health and safety and almost US$350 million on environmental technology.
2. Improve sales efficiency	We increased Metinvest's share in purchases by end consumers in key markets and improved product quality. We also improved our logistics infrastructure and sales force structure.
3. Improve operational efficiency	We further implemented the lean manufacturing approach and expanded the continuous improvement system across the Group. We also improved our quality management systems.
4. Establish a highly efficient purchasing function	We developed an efficient structure for the Group's centralised purchasing, resulting in an economic benefit of US$78 million.
5. Build an effective HR management system	We launched a new talent management system for key executives, while conducting strategic HR planning to analyse the need for key personnel at each asset.
6. Implement the Technological Strategy	We secured all financing and improved planning for projects carried out in 2014. We continued to foster a culture that encourages employees to find optimal engineering solutions.
7. Develop downstream target product/market combinations	We implemented several priority projects in various markets, including construction, mining, metals, transportation, machine building and pipes.
8. Enhance working capital management	We cut inventories of steel products and increased the efficiency of our inventory management. We also reduced accounts receivable.
9. Strengthen legal support	We established a compliance function within the Legal department and developed a unified system for dealing with legal cases.
10. Implement SAP and IT strategy	We successfully implemented SAP at pilot assets in Ukraine and expanded the IT capabilities of the Sales and HR departments.
11. Strengthen liquidity management	We optimised payment periods and created a 'rainy day' fund for key strategic projects.

DOWNTURN IN THE COMMODITY PRICE CYCLE

Excess capacity, lower steel prices and even greater pressure on prices for raw materials affected all market players in 2014. The situation is expected to remain broadly the same in 2015, meaning that profitability will continue shifting to steel and tight cost controls will remain vital.

STEEL PRODUCTION

According to the World Steel Association (WSA), global crude steel output broke another record in 2014, reaching 1,665 million tonnes, up 1.0% year-on-year, compared with 5.8% in the previous year. In 2014, the International Monetary Fund estimates that global GDP grew by 3.4%.

The main drivers of global crude steel production growth were South Korea and India, which boosted output by 5.5 million tonnes and 5.2 million tonnes, respectively. While production volumes in China rose by just 0.7 million tonnes in 2014, weak local demand prompted many domestic producers to turn to exports, which increased by 50.4% year-on-year to 93.8 million tonnes. In terms of demand, the world's fastest-growing regions in relative terms were Oceania, the North American Free Trade Agreement countries and the European Union.

Strikingly, the global steelmaking capacity utilisation ratio continued to fall, hitting 73% in 2014, compared with 74% in 2013 and 77% in 2012, according to the WSA[1]. This highlights the ongoing overcapacity in the industry, which in turn creates pressure for steel prices.

In 2014, crude steel prices dropped below the levels seen in 2008-09, the benchmark averaging US$526 per tonne, compared with US$538 per tonne in 2013, according to the Commodities Research Unit (CRU). The fall was attributable to the drop in raw material prices and growth in supply of cheap steel products from China. The monthly average was relatively stable until November and December, when it slumped to US$505 and US$465 per tonne, respectively.

RAW MATERIALS

In 2014, oversupply caused bulk commodity prices to hit lows not seen in several years, and global overcapacity continues to weigh on the market.

According to the latest figures from the CRU, global production of iron ore increased by 1.5% year-on-year to 2,125 million tonnes in 2014. Prices plummeted, particularly in the second half of the year, the average price per tonne beginning 2014 at US$128 per tonne and ending at US$69, a five-year low. The average price for the year was US$97 per tonne, compared with US$135 in 2013.

The slump in iron ore prices was primarily attributable to greater supply from Australia, weaker construction demand from China and the lower energy and freight costs of mining companies amid falling crude oil prices in late 2014.

Coal prices also dropped sharply overall in 2014, although they remained mostly steady from March onwards. According to the CRU, the average benchmark price for hard coking coal during the year was US$115 per tonne, compared with US$148 in 2013. The key factors depressing prices were lower global demand and greater output by Australian miners. Global production of hard coking coal rose by 3.7% year-on-year to 647 million tonnes in 2014.

OUTLOOK

At the time of writing, the IMF is forecasting global GDP growth of 3.5% for 2015 and 3.8% for 2016, having upgraded previous forecasts.

This reflects a mixed picture globally, as lower commodity prices boost importers but hurt exporters. The lingering effects of the 2008-09 global economic crisis, such as weak investment, persist and Europe and Japan continue to face structural obstacles to growth.

The fund's forecasts suggest a divergent path for developed economies, with the US expected to continue outpacing the sluggish eurozone and the Japanese economy to remain stagnant. Among the largest emerging economies, China's moderating growth continues to reverberate throughout the global economy, as demand falls. Declining commodity prices are expected to negatively affect emerging economies such as Russia, although lower oil prices also benefit importers.

Against this backdrop, we foresee no rise in global steel demand in 2015 and this will weigh on prices for steel products over the year. At the same time, we expect prices for raw materials to remain low amid overproduction and this will continue to push margins towards steel. We continue to believe that over the longer term, consolidation in the global steel market will reduce capacity and translate into higher margins for the remaining players. However, we do not envisage this happening before the end of the decade.

In such an environment, we believe that our approach of maximising downstream integration to make the most efficient use of our raw material base, together with our ongoing efforts to reduce costs through technology investments and continuous improvement (CI), is the best way of pursuing profitable growth in a deeply challenging global market.

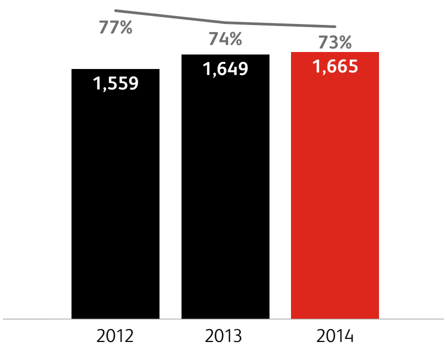
1 The global steel capacity utilisation ratio is calculated based on monthly figures from the WSA. They are based on publicly available information and verified through the WSA's membership

GLOBAL PRODUCTION

CRUDE STEEL

1,665mt

1.0%



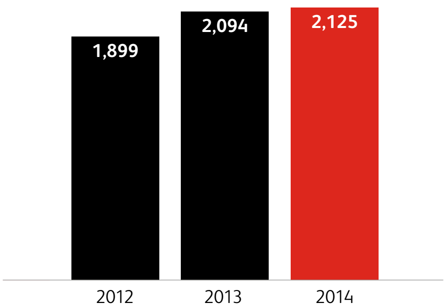
Global crude steel production
Global steel capacity utilisation ratio[1]

Source: World Steel Association

IRON ORE

2,125mt

1.5%

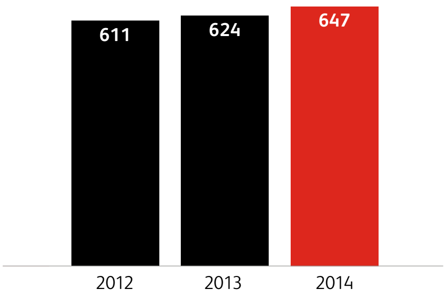


Source: Commodities Research Unit

HARD COKING COAL

647mt

3.7%



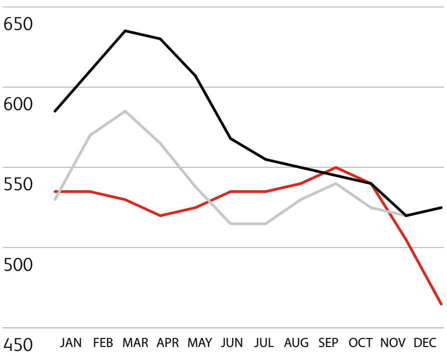
Source: Commodities Research Unit

PRICES DYNAMICS

STEEL

US$526/tonne

-2.2%



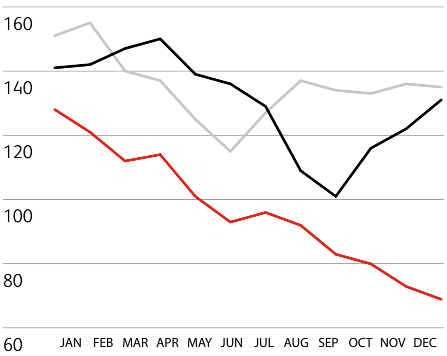
2012 2013 2014

Source: Commodities Research Unit, HRC CIS export FOB Black Sea

IRON ORE

US$97/tonne

-28.4%



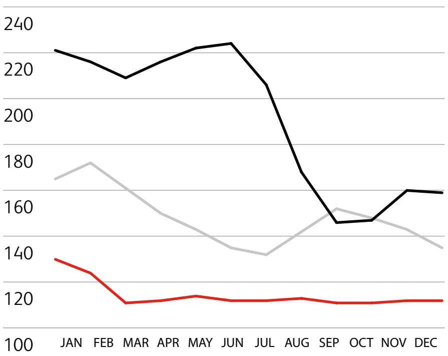
2012 2013 2014

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

HARD COKING COAL

US$115/tonne

-22.7%



2012 2013 2014

Source: Platts HCC Peak Downs, spot, FOB Australia

SUSTAINED PROFITABILITY AMID UNPRECEDENTED TURBULENCE

Unsurprisingly given the conflict in Eastern Ukraine, our financial results suffered in 2014, the top and bottom lines reflecting the turbulence experienced in the year. Despite this, we actually increased underlying profitability, demonstrating our resilience amid unprecedented turbulence and underscoring the flexibility of our business model.

OVERVIEW

The Group's financial performance in 2014 is a story of two very different half-years. In the first six months, we delivered a solid set of results. In the second, we faced profound challenges caused by the economic and political situation in Ukraine, as well as pressure on global prices for our products, with the fourth quarter proving particularly difficult.

Our ability to increase underlying profitability over the full year reflects the soundness of our long-term commitment to conservative financial management. The Metallurgical division's EBITDA increased almost three times year-on-year, while the Mining division's fell, although the figure remained decent.

While Metinvest fulfilled its debt obligations and repaid US$1,520 million of debt, the Group has been unable, like other Ukrainian entities, to obtain funding from international capital markets. Metinvest's liquidity situation has become tight.

In this context, in early 2015, we launched debt restructuring negotiations with pre-export facilities (PXF) lenders and holders of our 2015, 2017 and 2018 bonds to agree a transparent and fair rescheduling of our debt.

REVENUES

In 2014, Metinvest's consolidated revenues fell by US$2,242 million year-on-year to US$10,565 million. Revenues from the Metallurgical division dropped by 16%, while those from the Mining division declined by 22%, mainly due to a slump in crude steel output followed by lower volumes sold and lower prices for iron ore products. The Metallurgical division accounted for 77% of external sales (76% in 2013) and the Mining division for 23% (24% in 2013).

In 2014, Metinvest's revenues from Ukraine decreased by US$1,182 million year-on-year to US$2,496 million, or 24% of consolidated revenues. The main driver of the decrease in revenues was a drop in sales volumes of steel and iron ore products year-on-year amid lower demand in major steel consuming sectors (construction, machine-building and pipeline infrastructure) amid the conflict in Eastern Ukraine and overall economic slowdown.

Steel production in Ukraine decreased by 17.1% year-on-year to 27.2 million tonnes[1] in 2014, as the domestic steel market remained weak and demand for Ukrainian steel products declined in Russia and Southeast Asia. In addition, consumption of steel products (excluding pipes) in Ukraine decreased by 22.2% year-on-year to 5.6 million tonnes.

The main factor was a decline in construction, which fell by 20.4% year-on-year as Ukrainian businesses reduced capital expenditures amid financial instability and the conflict in the eastern regions. Another contributing factor was the crisis in the machine-building industry, which shrank by 20.6% year-on-year primarily due to a drop in orders from the Commonwealth of Independent States (CIS, excluding Ukraine). Notably, production of railcars in Ukraine fell by 76.2% year-on-year to 6.0 thousand units, while the pipe and hardware industries reduced production by 19.7% year-on-year and 19.0% year-on-year respectively.

Regarding iron ore products, domestic sales slumped, as a couple of Metinvest's key customers in Ukraine decreased production dramatically during 2014.

Amid the drop in domestic sales, the share of international sales at Metinvest increased by 5 percentage points (pp) year-on-year to 76% in 2014. Europe's share rose by 4pp year-on-year to 28% due to increased sales of flat products and pig iron. The proportion of sales to the Middle East and North Africa (MENA) rose by 1pp year-on-year to 18%. The share of the CIS (ex Ukraine), mainly Russia, fell by 1pp year-on-year to 10% amid lower volumes

1 Source: Metal Expert

of flat and long products, mainly to Russia, which was partly compensated by greater sales of large-diameter pipes to Turkmenistan and Kazakhstan. The proportion of sales to Southeast Asia grew by 1pp year-on-year to 16% due to higher sales volumes of pellets. North America's share rose by 1pp year-on-year to 4% due to increased sales of pig iron.

Metallurgical division
The Metallurgical division generates revenues from sales of pig iron, steel and coke products and services. In 2014, its revenues decreased by US$1,562 million year-on-year to US$8,165 million. Sales of long products fell by US$766 million, flat products by US$632 million, slabs and billets by US$292 million, and coke and chemical products by US$131 million, mostly due to lower sales volumes. This was partly compensated by increases in sales of pig iron by US$138 million and tubular products by US$156 million, primarily driven by higher volumes.

Pig iron
Despite a production decline in the third quarter due to raw material supply constraints at Azovstal and Ilyich Steel and the shutdown of operations at Yenakiieve Steel caused by the conflict in Eastern Ukraine, sales of pig iron amounted to US$490 million in 2014, up 39% year-on-year. This increase was wholly attributable to greater sales volumes of 284 thousand tonnes to the US. Average selling prices remained unchanged, in line with the benchmark quotations for pig iron CIF in the US, which were also stable year-on-year. The rise in sales volumes was in line with a 39% year-on-year increase in production of merchant pig iron. Overall, North America accounted for 82% of the sales growth. The rise in US sales was due to Metinvest maintaining its presence in the market, delayed payments being made and regular contracts being signed with key customers. Sales in Europe rose by 45% year-on-year, mainly due to work with regular customers in Italy, including the granting of indulgence.

Slabs
In 2014, revenues from slabs slumped by 33% to US$483 million as sales volumes decreased by 35%, despite a slightly higher effective average selling price. Volumes fell by 500 thousand tonnes year-on-year to 916 thousand tonnes. This was mainly caused by a decline in volumes to Southeast Asia due to lower production volumes overall and the fact that the region is a swing buyer of steel products.

"While Metinvest fulfilled its debt obligations and repaid US$1,520 million of debt, the Group has been unable, like other Ukrainian entities, to obtain funding from the domestic and international capital markets."

TOTAL DEBT
-25%

REVENUES CONTINUED

Metallurgical division continued

Square billets

In 2014, revenues from square billets decreased by 14% to US$351 million, as sales volumes fell by 12% and the effective average selling price declined. Sales volumes dropped by 89 thousand tonnes year-on-year to 684 thousand tonnes, largely due to production falling as the conflict intensified in the second half of the year. Average selling prices followed the trend of billet FOB Black Sea quotations, which also dropped by 3% year-on-year.

Flat products

In 2014, revenues from flat products decreased by 12% year-on-year to US$4,550 million, as sales volumes declined by 11% (960 thousand tonnes) and the effective average selling price by 1%. Shipments to Ukraine, the CIS (excluding Ukraine) and MENA were all down. On the domestic market, sales volumes dropped by 430 thousand tonnes year-on-year amid the conflict, crisis in the machine-building sector and hryvnya devaluation. In the CIS (excluding Ukraine), the main reason for the drop in sales volumes, which fell by 240 thousand tonnes, was lower sales to Russia due to economic reasons: weak apparent consumption (down 1.3%), the fall in the ruble (down 46% against the US dollar during 2014), the launch of new rolling facilities and greater competition in Russia (Kashira steel galvanising plant put into operation). Volumes to MENA dropped by 253 thousand tonnes amid a decline in overall production and an implementation of new capacities in Turkey.

We note that the 11% decline in sales volumes cannot be directly compared with the 21% fall in output in 2014. The Group increased re-sales of flat products from Zaporizhstal by 227 thousand tonnes (the plant's share in Metinvest's sales of flat products increased by 6pp year-on-year to 34%), and the sales volumes in 2014 included 163 thousand tonnes from stock. Effective average selling prices were largely in line with the benchmark quotations for HRC export FOB Black Sea.

Long products

In 2014, revenues from long products decreased by 39% year-on-year to US$1,216 million, as sales volumes declined by 31% and the average effective average selling price by 8%. Sales volumes decreased by 881 thousand tonnes year-on-year due to a drop in production amid the conflict in Eastern Ukraine. Sales volumes to Russia fell, mainly as demand for long products shrank and the market became less attractive overall due to the ruble devaluation, the launch of new rolling facilities and the overall strengthening of competition in Russia (NLMK Kaluga). Sales volumes of long products in other CIS countries (excluding Ukraine) also declined year-on-year due to the termination of railway product sales in Kazakhstan and Belarus in 2014 (which caused a year-on-year decline of 147 thousand tonnes overall) ahead of the implementation of Russian technical standards for rails inside the Eurasian Economic Union. Sales volumes in Ukraine dropped by 411 thousand tonnes following an overall decrease in crude steel production at Yenakiieve Steel, a decrease in rolled steel demand amid the conflict and the economic slump.

Tubular products

In 2014, revenues from tubular products increased by 191% year-on-year to US$237 million, as sales volumes increased by 193% and the effective average selling price dipped slightly. Sales volumes rose by 158 thousand tonnes year-on-year to 240 thousand tonnes, mainly due to greater sales volumes to the CIS (excluding Ukraine), which grew by 121 thousand tonnes and accounted for almost 95% of the overall figure. That increase was mainly attributable to orders for the second phases of both the East-West pipeline project in Turkmenistan and the Beineu-Shymkent project in Kazakhstan.

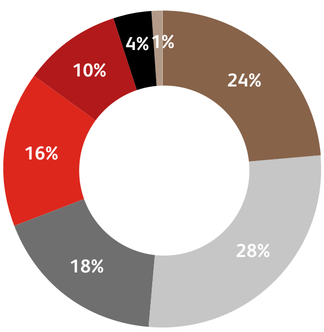
We note that the 193% year-on-year increase in sales volumes (from 82 thousand tonnes to 240 thousand tonnes) cannot be directly compared with the 6% decrease in output (from 315 thousand tonnes to 296 thousand tonnes), because in 2013, the Group produced 178 thousand tonnes of LDP via tolling agreements that were included in output but not in sales volumes.

Coke and chemical products

In 2014, revenues from coke and chemical products decreased by US$131 million year-on-year to US$463 million, as sales volumes fell by 6% and the effective average selling price decreased by 16%. Sales volumes decreased by 131 thousand tonnes year-on-year to 2,151

REVENUES BY REGION

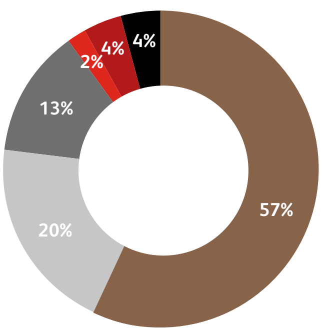
US$10,565m



Ukraine
Europe
MENA
Southeast Asia
CIS (ex. Ukraine)
North America
Other regions

REVENUES BY PRODUCT

US$10,565m

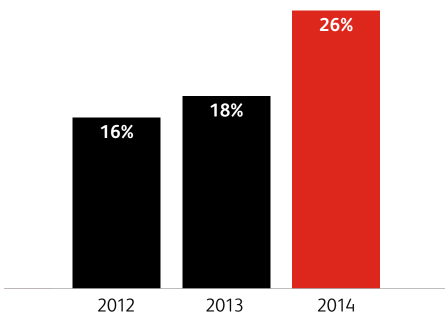


Steel finished[2]
Iron ore
Steel semi-finished
Coal
Other steel
Coke and chemical products

EBITDA MARGIN

26%

+8pp[3]



2 Finished products includes US$1,557 million of resale products produced by Zaporizhstal
3 Percentage points

thousand tonnes, primarily due to a slump in coke output in the second half of 2014 after operations at Avdiivka Coke became restricted starting from July 2014. The selling price decline followed coal price trends and an increase in the share of less expensive coke breeze in total coke and chemical product volumes of 19 percentage points to 73% in 2014. Only in North America and MENA was the price trend positive, as the share of premium chemical products in total sales of coke and chemical products rose to 100%.

Mining division
The Mining division generates revenues from sales of iron ore, coal and other products and services. In 2014, its revenues decreased by US$680 million year-on-year to US$2,400 million. Revenues from sales of iron ore products fell by US$494 million and revenues from sales of coking coal concentrate by US$103 million year-on-year, primarily driven by significantly lower average sales prices.

Iron ore concentrate
In 2014, revenues from merchant iron ore concentrate declined by 24% year-on-year to US$1,156 million due to a 3% drop in sales volumes and a 21% decline in the effective average selling price. The latter dropped by 13% in Ukraine, 26% in Europe and 30% in Southeast Asia, following the Platts benchmark for 62% Fe iron ore fines CFR China, which decreased by 28% year-on-year. Sales volumes declined by 667 thousand tonnes in Ukraine and 255 thousand tonnes in Europe. The fall in domestic sales was due to a halt in production by a key client for iron ore concentrate amid the conflict in Eastern Ukraine. Metinvest successfully redirected most of the iron ore concentrate for Ukraine and Europe to Southeast Asia, raising its sales volumes in that region by 555 thousand tonnes year-on-year.

Pellets
In 2014, revenues from pellets decreased by 12% year-on-year to US$972 million, as the effective average selling price fell by 17% and sales volumes increased by 5%. Sales volumes rose by 396 thousand tonnes year-on-year to 8,390 thousand tonnes as inventory accumulated at the end of 2013 was destocked in 2014. Sales of pellets in Southeast Asia grew by 2,116 million tonnes year-on-year, mainly due to changes in the Group's needs for raw materials and the redistribution of volumes from Ukraine (1,294 thousand tonnes) and Europe (194 thousand tonnes) amid lower demand. The effective average selling price in Southeast Asia dropped by 24% year-on-year, tracking the 28% decline in the Platts benchmark, which was partly compensated by new contracts with higher premiums on pellets.

CASE STUDY

SAP IMPLEMENTATION

WE SUCCESSFULLY LAUNCHED SAP AT PILOT ENTERPRISES IN 2013, ROLLED IT OUT FURTHER IN 2014 AND WILL CONTINUE DOING SO IN 2015. SAP STREAMLINES BUSINESS PROCESSES AND ACCOUNTING AND PROVIDES A TRANSPARENT SYSTEM FOR MANAGING EVERY ASPECT OF OUR BUSINESS.

IMPROVING BUSINESS PROCESSES
One of Metinvest's competitive advantages is its ability to implement advanced and unified business processes and information systems across the Group. They improve efficiency at every level of our business, make us more competitive and contribute to long-term value for all of our stakeholders.

In this context, the Group launched its SAP project in 2012 to create a unified information space for exchanging information among business functions. The system incorporates Enterprise Resource Planning (ERP), an integrated IT platform for standardising and unifying all major business processes and accounting.

More broadly, SAP provides managers with real-time access to information needed for decision-making, reducing costs and increasing the transparency of operations and accounting. Key objectives of the project are to integrate sales and production planning, centralise purchasing and sales, harmonise the supply chain and manage all associated costs more efficiently.

PROGRESS IN 2014
In 2013-14, the Group completed the initial planning and development stages for introducing SAP and began the last phase of implementation at assets in Ukraine. Over the year, Metinvest launched SAP at Central GOK, Yenakiieve Steel, Avdiivka Coke, Metinvest-SMC, Northern GOK and Ingulets GOK, while implementation is under way at Ilyich Steel. Following this success, the Group plans to roll out SAP at its remaining Ukrainian assets in 2016-17.

In 2014, Supplier Relationship Management and Supplier Lifecycle Management applications were implemented to centralise purchasing, and a Sales and Operations Planning (S&OP) module was tested at the pilot assets. We have also implemented sales and operational planning for horizons of three to 15 months all of our Ukrainian production facilities.

FINANCIAL SHARED SERVICE CENTRE
In 2014, the Group also commissioned a new project, the Financial Shared Service Centre, in parallel with and using SAP. The aim is to centralise the management of our assets' financial processes to improve efficiency through economies of scale, standardisation and unification. After initially taking over the taxation, accounting and treasury processes of two enterprises, the centre plans to do the same for five more in 2015.

Coking coal concentrate
In 2014, revenues from coking coal concentrate dropped by 38% year-on-year to US$172 million, as sales volumes declined by 17% and the effective average selling price by 20%. Sales volumes fell by 372 thousand tonnes year-on-year, primarily due to United Coal's volumes being redirected from external sales to internal consumption in response to logistical disruptions in supplies from Krasnodon Coal caused by the conflict in Eastern Ukraine. The effective average selling price decreased by 20% year-on-year due to trends in international market prices: the average quarterly contract price for hard coking coal FOB Australia fell by 21% year-on-year.

COST OF SALES
In 2014, Metinvest's consolidated cost of sales declined by US$2,166 million year-on-year to US$8,240 million. The decrease was primarily driven by: (i) favourable movements in the US$/UAH exchange rate, which accounted for US$1,142 million, and other factors excluding the forex effect; (ii) lower prices and consumption volumes of key raw materials, which saved US$879 million; (iii) a decline in energy costs of US$267 million, in particular a reduction in natural gas consumption (US$135 million) and favourable gas price fluctuations (US$104 million); (iv) the change in WIP and FG amounted to minus US$229 million in 2014 due to a reversal of unrealised profit stemming from a decline in sales prices, partly offset by a decrease in physical stocks at steelmakers. In contrast, in 2013, the change in WIP and FG amounted to more than US$140 million as a result of higher sales volumes than production volumes in 2013. This was due to a shipment of steel products from stocks accumulated by Metinvest's traders due to the market recovery, a shipment of iron ore products from stocks following favourable prices and strong demand in Europe and Southeast Asia and a shipment of slabs from stocks accumulated by Ferriera Valsider, Trametal and Spartan and billets from Promet Steel's stocks; and (v) a decrease in depreciation and amortisation of US$189 million.

Chief Financial Officer's Review continued

COST OF SALES CONTINUED

The increase in the cost of sales was partly offset by the following factors excluding the forex effect: (i) a rise of US$374 million in the cost of goods and services for resale, mainly flat products from Zaporizhstal; (ii) an increase in wages and salaries of US$154 million; (iii) a rise in impairment charges of U$110 million, attributable to Krasnodon Coal, United Coal and Central GOK; and (iv) an increase in logistics costs of US$39 million and other costs of US$153 million.

As a percentage of consolidated revenues, cost of sales fell to 78% in 2014, from 81% a year earlier.

DISTRIBUTION COSTS

In 2014, distribution costs decreased by US$58 million year-on-year to US$1,063 million. This was mainly due to a year-on-year decline in transportation expenses and a positive effect from changes in the hryvnya exchange rate, which mainly affected wages and salaries, depreciation and amortisation and other distribution costs. The decrease of US$40 million in transportation expenses was attributable to the declines in sales volumes of 12% in the Metallurgical division and 2% in the Mining division.

As a share of consolidated revenues, distribution costs increased year-on-year by 1 percentage point to 10% in 2014.

GENERAL AND ADMINISTRATIVE COSTS

In 2014, general and administrative expenses decreased by US$104 million to US$287 million, as wages and salaries fell due to the hryvnya's devaluation, while spending on professional services and other costs dropped by US$51 million year-on-year due to the ongoing crisis. The former came despite an overall average salary increase of 10% following the annual review on 1 April 2014 and another 17% at the production enterprises on 1 June 2014.

As a share of consolidated revenues, general and administrative expenses remained unchanged year-on-year and accounted for 3%.

OTHER OPERATING INCOME/EXPENSES, NET

In 2014, other operating income decreased by US$7 million to US$130 million. The year-on-year decrease was primarily attributable to an impairment charge of relating to goodwill and impairment of trade and other receivables that was almost fully offset by higher operating net forex gains, mainly due to the hryvnya's fall and subsequent forex income from the revaluation of trade receivables and payables.

As a share of consolidated revenues, other operating income remained unchanged year-on-year and accounted for 1%.

OPERATING PROFIT

In 2014, operating profit rose by 8% year-on-year to US$1,105 million, giving a corresponding margin of 10%, compared with US$1,026 million and 8% in 2013. The year-on-year increase of US$79 million primarily reflected the reductions in cost of sales (US$2,166 million), distribution costs (US$58 million) and general and administrative expenses (US$104 million), which were almost fully compensated by the falls in revenues (US$2,242 million) and other operating income (US$7 million).

EBITDA

In 2014, EBITDA rose by US$341 million year-on-year to US$2,702 million, giving a margin of 26%, up from US$2,361 million and 18% in 2013. The absolute increase reflected the greater contribution from the Metallurgical division, which was up US$849 million, while EBITDA from the Mining division fell by US$498 million year-on-year (both figures include the contribution of the share in EBITDA of the joint ventures). The EBITDA margin in the Metallurgical division increased to 14%, from 3% in 2013, while in the Mining division it remained unchanged at 43%.

FINANCE INCOME

In 2014, Metinvest's finance income amounted to US$25 million, down US$41 million year-on-year. The decline was largely attributable to income from imputed interest on other financial instruments (interest income on amortisation of discount on financial assets) falling by US$13 million, other financial income falling by US$18 million due to recognised gain in 2013 on early repayment of loans issued and interest income from loans issued declining by US$8 million.

As a percentage of consolidated revenues, finance income decreased to 0.2% in 2014, from 1% in 2013.

FINANCE COSTS

In 2014, finance costs amounted to US$902 million, up US$561 million year-on-year. The rise was driven by a net foreign exchange loss from financing of US$593 million, which was attributable to intragroup dividends and loans denominated in US dollars. At the same time, interest expense on retirement obligations decreased by US$20 million to US$70 million in 2014 as a result of hryvnya devaluation. All other items that constitute finance expenses remained broadly unchanged year-on-year.

As a percentage of consolidated revenues, finance costs increased to 9%, from 3% in 2013.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

In 2014, the share of net income from associates and joint ventures increased by US$128 million to US$142 million, largely due to a rise in net income at Zaporizhstal (US$50 million) and the inclusion of the net income of Southern GOK (US$85 million), which did not contribute in 2013.

INCOME TAX EXPENSE

In 2014, the income tax expense decreased by US$162 million to US$211 million. The fall stemmed mainly from a drop in current tax to US$198 million, from US$394 million in 2013, due to lower profitability, foreign exchange differences and a reduction in the corporate income tax rate in Ukraine from 19% in 2013 to 18% in 2014. These factors were partly offset by higher deferred tax of US$13 million in 2014, compared with minus US$21 million in 2013, due to a write-off of deferred tax assets. Metinvest's effective tax rate, calculated as income tax expense divided by profit before income tax, was 57% in 2014, compared with 49% in 2013.

NET INCOME

In 2014, net income dropped by US$233 million year-on-year to US$159 million mainly due to higher finance costs. As a result, the net margin totalled 2%, compared with 3% in 2013.

NET CASH FROM OPERATING ACTIVITIES

In 2014, Metinvest's net cash flow from operating activities increased by 2% year-on-year to US$1,489 million from US$1,465 million in 2013. The main reason for the rise was a lower increase in working capital (US$18 million), which was primarily attributable to an increase in inventories of US$267 million, partly offset by a rise in accounts payable of US$40 million and fall in accounts receivable of US$211 million.

NET CASH USED IN INVESTING ACTIVITIES

In 2014, Metinvest used US$559 million of cash in investing activities, compared with US$263 million of cash generated from investing activities in 2013. This was driven by the settlement of receivables for bonds, promissory notes and deposit certificates (US$409 million) and for subsidiaries and associates (US$277 million) sold to related parties in prior periods, which together with some other items was offset by US$952 million in financing activities, used to pay for non-controlling interests in subsidiaries.

The increase in cash used for investing activities was partly offset by lower purchases of PPE and intangible assets due to changes in Metinvest's capital expenditure programme (US$214 million).

NET CASH USED IN FINANCING ACTIVITIES

In 2014, net cash used in financing activities increased by US$66 million year-on-year to US$1,542 million. This was primarily attributable to: (i) higher repayments of loans and borrowings, the total of which rose by 75% from US$542 million in 2013 to US$951 million in 2014 due to the start of repayments under three corporate term loan facilities in 2014 (US$1 billion, US$325 million and US$560 million) and repayment of a US$74 million non-bank loan in the third quarter of 2014; (ii) an increase in repayments of trade financing of US$557 million year-on-year to US$484 million, from proceeds of US$73 million in 2013. These factors were partly offset by: (i) lower dividend payment of US$156 million; (ii) lower proceeds from loans and borrowings of US$133 million; and (iii) lower settlements for non-controlling interests in subsidiaries of US$877 million made in 2013.

As at 31 December 2014, total debt (loans, borrowings and seller notes) stood at US$3,232 million, down 25% from a year earlier. As a result of the abovementioned factors, Metinvest's cash balance stood at US$114 million as at 31 December 2014, down 85% from a year earlier.

CAPITAL EXPENDITURE

Metinvest is implementing a strategic capital expenditure programme aimed at modernising its production facilities to increase their efficiency. Capital expenditure decreased by 18% year-on-year to US$613 million in 2014. The Metallurgical division accounted for 45% of capital expenditure (42% in 2013) and the Mining division for 50% (48% in 2013).

In 2014, Metinvest continued implementing numerous investment projects in line with the Technological Strategy adopted in 2012 and updated in 2013. The 2014 capital investment programme was less than budgeted due to financing constraints and limited access to external financing, as well as the rescheduling of some projects in the conflict zone. The key investment projects are described below.

EVENTS AFTER THE REPORTING PERIOD

Since the beginning of 2015, the operating and financial environment has become increasingly difficult. In this context, our top priority is cash preservation and the sustainable restructuring of our debt repayments.

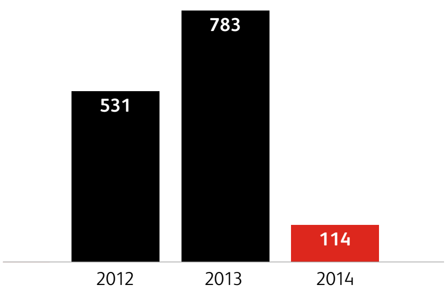
In early 2015, we launched debt restructuring negotiations with PXF lenders and holders of our 2015, 2017 and 2018 bonds. In the second quarter of 2015, we launched consent solicitation transactions regarding those bonds and discussions with the PXF lenders to agree to a standstill.

Aleksey Kutepov
Chief Financial Officer

CASH BALANCE

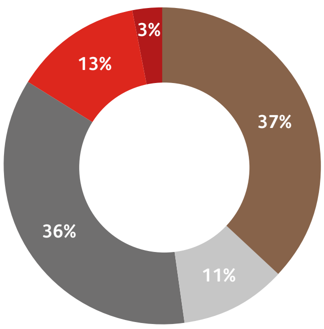
US$114m

-85%



DEBT STRUCTURE

US$3,232m

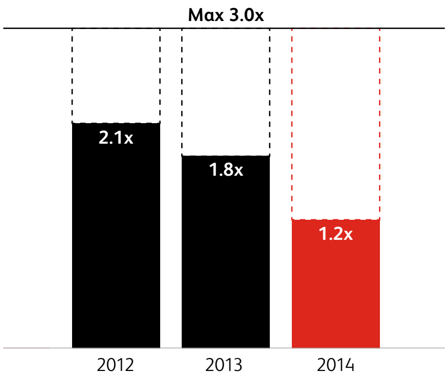


- Bank loans
- Non-bank term loan facilities
- Bonds
- Trade finance
- Seller notes

TOTAL DEBT TO EBITDA

1.2x

-0.6x



Our Metallurgical division overcame myriad challenges in the second half of 2014, including bottlenecks in raw material supplies and a turbulent operating environment.

PROFITABLE GROWTH DESPITE COMPLEX CHALLENGES

PRODUCTION ASSETS

The Metallurgical division is responsible for the Group's steel and coke products and can produce around 15 million tonnes of steel a year.

The steelmaking assets comprise 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). Metinvest also has 49.9% in Zaporizhstal, one of Ukraine's largest steelmakers, which is classified as a joint venture.

The coking assets include Avdiivka Coke, Donetsk Coke, Zaporizhia Coke and the facilities at Azovstal, as well as Inkor Chemicals, which makes chemical products. In 2014, Metinvest was 97% self-sufficient in coke for steelmaking.

We maintain an ISO 9001:2008-certified quality management system at all major steelmaking and re-rolling facilities.

PERFORMANCE

In 2014, our crude steel production fell by 26% year-on-year to 9,205 thousand tonnes and output of pig iron and steel products by 21% to 9,587 thousand tonnes. The decline came mostly in the second half of the year, as the conflict interrupted raw material supplies to our plants. These included coking coal from Krasnodon Coal to our coke operations, and coke from there and iron ore products from the Northern, Ingulets and Central GOKs to our steelmakers. As such, we reduced, and in some cases suspended, these operations. As part of the work of our Sales and Operations Planning function, we also reallocated hot metal to produce more merchant pig iron to maximise margin.

The second half of 2014 saw major disruptions to our steelmaking operations. Yenakiieve Steel, which produced around 22% of our crude steel in 2014, halted its main operations in August due to damage caused by inadvertent shellfire and restored them in October. After the reporting period, damage to a gas pipeline and disruptions to electricity and raw material supplies forced us to close the plant briefly once more in mid-February 2015. The same constraints also led us to halt operations temporarily at Makiivka Steel, part of Yenakiieve Steel, that month.

As of mid-August 2014, operations at Khartsyzk Pipe, which produced 238 thousand tonnes of large-diameter pipe in 2014, were also temporarily halted due to damage to railway infrastructure used to deliver to and from the plant. In early October 2014, after the damage was repaired, Khartsyzk Pipe began producing and shipping pipe again. There was also minor damage to its property, and repair works are under way.

Supplies of raw materials to Azovstal and Ilyich Steel, which together produced 78% of our crude steel in 2014, were also disrupted in late July 2014, when railway lines were damaged in the conflict. In August-September, the conflict moved towards the southeastern part of Donetsk Region, to around 20 kilometres east of Mariupol, home to Azovstal and Ilyich Steel. Ilyich Steel also suffered minor damage to its sinter plant from artillery fire, although there was no material effect on production.

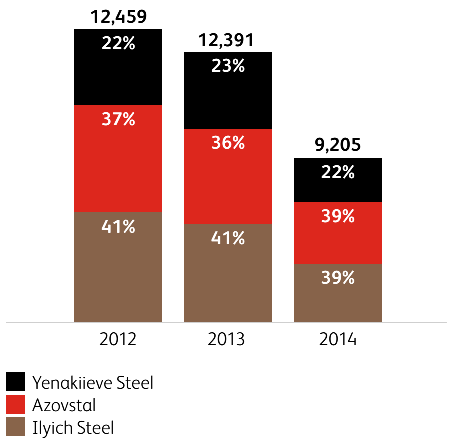
In late December 2014, the railway bridge connecting these plants with Mariupol port was destroyed, In January 2015, the supply of industrial water to Azovstal was temporarily interrupted when the electricity supply to the pumping stations was damaged by shelling. Supplies of iron ore, coking coal and coal were restricted from January to March 2015.

In July, Avdiivka Coke was affected by damage to property and its electricity supply. After we restored sufficient power, the plant suffered disruption again after further damage to the electricity supply in November. Operations were then fully suspended after a connecting railway line was damaged in December, and restored after the year-end.

CRUDE STEEL PRODUCTION BY ASSET

9,205kt

-26%



In this volatile environment, we proved able to react quickly and empowered plant managers to make the critical decisions to keep employees safe and facilities running. We also worked closely with our Logistics department to maintain raw material supplies to our plants, using alternative railway routes and instituting seaborne deliveries. When supplies from Krasnodon Coal were disrupted, we sourced from United Coal and third parties. Such efforts kept our plants operational wherever possible and conserved facilities, notably Avdiivka Coke and Yenakiieve Steel, when we had no other choice but to halt production.

In 2014, we reviewed and maintained our Technological Strategy, whose main aim is to make our steelmaking plants more efficient, more environmentally friendly and deliver higher-quality products. Despite the operational challenges and funding constraints, we fulfilled most of the strategy's major planned projects in the year. The division's overall CAPEX for the year amounted to US$276 million.

Major projects in the Metallurgical division include building the infrastructure for a new air separation unit at Yenakiieve Steel, as part of a joint venture with Air Liquide (France). We also carried out a major overhaul of basic oxygen furnace no. 1 at Yenakiieve Steel, which included replacing the shell and off-gas ducts and completed a standby turbine air blower for the plant's blast furnaces. At Azovstal, we continued the major overhaul of blast furnace no. 4, due for completion in the second quarter of 2015.

Conditions in late 2014 led us to suspend the construction of PCI facilities at Yenakiieve Steel and Azovstal. The work at Yenakiieve Steel was more than 50% complete at the year-end. The project at Azovstal was halted in the early stages in January 2015. After the end of the reporting period, we also suspended work to rebuild a replacement turbine air blower at Azovstal.

Amid the operational challenges in 2014, the Metallurgical division continued to deliver cost savings. We maintained the continuous improvement programme implemented at all of our Ukrainian production assets in 2013, which includes projects to optimise the types of coal consumed and reduce fuel and power usage.

OUTLOOK AND STRATEGY

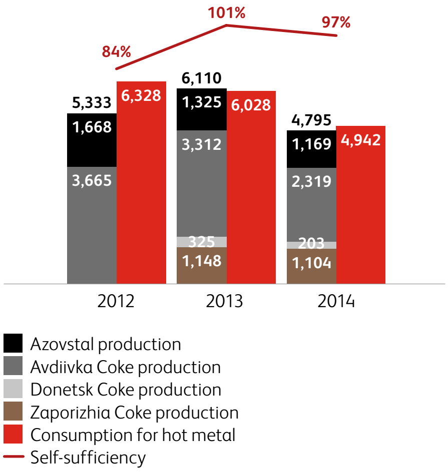
Our main priority in 2015 is to restore steelmaking production as far as operational conditions and raw material supplies allow. After considerable disruption in January and February, we had resumed output at all steelmaking facilities by the end of the first quarter. In March 2015, Yenakiieve Steel was running at around 50% of capacity and we plan to increase this later in the year. Azovstal and Ilyich Steel are currently operating at around 60-80% of their respective capacity and Avdiivka Coke at 40%.

Subject to financing, we plan to continue implementing key capital investment projects, particularly ones with a significant environmental benefit. These include new filters for the sinter plant at Ilyich Steel and the upgrade of blast furnace no. 4 and the construction of the PCI unit at Azovstal. We also intend to resume the work on the PCI facilities at Yenakiieve Steel as soon as possible.

COKE SELF-SUFFICIENCY (kt)[1]

97%

-4pp



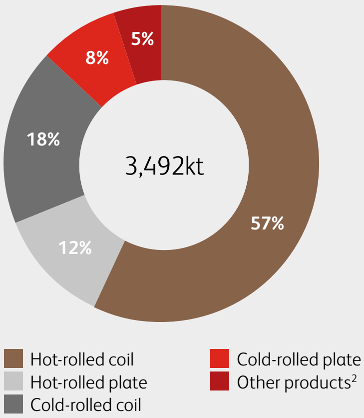
1 Self-sufficiency is calculated as total coke production divided by total consumption of coke to produce hot metal in the Metallurgical division

CASE STUDY

ZAPORIZHSTAL

OUR PARTICIPATION IN THE ZAPORIZHSTAL JOINT VENTURE HAS EXPANDED OUR STEEL PRODUCTION CAPACITY AND MIX, WHILE SECURING A MAJOR IRON ORE CUSTOMER. IN ADDITION, OUR INVESTMENTS IN ITS TECHNOLOGY AND PROCESSES WILL MAKE THE PLANT MORE EFFICIENT AND CLEANER AND CREATE NEW SYNERGIES WITH OUR BUSINESS.

PRODUCT MIX



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

UNLOCKING SYNERGIES

Over 2011-12, Metinvest acquired 49.9% of Zaporizhstal, one of Ukraine's largest steelmaking plants, which is near our asset base in Eastern and Southeastern Ukraine. As a result, we have created considerable synergies with our steelmakers and iron ore producers in the region.

Zaporizhstal is one of our top third-party purchasers of iron ore, consuming around 8% of the Group's production in 2014, while its sales and distribution network and product mix complement ours. It also has access to the Dnipro River, a strategic transportation route. We believe that the joint venture represents significant long-term potential.

In 2014, Zaporizhstal contributed US$182 million to the Group's EBITDA, up US$112 million year-on-year, increasing the Group's EBITDA result for the year.

PRODUCTION

In 2014, despite continued challenging conditions at home and globally, Zaporizhstal's hot metal and crude steel production increased. Its hot metal production rose by 9% year-on-year to 3,513 thousand tonnes and its crude steel output by 4% year-on-year to 3,961 thousand tonnes. In total, the plant produced 3,492 thousand tonnes of steel products in 2014, up 8% year-on-year. Finished goods accounted for 96% of the product mix and merchant pig iron for 4%.

INVESTING IN THE FUTURE

Through senior positions in the management, together with other shareholders, Metinvest exercises strategic control of Zaporizhstal. We are working with our joint venture partners to develop a major investment plan to modernise the plant over the long term.

In the meantime, we have already implemented projects to reduce Zaporizhstal's environmental impact and raise production efficiency. In July 2014, we completed the construction of a new hydrochloric acid pickling line and a regeneration plant for spent acid pickles. The latter helps to prevent discharge into the Dnipro River and significantly reduces the plant's emissions. In addition, we completed the overhaul of blast furnace no. 4 in August 2014, helping to bring the facility to its target efficiency level.

We continue to see enormous potential in Zaporizhstal, which made a material contribution to profitability in 2014 alone. In our view, we have only begun to unlock vast synergies between it and our nearby assets. We intend to harness our extensive experience and strong track record of implementing major technological projects and business processes to raise its efficiency and ensure that the asset is able to realise its full potential.

In 2014, our Mining division maintained output in difficult conditions, while continuing to invest in technology and enhanced workplace safety.

CONTINUITY AMID CONSTRAINTS

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 July 2014, we acquired 49.5% of Southern GOK, which produces iron ore concentrate and sinter and is classified as a joint venture. In addition, we own Komsomolske Flux, a large Ukrainian producer of limestone.

As at 31 December 2014, Metinvest had long life proven and probable iron ore reserves in Ukraine of 1,456 million tonnes[1].

Our main coking coal facilities are Krasnodon Coal in the Donbas region of Ukraine and United Coal in the US. As at 31 December 2014, we had unaudited coal reserves of 603 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 2014, our output of iron ore concentrate fell by 6% year-on-year to 34,888 thousand tonnes. The decline was attributable mainly to the technical condition of the facilities at Northern GOK's beneficiation plant in the first quarter (accounting for 1,580 thousand tonnes), as well as to disruptions to electricity supplies in November and December. None of our iron ore production assets were damaged by the conflict due to their distance from the affected area.

Internal consumption of iron ore concentrate for hot metal fell by 18% to 10,180 thousand tonnes, covering our own needs by around three-and-a-half times, compared with three times in 2013.

The increase in self-sufficiency was attributable to the overall drop in hot metal by 20% year-on-year.

Excluding intragroup sales and utilisation, merchant iron ore concentrate production increased by 11% year-on-year to 14,310 thousand tonnes, mainly due to lower internal consumption. Output of iron ore pellets fell by 7% year-on-year to 7,961 thousand tonnes, amid lower pellet output at Northern GOK and better market conditions for concentrate.

In 2014, our production of coking coal fell by 26% year-on-year to 4,098 thousand tonnes. The drop was primarily attributable to a decrease in production at Krasnodon Coal (accounting for 1,266 thousand tonnes[2]) amid the conflict in Eastern Ukraine in the second half of the year. Other factors included lower clean coal yield caused by greater ash content in the coal extracted, depleted reserves at the '50 Years of the USSR' mine, and suspended production at two faces of the Molodogvardeiskaya mine due to a fire.

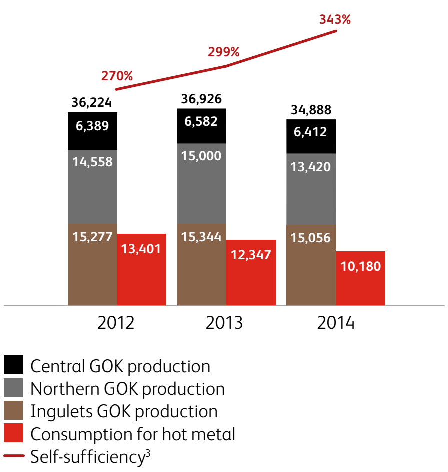
Internal consumption of coking coal for hot metal fell by 19% to 8,391 thousand tonnes, equalling 49% of our own production in 2014, compared with 53% in 2013. The decline in self-sufficiency was attributable to the overall drop in coal production. We covered the remainder with purchases from third parties in Ukraine, Australia, Canada, Colombia, Russia and the US.

During the second half of the year, Krasnodon Coal, which accounted for around 37% of Metinvest's output of coking coal concentrate in 2014, was seriously affected by the conflict. As of August, production was scaled back due to damage to railway links used to deliver coal to the Group's enterprises. In early October, the plant began producing and shipping its commodities again, but at around two-thirds of the normal rate.

IRON ORE SELF-SUFFICIENCY (kt)

343%

+44pp



3 Self-sufficiency is calculated as total iron ore concentrate production divided by total consumption of iron ore products to produce hot metal in the Metallurgical division

During this time, we delegated authority to local managers to make timely day-to-day decisions that helped to ensure the safety of our staff, take action to protect and repair power and water facilities that are vital for both our plants and local communities, and reinforce our infrastructure. The division worked closely with our Logistics and Purchasing department to address the key challenge of moving inventories of coking coal products from the facilities most affected.

In addition, we organised seaborne shipments via Mariupol seaport and the port at Azovstal, arranging coastal shipping of iron ore from the

1 According to JORC methodologies, as at 1 January 2010 and adjusted for production of 406 million tonnes of reserves between 1 January 2010 and 31 December 2014. Ore reserves refer to the economically mineable part of mineral resources

2 In coal concentrate equivalent

ports of Berdyansk and Odesa and imports of coking coal by transferring coal from Capesize and Panamax to smaller vessels outside the port limits at Yuzhny.

We continued to implement our Technological Strategy, investing US$304 million in 2014, and making progress on major long-term investment projects to enhance the efficiency and safety of our plants and mines. We continued the work to build the crusher and conveyor system in the Pervomaisky quarry at Northern GOK, the first stage of which is due for completion in December 2015. We also continued to rebuild the Lurgi 278-B roasting machine at Northern GOK and conducted initial work on a crusher and conveyor system at Ingulets GOK.

As part of the Group's five-year plan for improving its health and safety system, continued investment in safety technology remained a priority in 2014. We finished the second phase of installing a production process safety system and an air and gas protection system at Western Samsonovska mine. We also made continued progress in installing effective dust suppression systems in our mines and modernised the gas-cleaning equipment in the roasting machines in pellet shop no. 2 at Northern GOK.

We continued to implement a long-term initiative, launched in 2013, to optimise, prioritise and schedule equipment maintenance and repairs. In 2014, we approved a road map to identify priorities for the next five to ten years. We also pressed ahead with our continuous improvement (CI) programme to further improve operational efficiency.

OUTLOOK AND STRATEGY

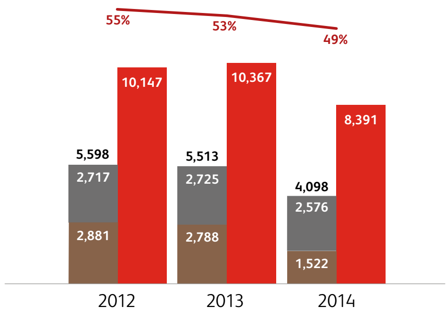
In 2015, our strategic priority will be to normalise operations at Krasnodon Coal following continued disruptions in the first quarter of the year due to disruptions to rail transportation and damage to rail infrastructure. We will seek to maintain high-quality iron ore (Fe 65%) output to ensure that our products remain among the best.

We will continue to implement our updated Technology Strategy to lower the cost of producing iron ore and coking coal and enhance Group efficiency. We will also continue to introduce state-of-the-art solutions for workplace safety, as we pursue further reductions in lost-time incidents.

COAL SELF-SUFFICIENCY (kt)[4]

49%

-4pp



- Consumption for hot metal
- United Coal production
- Krasnodon Coal production
- Self-sufficiency

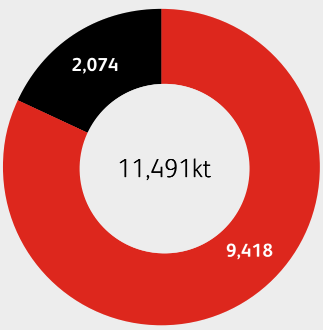
4 Self-sufficiency is calculated as total coal concentrate production divided by total consumption of coal concentrate to produce coke required for production of hot metal in the Metallurgical division

CASE STUDY

SOUTHERN GOK

METINVEST'S PARTICIPATION IN THE SOUTHERN GOK JOINT VENTURE PROVIDES OUR STEELMAKERS WITH AN ADDITIONAL SECURE SOURCE OF SINTER AND IRON ORE CONCENTRATE, HAS EXPANDED OUR IRON ORE PRODUCTION CAPACITY AND MIX, AND CREATES NEW SYNERGIES. IN ADDITION, OUR EXPERIENCE OF MANAGING INVESTMENT PROJECTS ENABLES US TO ADD VALUE TO THE PROJECT.

PRODUCT MIX[5]



- Merchant iron ore concentrate
- Sinter

5 Annual production of Southern GOK, 45.9% of which Metinvest acquired in July 2014

LEADING ORE PRODUCER

Metinvest acquired a direct interest of 0.79% in Southern GOK in June 2014 and a 44.8% effective interest in July 2014. The Group classifies the asset as a joint venture. The transaction gave the Group a stake in one of its most important third-party suppliers of sinter and iron ore concentrate and the ability to contribute management expertise and oversee investments to improve operational efficiency and safety. In the second half of 2014, Southern GOK contributed US$118 million to Metinvest's EBITDA, increasing the Group's overall EBITDA for the year.

Located in Kryvyi Rih, Dnipropetrovsk Region, Southern GOK currently mines iron ore from one open pit in its quartzite fields and transports it by rail to crushing, beneficiation and sinter plants.

The asset produces merchant concentrate with an iron ore (Fe) content of around 65.4% to 67.7% and sinter with an Fe content of around 56.2%. It has an annual concentrate production capacity of 11.2 million tonnes, including agglomerate production capacity of 2.4 million tonnes.

In 2014, Southern GOK produced 10,952 thousand tonnes of iron ore concentrate, of which 9,418 thousand tonnes was merchant concentrate and the rest was used to produce 2,074 thousand million tonnes of sinter. Some 28.0% of that was consumed by Metinvest's steel production facilities (Yenakiieve Steel and Azovstal) and the remainder was sold to external customers. All merchant concentrate was sold to third parties.

INVESTING FOR TOMORROW

In 2014, Southern GOK completed several key investment projects, including the second phase of construction of a cyclic-flow technology conveyor system for ore from a depth of 210 metres. The project allows the product flow on the conveyor to be regulated better and further reduces the cost of ore production.

Among other investments, a major project was conducted to renew and maintain the technical fleet, including the acquisition of two 130-tonne dump trucks and two crushers. In addition, projects were launched to develop a technical maintenance and repair base for dump trucks and to improve the reuse of tailings.

TRUE LEADERSHIP AMID ADVERSITY

In 2014, we showed our strength as an organisation by both addressing the immediate challenges and continuing to fulfil our long-term commitments to our investors, suppliers, employees, communities and environment. We also made progress on implementing global best practices in corporate governance.

RISING TO THE CHALLENGE

Metinvest experienced a perfect storm of external factors in 2014, including political and economic instability in Ukraine, conflict in the country's east, and among the lowest global prices for steel products and raw materials in several years.

Adversity can make or break a company, and how people perform when faced with great challenges shows the true strength of an organisation. I am proud to say that in 2014, Metinvest demonstrated the unity and resilience of its people and business model.

We saw numerous examples of resourcefulness and bravery in 2014, both collective and personal. When our infrastructure was damaged, our experts worked with the DTEK power company, also part of System Capital Management Group (SCM), to restore the electricity supply. SCM also created a crisis group with Ukrainian Railways to repair stations and lines and re-commission old routes to keep goods flowing. Alongside managing alternative rail routes, our logistics and purchasing team organised seaborne deliveries of raw materials for Metinvest's plants.

As a result, despite the conflict, we managed to preserve all of our plants and mines in Eastern Ukraine and sustain profitability. Protecting these facilities and our people not only secures our long-term asset base, but also ensures a future for our communities, for whom our operations are critical economic hubs.

In our view, keeping our business running is the best that we can do to help local communities and the country in general. The Group and its employees have also rallied together to help those most affected by the conflict in the Donetsk and Luhansk regions.

In 2014, Metinvest quadrupled its overall social spending compared with the original budget. This included US$19.2 million for the Rinat Akhmetov Humanitarian Centre set up by our main shareholder. We were able to accommodate more than 1,600 displaced persons in our social facilities. Volunteers from our local plants and offices created committees to reach out to those in need and 1,500 employees distributed food and essentials to those affected by the conflict.

INVESTING IN THE FUTURE

Alongside responding to the immediate challenges in 2014, it was also critical that we continue to make long-term and cumulative investments to achieve our strategic goals. These include spending on mitigating our environmental impact and improving employee health and safety. Our greatest contribution in these areas remains investments under our Technological Strategy, as new production solutions are safer and cleaner. Despite operational challenges that forced us to postpone some projects, we were able to maintain overall CAPEX at more than 80% of the 2013 level.

Metinvest spent US$350 million on environmental safety in 2014, including capital and operational improvements and environmental measures. Key long-term environmental investments under the Technological Strategy include the US$200 million upgrade of the sinter plant at Ilyich Steel, due for completion in 2020. The planned reconstruction of the sinter plant at Yenakiieve Steel is unfortunately on hold due to the conflict in Eastern Ukraine.

In 2014, the Group spent US$82 million on health and safety measures, including US$46 million on occupational health and US$17 million on workplace safety. More than 6,000 managers underwent extensive HSE training in corporate standards. We conducted 238,856 audits and identified 297,933 safety issues, which we addressed swiftly. The Group continues to implement a risk assessment programme using international best practices to identify and eliminate hazards throughout production processes.

In recent years, our lost-time injury frequency rate has fallen steadily due to our relentless focus on creating a 'safety first' work culture and steady investment in new technology. We are also looking at innovative ways to help our employees enjoy better health and reduce associated risks in the workplace.

In 2014, we launched a pilot programme of the 'Healthy Heart' project, aimed at addressing cardiovascular health risks among employees by encouraging them to make positive changes in their lifestyle. Reducing the risk of heart attacks helps to keep our people in good health and eliminate the risk of an industrial accident.

FOCUSING ON COMMUNITIES

Metinvest continued to make investment in local communities a priority during the year and spent almost US$13 million. In 2014, we signed social partnership programmes with all of the communities in Ukraine where we have production facilities. In each town and city, we work in close partnership with local stakeholders to identify the projects that are most in demand from local communities. In 2014, for example, we provided public transportation – eight buses in Krasnodon and two trolleybuses in Mariupol – developed transport infrastructure in Kryvyi Rig and reconstructed parks and squares in Mariupol.

In addition, Metinvest continued the 'The City – Our Hands' initiative, which provides funding to improve communities at the grass roots level by encouraging local residents to devise initiatives. We also continued our 'Green Centre' project in Mariupol and Yenakiieve to landscape urban spaces and remove waste.

ENSURING ROBUST GOVERNANCE

We also made further progress in developing our corporate governance institutions in 2014.

The Supervisory Board, which was already playing an important oversight role, has now been confirmed in our structure and documentation as a key governance institution at Metinvest. This is an important step forward in developing world-class and transparent standards of corporate governance in the interests of all stakeholders.

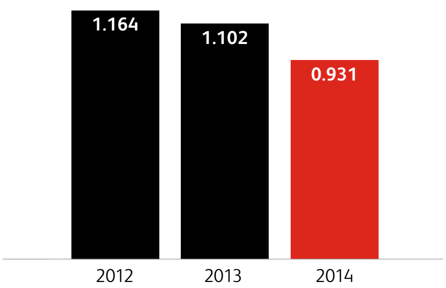
BUILDING A SHARED FUTURE

The year 2015 could prove to be as challenging as 2014, in terms of both the ongoing uncertainty in Ukraine and continued pressure in the global steel market. However, I am confident that Metinvest will continue to overcome the challenges that it faces. We understand just how important it is that we continue to succeed. Metinvest is one of the largest taxpayers in Ukraine and its plants are the economic anchors of their communities. Our investments in technology, health and safety and the environment translate into greater prosperity and a source of sustainable and value-added growth for our economy and a brighter future for our country.

On behalf of the Supervisory Board and our shareholders, I would like to thank our entire team for rising to the challenges posed this year, and our investors, partners and customers for their continued confidence in the Metinvest story.

Amir Aisautov
Chairman

LOST-TIME INJURY FREQUENCY RATE[1]



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

"Protecting our facilities and our people not only secures our long-term asset base, but also ensures a future for our communities."

Supervisory Board

The Supervisory Board provides the Group with a solid corporate governance institution built on the vast international experience of our directors.

Amir Aisautov

Chairman and Class A Member of the Supervisory Board

Amir Aisautov was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He is Director of the Metals and Mining Business at System Capital Management. He has extensive experience in the finance, telecommunications and industrial sectors in Eastern Europe and the Middle East. He started his career in 2003 at the Moscow office of McKinsey and Company, working on assignments in Eastern Europe and the Middle East. Five years later, he joined Clever Management in Kyiv as Director of Strategy and Investments.

Amir Aisautov graduated with a BS degree from the Kazakh National Technical University in 2001 and received an MBA from Georgetown University in 2003.

Alexey Pertin

Deputy Chairman and Class B Member of the Supervisory Board

Alexey Pertin was appointed as a Class B Member of the Supervisory Board on 14 July 2014. He is responsible for the following areas: strategic development, production efficiency, sales and investment projects. His career started in 1995 at Cherepovets Iron and Steel Works. He later continued working at Severstal Group in different positions, including General Director of Izhora Pipe Plant and Deputy General Director of the Group.

Alexey Pertin graduated from Cherepovets State University in 1994, and from St Petersburg State Technical University with a qualification in financial management in 2001. He has an MBA from Northumbria University (UK) and is a member of the Association of Chartered Certified Accountants (ACCA).

Damir Akhmetov

Class A Member of the Supervisory Board

Damir Akhmetov was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He oversees the following areas: strategy, corporate development, governance and production efficiency.

Damir Akhmetov attended Le Rosey (Switzerland) through the International Baccalaureate Diploma Programme over 1996-2006. He graduated from Sir John Cass Business School (City University, London) with an MSc in Finance.

Yaroslav Simonov

Class A Member of the Supervisory Board

Yaroslav Simonov was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He oversees legal matters, compliance and corporate development and governance. He specialises in corporate, banking and finance law, securities legislation and foreign investment and currency regulation. He advises on domestic and international debt and equity offerings, as well as cross-border M&A. He has previously worked at Silecky, affiliated with Squire Sanders and Dempsey and the Ukrainian office of investment bank Renaissance Capital and is currently a Deputy Director of law firm Voropaev and Partners.

Yaroslav Simonov graduated with a distinction from the Law Faculty of Kyiv National Taras Shevchenko University and holds an LLM in International Business Law, also with distinction, from the Central European University in Budapest, Hungary.

Igor Syry
Class A Member of the Supervisory Board

Igor Syry was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He is responsible for the appointment, compensation, motivation and development of the Group's top management, as well as for issues related to strategic development and operations management. From 2006 to 2013, he was CEO of Metinvest Holding. Before that, he was a Senior Manager at System Capital Management in 2002-06 and a senior consultant at PricewaterhouseCoopers in 1999-2002.

Igor Syry graduated from the Economics faculty at Kharkiv State Agrarian University in 1995 and obtained an MBA at Cornell University (US) in 1999. He is a member of the Association of Chartered Certified Accountants (ACCA) and a Certified Financial Analyst (CFA).

Oleg Popov
Class A Member of the Supervisory Board

Oleg Popov was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He has been the CEO of System Capital Management since December 2005. Before that, he worked at various state establishments and enterprises for eight years.

Oleg Popov graduated from Donetsk Polytechnic Institute in 1990 and from Donetsk State University in 1996.

Stewart Pettifor
Class A Member of the Supervisory Board

Stewart Pettifor was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He began his career in the UK steel industry in 1963 and progressed through a variety of operational management positions. In 1997, he was appointed as CEO and President of Avesta Sheffield. In 2000, following its merger with Outokumpu, he became Deputy CEO of Avesta Polarit. In 2001, he returned to the UK to run the flat products business of Corus and also joined the board. He became the Chief Operating Officer in 2003 until his retirement in 2005.

Stuart Pettifor has a first class BSc honours degree in Metallurgy from Nottingham University. He is a Fellow of the Institute of Mining, Metallurgy and Minerals and a Companion of the Institute of Management.

Christiaan Norval
Class A Member of the Supervisory Board

Christiaan Norval was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He oversees issues connected with his industrial expertise and the implementation of 'best practices' in management and production. He is also responsible for international affairs. He spent a significant part of his career building what is today known as BHP Billiton as head of corporate finance. He oversaw most of the transactions to create BHP Billiton, including the IPO of Billiton Plc in 1997. He also served as CEO and President of the Sual International Group, a Russian producer of aluminium and alumina.

Christiaan Norval holds a BCom (Hons) from the Rand Afrikaans University, Johannesburg, and is a Chartered Accountant. He is a member of the South African Institute of Chartered Accountants.

Gregory Mason
Class B Member of the Supervisory Board

Gregory Mason was appointed as a Class B Member of the Supervisory Board of on 14 July 2014. He is responsible for technological innovation and the implementation of continuous improvement practices. He previously served as CEO of Severstal International, managing its North American and European operations. Prior to Severstal, he held various positions in steel companies and consulting firms, from engineering and operations management to senior executive roles.

Gregory Mason is a registered professional engineer in the US. He received his master's degree in electrical engineering from the Naval University of St Petersburg in 1975.

Gerhart Rieger
Class B Member of the Supervisory Board

Gerhart Rieger was appointed as a Class B Member of the Supervisory Board on 14 July 2014. In 1993-2000, he worked at consulting company Roland Berger and Partners, where he was the leading consultant across various industrial areas with a focus on finance, strategic and investment planning and controls. In 1987-93, he was Finance Director and Deputy Finance Director at Hengst Filterwerke. He previously occupied managerial positions, including Chief Financial Officer, at Yukos from 2000 to 2006.

Gerhart Rieger graduated from Kharkiv Engineering and Economic Institute with an honours degree in Engineering and Economics in Machine-Building.

Our long-term commitment to effective and transparent corporate governance makes us more efficient as a Group and ensures that the rights of all stakeholders are observed throughout our work.

COMMITTED TO TRANSPARENCY AND BEST PRACTICE

OUR SYSTEM

Our aim is to build a corporate governance system that rivals those of the most transparent public companies and serves the interests of all stakeholders as well as possible. Our institutions are designed to serve not only our shareholders and bondholders, but also all other parties involved, including local communities and employees.

We believe that maintaining a transparent and robust system of checks and balances across the Group leads to greater operational efficiency, sound financial management and a safer workplace for everyone.

In addition, our track record of proactive engagement with the investor community, information disclosure and sound financial oversight strengthens our investment case and provides a solid foundation for cooperation and dialogue.

In 2014, we made a transformational change by establishing the Supervisory Board as our chief corporate governance institution. This followed the completion by SCM and Smart Holding of the merger of their metals and mining assets into the jointly managed Metinvest B.V. As a result, SCM's stake in Metinvest B.V. is 71.24%, Smart Holding owns 23.76% and Clarendale Limited (affiliated with the former owners of Ilyich Steel) has retained 5%. Thereafter, SCM and Smart Holding signed a shareholder agreement outlining the relevant and proportional corporate governance rights of each in Metinvest B.V. The transaction has simplified the Group's corporate governance structure.

OUR PRINCIPLES

Metinvest's vertically integrated structure lends itself to clear lines of governance. The Group is managed according to a defined set of core principles that are closely linked to its strategic approach. 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 steel 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 our Supervisory Board, which is responsible for strategic management, and the Management Board, which monitors operations.

SUPERVISORY BOARD

The Supervisory Board consists of ten members, seven representing SCM and Clarendale Limited (Class A members) and three representing Smart Holding (Class B members). It is responsible for key decisions related to Metinvest's activities, including:

– Devising strategies goals and business plans;
– Comparing results with objectives;
– Approving appointments of senior managers, setting their key performance indicators (KPIs) and approving their compensation plans and bonuses;

- Appointing the external independent auditor;
- Approving Annual Reports and financial statements;
- Providing recommendations to the General Meeting on mergers and acquisitions;
- Approving investment projects with budgets over US$20 million (up to US$500 million);
- Approving material transactions of over US$100 million (up to US$500 million);
- Endorsing external financing of over US$30 million if included in the annual financing programme approved by the Supervisory Board and approving any financing transaction regardless of the amount if they are not included; and
- Adopting the annual plan for Supervisory Board and Committees.

BOARD COMMITTEES

Four committees assist the Supervisory Board in its work:

- Strategy and Investments Committee;
- Audit and Finance Committee;
- Health, Safety and Environmental Committee; and
- Appointments and Compensations Committee.

STRATEGY AND INVESTMENTS COMMITTEE

The Strategy and Investments Committee's main responsibility is to conduct reviews and provide recommendations to the Supervisory Board regarding:

- Strategic objectives, including new and existing businesses;
- Mergers and acquisitions; and
- Investment projects exceeding US$20 million.

AUDIT AND FINANCE COMMITTEE

The Audit and Finance 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 shareholders and on behalf of the Supervisory Board. Its main responsibilities include overseeing the:

- Budget and budget system;
- Preparation, approval, audit, filing and publication of the financial statements;
- Systems of internal accounting and financial control and reporting, including any relevant IT solutions;
- Integrity of internal management accounts prepared by the Management Board;
- Policy and system of risk management and internal control, and the risk monitoring and assessment system;
- Development, supervision and control of the internal audit function and audit system and practice;
- Financing of the Group's activities and businesses; and
- Assessment of the auditor's competence and independence, as well as the auditor's remuneration and terms of engagement.

The Audit and Finance Committee is assisted by the Internal Audit Directorate.

INTERNAL AUDIT DIRECTORATE

The Internal Audit Directorate consists of professional managers with expertise in internal control, audit and accounting. It reports to the Audit and Finance Committee and senior management regularly. Its main functions include independently evaluating the risk management, control and governance systems and providing reasonable assurance that they are functioning as intended. It reports any shortcomings directly to the Audit and Finance Committee and makes recommendations about how to improve operations. In addition, with consultation from the Chief Legal Officer, it evaluates the Group's compliance with regulatory and legal requirements, both internal and external.

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

The Health, Safety and Environmental Committee's objective is to maintain the highest international HSE standards.

Its main responsibilities include:

- Developing and implementing the HSE strategy;
- Participating in key HSE projects, including analysing and approving plans and budgets;
- Maintaining a world-class HSE managerial reporting system;
- Reviewing investigations and preliminary conclusions regarding fatal and other serious on-site and off-site incidents involving harm to health and/or the environment;
- Uncovering the underlying causes of fatal and other serious incidents and developing plans to minimise future risks;
- Identifying, assessing and reducing environmental risks in investment projects and operations; and
- Conducting both scheduled and ad hoc site visits to check HSE practices at facilities.

APPOINTMENTS AND COMPENSATIONS COMMITTEE

The Appointments and Compensations Committee oversees the appointment and terms of employment of senior executives and Directors. Its responsibilities include:

- Defining the framework for remunerating of top managers, heads of key enterprises and other senior executives;
- Making recommendations regarding KPIs and annual bonuses for senior managers;
- Establishing the Group's succession policy; and
- Maintaining the system for motivation, assessment and compensation.

MANAGEMENT BOARD

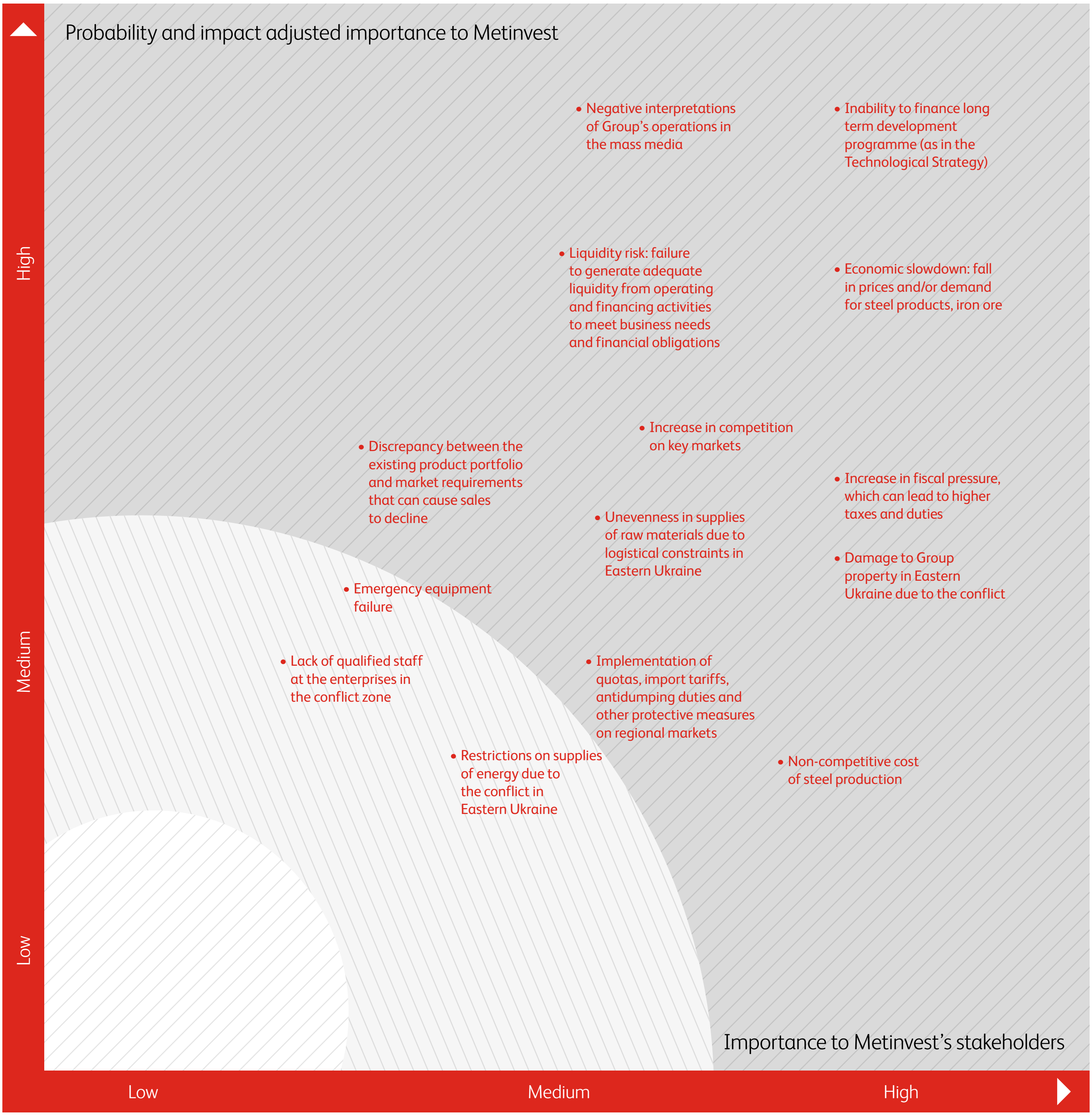
The Management Board consists of two Directors: Director A and the Chief Executive Officer (CEO), who is appointed by SCM, and Director B, who is appointed by Smart Holding.

Director A and the CEO is Yuriy Ryzhenkov, while Director B is ITPS, which is registered in the Netherlands.

Risk Management

Metinvest maintains a comprehensive and regularly updated Risk Management function and incorporates risk forecasting and mitigation into every aspect of its business.

RISK MAP



RISK FACTOR	RISK MANAGEMENT APPROACH
Inability to finance long-term development programme (as in the Technological Strategy)	In the short to medium term, our long-term Technological Strategy prioritises projects that have the shortest payback period and can finance 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.
Increase in fiscal pressure, which can lead to higher taxes and duties	We manage assets with a broad geographic spread – in Ukraine, the wider CIS, the EU and North America – thereby diversifying political risk. A thorough risk assessment is conducted on any country where we are considering activities or investments. 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 maintain a positive working relationship with local and national authorities.
Liquidity risk: failure to generate adequate liquidity from operating and financing activities to meet business needs and financial obligations	Metinvest monitors and manages its forecast cash position constantly. If funding is not available, commitments are not assumed.
Increase in competition on key markets	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.
Economic slowdown: fall in prices and/or demand for steel products, iron ore	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.
Implementation of quotas, import tariffs, antidumping duties and other protective measures on regional markets	Metinvest carefully monitors any changes in legislation of the countries where it sell its products. We diversify our sales channels to reduce the risk of sales limitation. In addition, we have a broad range of goods, which enables us to diversify sales volumes.
Discrepancy between the existing product portfolio and market requirements that can cause sales to decline	Our Technological Strategy aims to improve the production process and quality of our goods. We are implementing it incrementally in line with the demands of current and future markets. We are also developing our distribution chain to increase and diversify demand for our products.
Non-competitive cost of steel production	Metinvest's vertically integrated business means that it can source virtually all iron ore and a significant part of its 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.
Negative interpretations of Group's operations in the mass media	Metinvest actively monitors media reports about the Group and its activities. It has adopted a media strategy with two priorities: conduct regular social research and develop ways to mitigate any risks identified; and maintain a press centre to provide information to the media about the Group and its activities.
Emergency equipment failure	Metinvest places great emphasis on keeping equipment, buildings and facilities in good working order. The Group is devising a risk-based annual maintenance programme and establishing a centralised service centre to coordinate the work of its maintenance personnel effectively. The Group's universal insurance policy covers accidents and incidents involving equipment and any operational disruptions caused.
Damage to Group property in Eastern Ukraine due to the conflict	Group property in Eastern Ukraine could experience damage in the conflict. If any production facilities are disrupted, Metinvest has alternative capacity and has already demonstrated its ability to restore operations at enterprises rapidly.
Lack of qualified staff at the enterprises in the conflict zone	There is a risk of qualified employees leaving Group enterprises located in the conflict zone. Metinvest is following the situation closely and introducing measures to manage any disruption and motivate employees during any periods of downtime. The Group is also working to identify and remedy any shortfalls in particular skillsets.
Restrictions on supplies of energy due to the conflict in Eastern Ukraine	Ukraine has announced nationwide energy-saving measures which could affect the Group's enterprises. The Group is reacting to this by seeking to reduce its overall energy consumption (including through projects to tap alternative energy sources).
Unevenness in supplies of raw materials due to logistical constraints in Eastern Ukraine	Cargo shipment routes from the Group's main enterprises might change due to damage to railway infrastructure, restrictions on the movement of trains, and other factors, which could extend delivery times. Metinvest is working with Ukrainian Railways, rail freight operators and ports to ensure uninterrupted deliveries to and from its enterprises, including by alternative routes.

In 2014, we moved proactively to assist our employees and their families in Eastern Ukraine, while continuing to invest in our people to help them reach their full potential.

OUR MOST IMPORTANT ASSET

OUR RESPONSIBILITY

The primary objective for our human resources (HR) system is to play a leading role in transforming the organisation while simultaneously managing its own evolution. An integrated, systematic and pragmatic approach is required to ensure that the HR system is fit for purpose and effective today, as well as agile enough to respond to the changing needs of tomorrow.

To fulfil our present and future requirements, our HR system is focused on delivering on a set of priority tasks. We must align to the business strategy and develop an integrated approach to drive business performance through our people. We are creating an integrated HR operating model that meets our current needs, is scalable for the future and is focused on the key issues that will make a real difference in fulfilling the strategy. We seek to balance standardisation and differentiation to encourage flexibility and best practices in the organisation. We are building an HR capability required to engage with our wider business and operate as a true strategic partner. Finally, we are developing practical and sustainable implementation plans to support both large-scale transformation and stand-alone projects.

The primary task for our HR department in 2014 was to address the consequences of the crisis in Eastern Ukraine. One key impact was the outflow of personnel from the conflict zone and the surrounding area, particularly highly qualified people. Due to the situation in and around the conflict zone, our employees faced heightened stress caused by external events, including military action. In addition, employees faced distraction due to worries about their own security and that of their families. This lack of focus raised the risk of accidents caused by human error.

This situation created a clear set of priorities for the HR function. First, we needed to sustain and improve morale. Second, we sought to create a feeling of normal life wherever possible. Third, we wanted to provide our employees with a chance to engage compassionately with those in their communities worst affected by the conflict. Fourth, we needed to assure the safety of our employees' families. Fifth, we had to reduce the level of anxiety and consequent loss of focus among our employees caused by the external situation.

To sustain positive hope for the future, we decided not to cancel planned employee training programmes (see below) and held them where circumstances allowed, in the belief that our continued investment in the strategic development of people is also a clear demonstration that we firmly believe in the future of the business. We designed a special programme, 'Role of the Leader in a Stressful Environment', for managers from all our assets to attend. It was specially developed to address the management challenges presented by the conflict.

We also worked proactively with our employees to help them manage their stress in an uncertain environment and channel it into working productively. In addition, each month the managers of our assets met with their teams to answer questions and address concerns.

In addition, one of our priorities was to guarantee the safety of our employees and their families. As a result, the Group decided to move its headquarters from Donetsk to Kyiv.

We also ensured that our employees continuing to work in the conflict zone were taken care of properly. We maintained average salary levels for those who moved to maintenance work when facilities reduced or paused production due to power cuts or raw material shortages.

The total outflow of 5,887 employees from the conflict zone was due to myriad causes, not all directly related to the conflict. The majority (56%) was due to the departure of employees and their families from the immediate area. Other reasons for departure included retirement, health reasons, workplace dissatisfaction, dismissal of temporary employees, violations of workplace discipline, administrative reasons and planned redundancies as part of the long-term personnel optimisation plan, suspended in April.

Despite inflation reaching 25% in Ukraine in 2014, we were able to constrain the growth of salaries to 17%. The highest salary increases were given to the most efficient key employees. We increased salaries by 10% on average in April, in line with our regular procedures, following our annual appraisal process. In addition, we increased salaries in June by 7% on average to help employees deal with the changing conditions.

Given the operational situation and high natural outflow of employees, we suspended our long-term employee optimisation programme in April. Total headcount stood at around 94,000 at the end of 2014, down 7,000 compared with a year earlier.

INVESTING IN PEOPLE

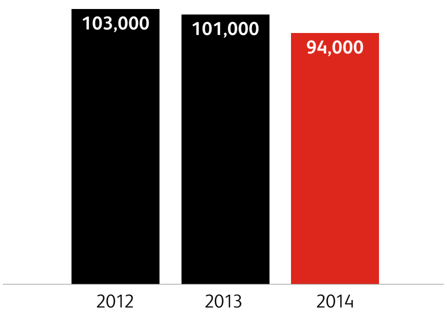
In collaboration with INSEAD, we continued to run the Strategic Leadership Development programme for 40 participants. We also ran our Leadership Academy for 62 participants. Programmes organised by our corporate university included: 'Management' (6,070 people), 'Basics of Economics and Finance' (1,633), 'Management Skills Training' (4,466), and 'Public Speaking' (155 people). At the same time, we sought to reduce costs and conducted only the necessary programmes.

We are committed to helping our people to reach their full potential within Metinvest and to being an employer of choice. Among other things, this helps to attract and maintain the best talent at every level of the organisation. Despite the profound challenges facing the Group in 2015, we saw continued high scores in employee engagement surveys.

EMPLOYEE HEADCOUNT

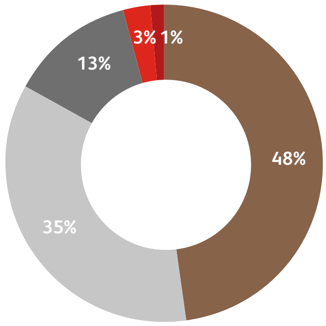
94,000 employees

-7%



MANAGEMENT TRAININGS

12,670 employees



"Despite the challenging operating environment, we continued to invest in training and development programmes aimed at both improving skills and ensuring a pool of qualified future leaders."

To develop the potential of our people, the Group maintains a corporate university that uses both internal resources and outside instructors to teach a range of industry-specific subjects and general management skills. In addition, we also work with third-party universities and technical institutes both in Ukraine and abroad to enhance our skill base.

In 2014, we continued a major project launched in late 2012 to consolidate on our balance sheet recreational facilities that were acquired alongside our industrial assets. These facilities fall into six main groups: housing and social infrastructure, nutrition, healthcare, recreation, sports and culture. The goal of the programme is to restructure these assets, achieve cost savings through centralised management and focus resources on the most viable ones to improve their performance, enhance efficiency and deliver the highest-quality services to our employees and their families. In December 2012, we had 1,016 such facilities on our balance sheet. In December 2014, we had 861. Our goal for the end of 2016 is 295 facilities.

OUTLOOK FOR 2015

One of the primary goals for HR is to reduce risks for the Group linked to personnel, and this is reflected in our priorities in 2015. As such, one key focus is to develop Metinvest's image as an employer in the communities where we operate. Projects include social events in the cities and at our assets with the aim of attracting and retaining skilled employees. Another focus is on the further development of our Talent Pool to develop our future top managers. We are also working to improve and modernise training to develop the full potential of employees at our assets. In addition, we will continue to work on the long-term programme to centralise our social assets.

We are committed to fostering a safety-based culture and implementing global best practices in standards and reporting at all of our facilities.

OUR NUMBER ONE PRIORITY

SAFETY CULTURE

Looking after the health and safety of employees in all aspects of their work is Metinvest's number one strategic priority and a core value. Since our creation, we have reduced fatalities and injuries at our facilities significantly by making sustained, 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 continue to make steady investments 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.

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 Environmental (HSE) Committee that oversees our safety systems and ensures compliance with local regulations in our areas of operation and international best practices. It reports directly to the Supervisory Board.

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

A safety-based work culture is also one where every employee on every 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. In such a culture, we are all committed to working together to create a safer workplace.

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.

PRIORITY PROJECTS

Our overriding health and safety objective in 2014 was to safeguard our employees in Eastern Ukraine as the security situation deteriorated in areas affected by the crisis. As such, providing security and maintaining effective communications became a key health and safety priority, including quickly establishing emergency alert systems and shelters. We also sought to manage health and safety-related issues linked to the conflict, such as stress and distraction. In addition, due to high turnover of staff, we had to replace employees and ensure that existing staff engaged in non-standard work received all of the necessary health and safety training for their work.

In 2014, Metinvest spent US$82 million directly on workplace safety and protection, representing 0.8% of annual revenues, including US$46 million on occupational health and US$17 million on workplace safety. The frequency of fatal and lost-time incidents at our facilities, measured in terms of incidents per million man-hours worked, fell again in 2014 to new record lows of 0.037 and 0.931, respectively.

In 2014, around 6,100 managers and supervisors underwent extensive HSE training, including in corporate standards in the area, and we continued to implement our risk assessment programme covering all production processes and investment projects using HAZID, ENVID, HAZOP, LOTOTO and permit-to-work procedures across the Group[1]. During the year, we conducted 238,856 audits and identified 297,993 safety issues, which were swiftly addressed.

We also carried out 49 HAZIDs at subsidiaries and developed 1,777 recommendations to reduce risks to an acceptable level.

Despite the operational and logistical disruptions caused by the conflict in Eastern Ukraine, we were able to implement major safety plans and projects in line with our strategy. During the year, the Group developed a five-year programme designed to improve the health and safety system, including quantifiable goals to measure our progress. We also continued to conduct evaluations of our safety management system against 20 criteria, assessing six enterprises in the year and we implemented a mechanism for tracking illness certificates at all of our assets.

Amid our efforts to make accident reporting more transparent, the number of accidents reported at some of our assets increased, although these were of lower severity. This is line with our overriding priority to ensure transparent reporting to identify and address health and safety issues.

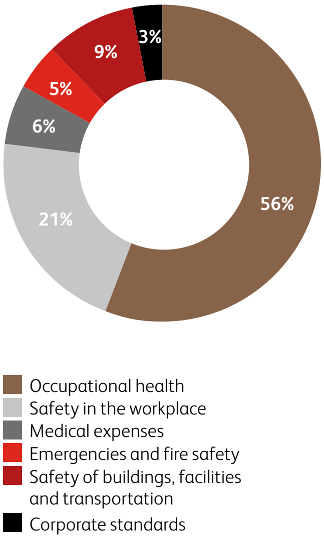
In 2014, we implemented a programme to improve gas safety at the plants in our Metallurgical division. Measures included providing workers with portable gas control devices and installing remote gas monitoring systems in areas with potentially dangerous gas levels and developing documentation for employee training.

In addition, as part of our strategic drive to reduce lost-time incidents due to illness, we launched a pilot of the 'Healthy Heart' project at Ilyich Steel to combat high rates of cardiovascular disease, which accounted for 33 fatalities among employees of the plant in 2014. The programme is designed to address cardiovascular health risks among employees by encouraging them to make positive changes in their lifestyle. Reducing the risk of heart attacks helps to keep our people in good health and eliminates the risk of an industrial accident caused by cardiovascular illness in the workplace.

1 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

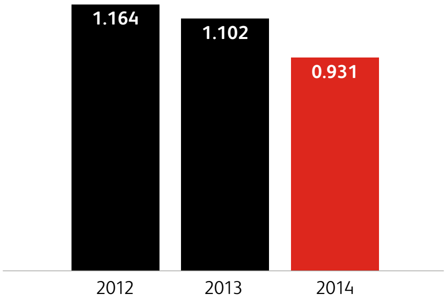
SPENDING ON HEALTH AND SAFETY

US$82m



LOST TIME INJURY FREQUENCY RATE[2]

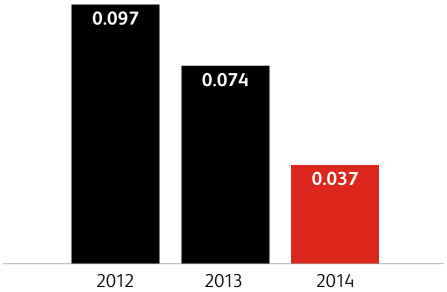
0.931



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

FATALITY FREQUENCY RATE[3]

0.037



3 Fatality frequency rate is the number of job-related fatalities per 1 million man-hours

In our Mining division, we finished the second phase of installing a production process safety system and an air and gas protection system at Krasnodon Coal's Western Samsonovska mine. This follows the successful testing and commissioning of a new gas monitoring and positioning safety system at the Eastern Sukhodolska mine in 2013.

We also opened a new diagnostic centre at Krasnodon Coal to deal with any incidents at the enterprise promptly and effectively.

We made continued progress in installing effective dust suppression and explosion localisation systems in our mines and modernised the gas-cleaning equipment in pellet shop no. 2 at Northern GOK. We also launched pilot projects to reduce lost-time incident rates at three of our mining facilities and introduce a new confined-space entry standard to reduce risks related to spaces with limited access.

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.

We remain committed to 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 2015

The safety of our employees in Eastern Ukraine remains Metinvest's top priority in 2015. In addition, we are committed to decreasing the number of injuries and fatalities for another year through a combination of safety investments, enhanced reporting and employee training in line with our long-term strategy. We plan to update our medical transportation vehicles to improve reliability and response time to incidents. We also intend to begin assessing risks in our investment projects under our Technological Strategy using HAZID methods.

Among ongoing projects, we plan to complete the installation, testing and launch of a cutting-edge gas control and positioning system at the West Samsonovska mine in 2015.

"During the year, we developed a five-year programme designed to improve the health and safety system, and continued to conduct evaluations of our safety management system."

Environment and Communities

During a time of unprecedented challenges for our local communities, we both provided urgent assistance and contributed to long-term improvements in quality of life.

HELP IN TIME OF NEED

REDUCING OUR IMPACT

Environmental sustainability is vital to our long-term mission of becoming a leading European steelmaker that meets the most exacting international standards. We are aware that our activities have a major impact on the environment, and this affects our local communities and the world as a whole. We adhere to local environmental regulations wherever we are present, and our strategy envisages complying with the highest industry standards and implementing best global practices.

To reduce our environmental footprint, we continue to make sustained, long-term investments under our Technological Strategy to reduce our consumption of resources and output of emissions. For example, our recent investments in pulverised coal injection (PCI) units at our steelmakers make us more efficient and reduce our consumption of natural gas and, consequently, emissions.

We regularly review and enhance the environmental standards applied to each investment project and require that all newly-built or refurbished facilities meet EU environmental standards. We are also ready to respond rapidly to critical environmental issues as they arise.

In 2014, we spent US$350 million on environmental initiatives, including capital and operational improvements and environmental measures. Despite significant operational challenges, we were able to fulfil almost all of our planned core environmental projects during the year. We also developed a five-year plan for environmental work, with key quantitative deliverables to measure our progress, as part of our Health, Safety and Environment programme.

Key environmental initiatives under way include the US$200 million upgrade of the sinter plant at Ilyich Steel, which is due for completion in 2020 and is the largest such environmental project in Ukraine's modern history.

While the planned reconstruction of the sinter plant at Yenakiieve Steel has been placed on hold due to the conflict in Eastern Ukraine, we are committed to restarting the project as soon as possible.

Other highlights include the overhaul of blast furnace no. 1 at Yenakiieve Steel, completed in July, to enhance production efficiency and meet state regulations governing emissions. At our Zaporizhstal joint venture, we completed the construction of a new hydrochloric acid pickling line and a regeneration plant for spent acid pickles to prevent discharge into the Dnipro River and significantly reduce emissions. We are working with our joint-venture partner to finalise plans for additional long-term environmental investments to reduce Zaporizhstal's environmental effect.

As of the end of 2014, ten of our plants were certified as compliant with ISO:14001 environmental standards. As part of its long-term strategy, the Group plans to make the remaining assets compliant in the next few years.

STANDING WITH OUR COMMUNITIES

Metinvest takes its role as a corporate citizen of Ukraine very seriously, and equally takes responsibility for the local communities where it operates. In many cases, our plants are the key employer and economic anchor for these communities. We have reacted to economic and political uncertainty promptly and effectively, particularly the conflict in Eastern Ukraine, through increased financial support as a company and personal commitment by thousands of our employees.

Specifically, in 2014, Metinvest quadrupled its social spending compared with the original budget to around US$32 million. This amount included over US$19 million to support the work of the Rinat Akhmetov Humanitarian Centre, created to help those in need in the conflict zone in Eastern Ukraine.

We spent a further US$3 million on repairing damaged infrastructure in the affected regions, including the restoration of gas, water and power to residential areas and the repair of facilities used by emergency services and vulnerable members of the population.

In addition, we made use of our employee recreation and leisure facilities to house more than 1,600 displaced people. Strikingly, despite being deeply affected by the situation in their own lives, thousands of our employees volunteered time and resources. They engaged in the collection, transportation, packing and distribution of food packages and other provisions. Around 1,500 distributed food and other essentials to those most in need.

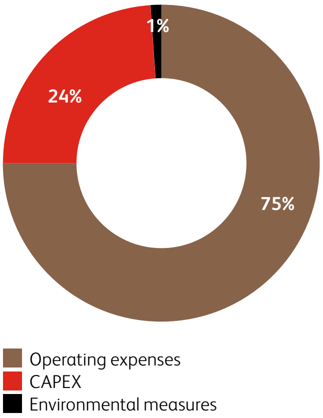
Alongside our robust reaction to an urgent situation, we sustained our long-term partnerships and investments in local communities in Ukraine, a reflection of our unwavering commitment to our local communities and belief that their prosperity contributes to a more prosperous country, in turn benefiting our business. Our community investment approach has been developed consistently over several years on the basis of achieving the maximum results from funding and the involvement of stakeholders in selecting and executing projects.

We formalised this cooperation by signing social partnership agreements in the first half of the year with the municipal governments of each of the towns and cities where we have operations. Through this close cooperation, we are able to identify key projects that best meet the needs of each community.

In 2014, we invested in public transportation in Krasnodon, buying two trolleybuses. In Mariupol, we reconstructed parks and squares and purchased eight buses. We also developed transport infrastructure in Kryvyi Rig.

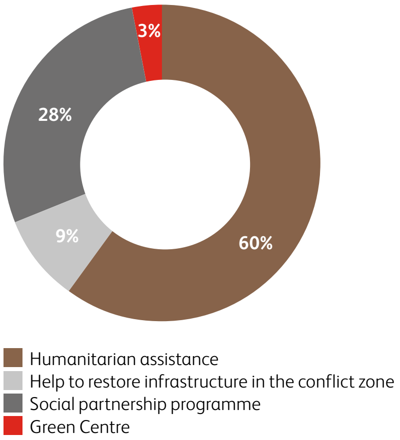
SPENDINGS ON ENVIRONMENT

US$350m



SPENDINGS ON COMMUNITIES

US$32m



"Despite significant operational challenges, we were able to fulfil almost all of our planned core environmental projects during the year."

In addition, we continued to develop the 'The City – Our Hands' programme, investing around US$1 million. Under this scheme, we provide funding to improve communities at the grass roots level by encouraging local residents to devise initiatives for making change.

We also continued our 'Green Centre' project in Mariupol and Yenakiieve to landscape urban spaces and remove waste to improve the urban environment. The programme has fulfilled around 500 requests from the community and helped to plant nearly 3,000 trees and remove 1,000 tonnes of waste.

Other community initiatives included children's football and targeted charitable support for vulnerable members of the population.

OUTLOOK FOR 2015

We are committed to working with our local communities to help them through this deeply challenging period, both by directing resources to provide urgent care to those most affected and by restoring infrastructure wherever possible. At the same time, we are also keeping our environmental and community projects in place and funded because we are committed to a brighter shared future.

On the environmental front, we will continue to make investments under our Technological Strategy that are designed to reduce emissions. We continue to apply more rigorous environmental standards to each investment. Among our key projects, we remain on track to refurbish the sinter plant at Ilyich Steel and will restart the reconstruction of the sinter facility at Yenakiieve Steel when the operating environment allows.

Ultimately, we believe that our untiring efforts to keep our enterprises operational in the face of unprecedented challenges, ensuring salaries and jobs for those around us, remains our single greatest contribution to our communities and our country.

Metinvest B.V.
Abbreviated IFRS Consolidated Financial Statements

Abbreviated IFRS Consolidated Financial Statements

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2014

Independent Auditor's Report
to the general meeting of Metinvest B.V.

The accompanying summary financial statements, which comprises the summary consolidated balances sheet as at 31 December 2014, the summary consolidated income statement, the statements of comprehensive income, statement of changes in equity and cash flow for the year then ended, and related notes, are derived from the audited financial statements of Metinvest B.V. for the year 2014. We expressed an unqualified audit opinion on those financial statements in our report dated 4 March 2015. 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.

DIRECTOR'S RESPONSIBILITY
The directors are responsible for the preparation of the summary of the audited financial statements.

AUDITOR'S RESPONSIBILITY
Our responsibility is to express an opinion on these financial statements based on our audit 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', misstatement.

OPINION
In our opinion, the summary financial statements derived from the audited financial statements of Metinvest B.V. for the year 2014 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 and Note 4 of the consolidated financial statements. As disclosed in Note 2, the operations of the Group have been affected and may continue to be affected for the foreseeable future, by the continuing political and economic uncertainties in Ukraine. These events in Ukraine increase uncertainties regarding the Group's assessment of the revaluation of property, plant and equipment and the recoverable amount of property, plant and equipment and goodwill under impairment testing, as disclosed in Note 4. Our opinion is not qualified in respect of these matters.

Amsterdam, 4 March 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by P.C. Dams RA

Metinvest B.V., Ref.: 60348524

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357,
1006 BJ Amsterdam, The Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

Abbreviated Consolidated Balance Sheet

All amounts in millions of US dollars	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Goodwill	7	**754**	1,005
Other intangible assets	8	**534**	912
Property, plant and equipment	9	**6,538**	8,212
Investments in associates and joint ventures	10	**906**	786
Deferred tax asset	27	**89**	226
Income tax prepaid		**108**	–
Other non-current assets	11	**139**	188
Total non-current assets		**9,068**	11,329
Current assets			
Inventories	12	**1,222**	1,863
Income tax prepaid		**110**	193
Trade and other receivables	13	**2,042**	2,738
Cash and cash equivalents	14	**114**	783
Total current assets		**3,488**	5,577
TOTAL ASSETS		**12,556**	16,906
EQUITY			
Share capital	15	**–**	–
Share premium	15	**6,225**	5,461
Other reserves	16	**(6,034)**	(3,088)
Retained earnings		**6,372**	6,277
Equity attributable to the owners of the Group		**6,563**	8,650
Non-controlling interest	17	**199**	981
TOTAL EQUITY		**6,762**	9,631
LIABILITIES			
Non-current liabilities			
Loans and borrowings	18	**1,878**	2,425
Seller's notes	19	**–**	75
Retirement benefit obligations	20	**473**	803
Deferred tax liability	27	**504**	192
Other non-current liabilities	21	**39**	63
Total non-current liabilities		**2,894**	3,558
Current liabilities			
Loans and borrowings	18	**1,268**	1,718
Seller's notes	19	**86**	90
Trade and other payables	22	**1,546**	1,909
Total current liabilities		**2,900**	3,717
TOTAL LIABILITIES		**5,794**	7,275
TOTAL LIABILITIES AND EQUITY		**12,556**	16,906

Signed and authorised for release on behalf of Metinvest B.V. on 4 March 2015:

Originally signed by Managing Director A, Yuriy Ryzhenkov.

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

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

Abbreviated Consolidated Income Statement

All amounts in millions of US dollars	Note	**Year ended 31 December 2014**	Year ended 31 December 2013
Revenue	6	**10,565**	12,807
Cost of sales	23	**(8,240)**	(10,406)
Gross profit		**2,325**	2,401
Distribution costs	23	**(1,063)**	(1,121)
General and administrative expenses	23	**(287)**	(391)
Other operating income/(expenses), net	24	**130**	137
Operating profit		**1,105**	1,026
Finance income	25	**25**	66
Finance costs	26	**(902)**	(341)
Share of result of associates and joint ventures	10	**142**	14
Profit before income tax		**370**	765
Income tax expense	27	**(211)**	(373)
Profit for the year		**159**	392
Profit is attributable to:			
Owners of the Group		**116**	158
Non-controlling interests		**43**	234
Profit for the year		**159**	392

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

Abbreviated Consolidated Statement of Comprehensive Income

All amounts in millions of US dollars	Note	**Year ended 31 December 2014**	Year ended 31 December 2013
Profit for the year		**159**	392
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefit obligation		**(38)**	(70)
Revaluation and impairment of property, plant and equipment	9, 23	**2,902**	553
Share in other comprehensive income of joint ventures		**123**	–
Income tax relating to items that will not be reclassified subsequently to profit or loss	27	**(514)**	(81)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(5,389)**	29
Total other comprehensive income		**(2,916)**	431
Total comprehensive (loss)/income for the period		**(2,757)**	823
Total comprehensive (loss)/income attributable to:			
Owners of the Group		**(2,560)**	567
Non-controlling interest		**(197)**	256
Total comprehensive (loss)/income for the period		**(2,757)**	823

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

Abbreviated Consolidated Statement of Cash Flows

All amounts in millions of US dollars	Note	**Year ended 31 December 2014**	Year ended 31 December 2013
Cash flows from operating activities			
Profit before income tax		**370**	765
Adjustments for:			
Depreciation of property, plant and equipment (PPE) and amortisation of intangible assets	23	**850**	1,070
Impairment and devaluation of PPE and other intangible assets	23	**315**	192
(Gain)/loss on disposal of property, plant and equipment and intangible assets	24	**(8)**	1
Finance income	25	**(25)**	(66)
Finance costs	26	**902**	341
Unrealised foreign exchange differences		**(315)**	7
Change in retirement benefit obligation		**(44)**	(71)
Impairment of accounts receivable	24	**60**	(56)
Share of result of associates and joint venture	10	**(142)**	(14)
Inventory write down	12	**16**	14
Impairment of goodwill		**102**	–
Other non-cash operating losses		**14**	10
Operating cash flows before working capital changes		**2,095**	2,193
(Increase)/decrease in inventories		**(267)**	318
Decrease/(increase) in trade and other accounts receivable		**211**	(383)
Increase/(decrease) in trade and other accounts payable		**40**	(81)
Decrease in other non-current liabilities		**(2)**	(1)
Cash generated from operations		**2,077**	2,046
Income taxes paid		**(353)**	(330)
Interest paid		**(235)**	(251)
Net cash from operating activities		**1,489**	1,465
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(549)**	(763)
Proceeds from sale of property, plant and equipment		**15**	82
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 and joint ventures		**(45)**	(8)
Acquisition of subsidiaries from parties under common control		**–**	(33)
Loans issued to related parties	11, 13	**(21)**	(15)
Proceeds from repayments of loans issued	11, 13	**19**	240
Interest received		**22**	60
Proceeds from disposal of other non-current assets		**–**	14
Net cash (used in)/generated from investing activities		**(559)**	263
Cash flows from financing activities			
Proceeds from loans and borrowings	18	**446**	579
Repayment of loans and borrowings	18	**(951)**	(542)
Repayment of seller's notes	19	**(90)**	(90)
Net trade financing proceeds	18	**(484)**	73
Payment for acquisition of non-controlling interest in subsidiaries		**(75)**	(952)
Dividends paid		**(388)**	(544)
Net cash used in financing activities		**(1,542)**	(1,476)
Effect of exchange rate changes on cash and cash equivalents		**(57)**	–
Net (decrease)/increase in cash and cash equivalents		**(669)**	252
Cash and cash equivalents at the beginning of the year		**783**	531
Cash and cash equivalents at the end of the year	14	**114**	783

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

Abbreviated Consolidated Statement of Changes in Equity

All amounts in million of US dollars	Share capital (Attributable to owners of the Group)	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2013	–	5,461	(3,213)	6,957	9,205	1,201	10,406
Revaluation of property, plant and equipment (Notes 9, 23)	–	–	528	–	528	25	553
Remeasurement of retirement benefit obligation	–	–	–	(67)	(67)	(3)	(70)
Income tax relating to components of other comprehensive income (Note 27)	–	–	(87)	9	(78)	(3)	(81)
Currency translation differences	–	–	26	–	26	3	29
Other comprehensive (loss)/income for the period	–	–	467	(58)	409	22	431
Profit for the period	–	–	–	158	158	234	392
Total comprehensive (loss)/income for the period	–	–	467	100	567	256	823
Realised revaluation reserve, net of tax	–	–	(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 by the Group	–	–	–	(610)	(610)	–	(610)
Balance at 31 December 2013	–	5,461	(3,088)	6,277	8,650	981	9,631
Revaluation and impairment of property, plant and equipment (Notes 9, 23)	**–**	**–**	**2,752**	**–**	**2,752**	**150**	**2,902**
Share in other comprehensive income of joint venture	**–**	**–**	**123**	**–**	**123**	**–**	**123**
Remeasurement of retirement benefit obligation	**–**	**–**	**–**	**(36)**	**(36)**	**(2)**	**(38)**
Income tax relating to components of other comprehensive income (Note 27)	**–**	**–**	**(494)**	**7**	**(487)**	**(27)**	**(514)**
Currency translation differences	**–**	**–**	**(5,028)**	**–**	**(5,028)**	**(361)**	**(5,389)**
Other comprehensive income for the period	**–**	**–**	**(2,647)**	**(29)**	**(2,676)**	**(240)**	**(2,916)**
Profit for the period	**–**	**–**	**–**	**116**	**116**	**43**	**159**
Total comprehensive income for the period	**–**	**–**	**(2,647)**	**87**	**(2,560)**	**(197)**	**(2,757)**
Realised revaluation reserve, net of tax	**–**	**–**	**(256)**	**256**	**–**	**–**	**–**
Acquisition of 2% interest in PJSC Northern Iron Ore Enrichment Works from parties under common control	**–**	**–**	**(43)**	**–**	**(43)**	**(32)**	**(75)**
Acquisition and disposals of non-controlling interest in subsidiaries	**–**	**–**	**–**	**(2)**	**(2)**	**5**	**3**
Contribution of a joint venture and non-controlling interest in two existing subsidiaries by Smart (Notes 10,15)	**–**	**764**	**–**	**154**	**918**	**(558)**	**360**
Dividends declared by the Group	**–**	**–**	**–**	**(400)**	**(400)**	**–**	**(400)**
Balance at 31 December 2014	**–**	**6,225**	**(6,034)**	**6,372**	**6,563**	**199**	**6,762**

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

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2014

All tabular amounts in millions of US dollars

1 METINVEST B.V. AND ITS OPERATIONS

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

The Group 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 Group was indirectly 100% controlled by SCM (System Capital Management) Limited (SCM Limited).

In November 2007 the Group acquired from Smart 82% of PJSC Ingulets Iron Ore Enrichment Works in exchange for the transfer to Smart of 25% of the Group. Following the November 2007 transaction, Metinvest B.V. was owned 75% by SCM Limited and 25% by Smart. SCM Limited and Smart additionally agreed that both would sell/contribute to the Group their remaining equity interests in certain metals and mining assets owned by SCM and Smart. In exchange Smart would acquire certain additional rights over the management of the company and the Group. Due to the complexity of the transaction, it was executed in several stages during 2007 through 2014; and was completed in July 2014 through purchase of a 44.8% interest in PJSC Southern Iron Ore Enrichment Works, 14.1% interest in PJSC Ingulets Iron Ore Enrichment Works and 16% interest PJSC Northern Iron Ore Enrichment Works and the issue of an additional share and a revised Articles of Association of the Group (Notes 10 and 15).

In 2011, as part of the acquisition of Ilyich Group, the Group issued 5% of its share capital to the sellers of Ilyich Group.

As of 31 December 2014, Metinvest B.V. is owned 71.24% by SCM Limited, 23.76% by Smart, 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 2014	2013	Segment	Country of incorporation
Metinvest Holding LLC	**100.0%**	100.0%	Corporate	Ukraine
PJSC Azovstal Iron and Steel Works	**96.1%**	96.2%	Metallurgical	Ukraine
PJSC Yenakiieve Iron and Steel Works	**90.8%**	91.4%	Metallurgical	Ukraine
JV Metalen LLC	**100.0%**	100.0%	Metallurgical	Ukraine
PJSC Khartsyzsk Pipe Plant	**98.3%**	98.2%	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 S.A.	**100.0%**	100.0%	Metallurgical	Switzerland
Metinvest Eurasia LLC	**100.0%**	100.0%	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%**	100.0%	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	**92.5%**	92.8%	Metallurgical	Ukraine
JSC Zaporozhkoks	**51.0%**	53.1%	Metallurgical	Ukraine
JSC Donetskkoks	**93.6%**	93.6%	Metallurgical	Ukraine
PJSC Northern Iron Ore Enrichment Works	**96.4%**	78.4%	Mining	Ukraine
PJSC Central Iron Ore Enrichment Works	**99.6%**	99.8%	Mining	Ukraine
PJSC Ingulets Iron Ore Enrichment Works	**99.8%**	85.6%	Mining	Ukraine
OSC Komsomolske Flux Plant	**99.7%**	99.7%	Mining	Ukraine
United Coal Company LLC (UCC)	**100.0%**	100.0%	Mining	USA
PJSC Krasnodon Coal Company	**92.4%**	92.7%	Mining	Ukraine

The shareholdings as of 31 December 2013 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 2013.

As at 31 December 2014, the Group employed approximately 94 thousand people (31 December 2013: 101 thousand).

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

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2014 continued

All tabular amounts in millions of US dollars

1 METINVEST B.V. AND ITS OPERATIONS CONTINUED

The consolidated financial statements of Metinvest B.V. for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Management Board on 4 March 2015.

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 2014, 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

Starting in late 2013 the political situation in Ukraine has experienced instability with numerous protests and continued political uncertainty that has led to a deterioration of the State's finances, volatility of financial markets and sharp depreciation of the national currency against major foreign currencies (since early 2014). The ratings of Ukrainian sovereign debt were downgraded by international rating agencies with negative outlooks for the future. The National Bank of Ukraine, among other measures, imposed requirement for exporters to sell 75% of foreign currency received as payments for revenue and restrictions on the purchase of foreign currency on the inter-bank market.

The political situation in 2014 has also been volatile, with changes in the Ukrainian Parliament and the Presidency. In March 2014, various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. The Group has no significant operations in Crimea.

The majority of the Group's Metallurgical segment and some of the Mining segment is located in, or near to, the parts of the Donetsk and Lugansk regions where there has been armed conflict. This includes the city of Mariupol (where the Group's two largest steel plants, PJSC Ilyich Iron and Steel Works and PJSC Azovstal Iron and Steel Works, are located), which is approximately 20 kilometres from the area of conflict. Production at these plants has been negatively impacted by the situation, primarily in the second half of 2014.

The negative impact on production volumes has been caused primarily by disruptions in infrastructure (rail transportation, road transport and electricity supply). This has resulted in some temporary suspensions of operations or decrease of production at some plants during 2014. Management have sought to actively manage and limit the impact of these events on the Group's operations by adopting a number of contingency arrangements and plants that were suspended have re-commenced operations. Whilst operations have re-commenced these impacted plants are still operating below capacity as a result of necessary start up time and continuing infrastructure bottlenecks. As of December 2014 and January 2015, the production levels at the assets affected by the military action or its consequences were as follows:

- PJSC Ilyich Iron and Steel Works and PJSC Azovstal Iron and Steel Works representing in total 35% of the Group's property, plant and equipment and approximately 64% of the Group's steel output in 2014 (calculated taking into account 50% of JSC Zaporozhstal Integrated Iron & Steel Works steel output) were working at approximately 60-70% capacity;
- PJSC Yenakiieve Iron and Steel Works, JV Metalen LLC and JSC Makiivka Iron and Steel Works (all located within an area not controlled by the Ukrainian government and representing total 12% of the Group's property, plant and equipment and approximately 18% of the Group's steel output) were working at approximately 80% capacity; and
- PJSC Avdiivka Coke Plant, PJSC Krasnodon Coal Company and PJSC Khartsyzsk Pipe Plant (representing in total 7% of the Group's property, plant and equipment; the latter two located within an area not controlled by the Ukrainian government) were working at approximately 50% and 15% and normal capacity, respectively.

There has been no significant impact to the physical conditions of the Group's assets.

The recovery in production levels noted in the last few months of 2014 has slowed in January and February 2015 as a result of a number of short-term disruptions. As of the date of this report PJSC Yenakiieve Iron and Steel Works has been in suspension mode since February 2015. Management expects operations to recommence in the nearest future.

The reduction in production in 2014 of approximately 26% in steel volume term has reduced revenue and cost of sales, whilst raw material transportation costs have increased due to these disruptions in transportation infrastructure.

As of the date of this report the official NBU exchange rate of Hryvnya against US dollar was UAH 28.29 per US$1, compared to 15.77 per US$1 as at 31 December 2014. The devaluation of the Ukrainian hryvnya (UAH) during 2014 had a short-term positive impact on the Group's overall profitability, given that a large part of Group's costs is UAH based while its sales are largely US dollar (US$) denominated.

As of 31 December 2014, the Group had significant balances receivable from 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. Additionally, there has been a reduction in the market price for iron ore and coking coal in 2014 as compared to 2013 and several prior years. This, together with the impact of situation in Ukraine, has triggered the need for impairment testing of non-current assets (Notes 7 and 9).

The final resolution of the political and economic situation in Ukraine and the final effects of this are difficult to predict, but it may have further negative implications 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 judgments, 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.

Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 Group. Non-controlling interest forms a separate component of equity.

Purchases of subsidiaries from parties under common control and merger reserve in equity

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.

All tabular amounts in millions of US dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. 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.

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 hryvnya (UAH) or US dollar (US$).

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 2014	31 December 2013
US$/UAH	**15.77**	7.99
EUR/UAH	**19.23**	11.04

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 US dollar (US$) as the presentation currency. The US$ 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 US$; (b) the US$ is widely used as a presentation currency of companies engaged primarily in metallurgy; and (c) the US$ 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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, need for exporters to sell 75% of foreign currency revenue and restrictions on the purchase of foreign currency on the inter-bank market. 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 2014 and 31 December 2013 property, plant and equipment are stated at revalued amounts less accumulated depreciation and provision for impairment, if required.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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. Cost of SAP ERP system is amortised on a straight-line basis over estimated useful life of ten years. 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Derecognition of financial assets

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 Group'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.

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 twelve 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 re-measured 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.

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 value-added tax 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 for 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.

Value added tax

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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 units 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.

Changes in the above estimates and judgments could have a material effect on the results of the impairment tests. The estimates used to assess the impairments are impacted by the uncertainty caused by events in Eastern Ukraine, including importantly future planned production (see discussion of operating environment in Note 2). The impact of the uncertainties is discussed further in Notes 7 and 9.

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.

Changes in the above estimates and judgments could have a material effect on the results of the impairment tests. The estimates used to assess the impairments are impacted by the uncertainty caused by events in Eastern Ukraine (see discussion of operating environment in Note 2).

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

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 20.

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 20.

Tax legislation

Ukrainian tax, currency and customs legislation continues 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 29).

Fair value of acquired interest in joint venture, non-controlling interest and additional shareholders' rights issued

As explained in Notes 2 and 15, in July 2014 the Group acquired from Smart, one of its shareholders, a 44.8% interest in PJSC Southern Iron Ore Enrichment Works, a 14.1% interest in PJSC Ingulets Iron Ore Enrichment Works and a 16% interest PJSC Northern Iron Ore Enrichment Works. In exchange, the Articles of Association of the Group were changed amending the rights of the shareholders and an additional share in the Group's share capital was issued to Smart. As it was concluded impracticable to fair value the additional rights obtained by Smart, the value of this consideration given was deemed equal to the fair value of the interests acquired. Fair valuation of the acquired interests in the aforementioned entities involved numerous estimates and judgements, the most significant being future prices for iron ore in Ukraine which ranged from US$61 to US$43 per ton. If prices were 10% higher/lower then the result of valuation would have been US$51 million lower/higher.

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 a specialised nature, its fair value is determined using depreciated replacement cost (Level 3) or, where it is available, the market value (Level 2). For some assets which were revalued as of previous balance sheet date, the fair values as of reporting date were obtained using indexation of their carrying amounts for relevant cumulative price indices or changes in foreign exchange rates (Level 3).

When performing valuation using these methods, the key estimates and judgments 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 handbooks, 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;
- selection of market data when determining market value where it is available; and
- determination of applicable cumulative price indices or changes in foreign exchange rates which would most reliably reflect the change in fair value of assets revalued using indexation of carrying amounts.

The fair values obtained using depreciated replacement cost and indexation of carrying amounts 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 or indexation of carrying amounts (i.e. there is economic obsolescence). Key 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 and are pre-tax.

The results of this revaluation of property, plant and equipment is disclosed further in Note 9.

Changes in the above estimates and judgments 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. The estimates used to assess the fair value of property, plant and equipment are impacted by the uncertainty caused by events in Eastern Ukraine, including importantly future planned production (see discussion of operating environment in Note 2). The impact of the uncertainties is discussed further in Notes 7 and 9.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

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, the 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 US$2,945 million as at 31 December 2014 (31 December 2013: US$ 3,312 million) where potential foreign exchange gains/losses could arise should a different functional currency be determined.

5 ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

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 been 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 which resulted in additional disclosures presented in Notes 10 and 17.

These and other new or revised standards or interpretations that became effective from 1 January 2014 had no material impact to the Group.

The following new standards which are relevant to the Group, have been issued, but have not been adopted by the European Union:

- IFRS 9, Financial Instruments; and
- IFRS 15, Revenue from Contracts with Customers.

The Group is currently assessing the possible impact of adoption of the above standards but it is not currently expected that it will be significant.

Other new or revised standards or interpretations that will become effective for annual periods starting after 1 January 2015 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.

6 SEGMENT INFORMATION CONTINUED

Segment information for the year ended 31 December 2014 was as follows:

	Metallurgical	Mining	Corporate overheads	Eliminations	Total
2014					
Sales – external	8,165	2,400	–	–	10,565
Sales to other segments	81	1,694	–	(1,775)	–
Total of the reportable segments' revenue	8,246	4,094	–	(1,775)	10,565
Adjusted EBITDA	941	1,636	(140)	(35)	2,402
Share in EBITDA of joint ventures	182	118	–	–	300
Adjusted EBITDA including share in EBITDA of joint ventures	1,123	1,754	(140)	(35)	2,702
Reconciling items:					
Depreciation and amortisation					(850)
Impairment and devaluation of PPE and other intangible assets	15	(330)	–	–	(315)
Goodwill impairment	–	(102)	–	–	(102)
Share of result of associates and depreciation, amortisation, tax and finance income and costs in joint ventures					(158)
Finance income					25
Finance costs					(902)
Other					(30)
Profit before income tax					370

	Metallurgical	Mining	Corporate overheads	Eliminations	Total
Capital expenditure	276	304	33	–	613
Significant non-cash items included into adjusted EBITDA:					
– unrealised operating foreign exchange gains less losses, net	(136)	505	2	(56)	315
– impairment of trade receivables	(9)	(51)	–	–	(60)
– net change in retirement benefit obligations	(9)	(8)	–	–	(17)

Analysis of revenue by category:

	Metallurgical	Mining	Total
2014			
Sales of own products	6,226	2,358	8,584
– Steel products	5,662	–	5,662
– Iron ore products	–	2,127	2,127
– Coke, coal and coal concentrate	290	176	466
– Other	274	55	329
Sales of purchased goods	1,939	42	1,981
– Steel products	1,667	–	1,667
– Iron ore products	–	–	–
– Coke, coal and coal concentrate	–	42	42
– Other	272	–	272
Total	8,165	2,400	10,565

All tabular amounts in millions of US dollars

6 SEGMENT INFORMATION CONTINUED

Segment information for the year ended 31 December 2013 was as follows:

	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
Share in EBITDA of joint venture	70	–	–	–	70
Adjusted EBITDA including share in EBITDA of joint venture	274	2,252	(130)	(35)	2,361
Reconciling items:					
Depreciation and amortisation					(1,070)
Impairment and devaluation of PPE	(100)	(92)	–	–	(192)
Share of result of associates and depreciation, amortisation, tax and finance income and costs in joint venture					(56)
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	(6)	(6)	–	(12)

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	331	275	606
– Other	454	62	516
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

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

	Metallurgical	**Mining**	**Total**
2014			
Ukraine	**1,578**	**918**	**2,496**
Rest of Europe	**2,751**	**199**	**2,950**
Middle East and Northern Africa	**1,872**	**–**	**1,872**
South Eastern Asia	**516**	**1,150**	**1,666**
Commonwealth of Independent States (CIS)	**1,073**	**1**	**1,074**
North America	**281**	**124**	**405**
Other countries	**94**	**8**	**102**
Total	**8,165**	**2,400**	**10,565**

6 SEGMENT INFORMATION CONTINUED

	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
South Eastern 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

As at 31 December 2014 91% of the Group's property, plant and equipment were located in Ukraine (as at 31 December 2013: 92%).

As at 31 December 2014, 46% and 54% of the Group's other intangible assets were owned by Group's subsidiaries in Ukraine and the US, respectively (31 December 2013: 56% and 44%, respectively).

7 GOODWILL

The movements of goodwill were as follows:

	2014	2013
Book amount as at 1 January, net	**1,005**	980
Impairment	**(102)**	–
Currency translation differences	**(149)**	25
Book amount as at 31 December, net	**754**	1,005

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

	31 December 2014	31 December 2013
Metallurgical	**594**	659
Mining (including UCC)	**160**	346
Total	**754**	1,005

The recoverable amount has been determined based on fair value less cost of disposal estimations. Management estimated in 2013 that market conditions, under which iron ore and coal suppliers earn significant margins while steelmakers nearly breakeven, would change in the next few years, resulting in a partial reallocation of margins from producers of raw materials to steel producers. Management had anticipated that this would take place in 2016. Reduction in iron ore and coal prices started to be observed in 2014.

To ensure that impairment testing model fully reflects the anticipated changes in cash flows, for the goodwill impairment test the Group used cash flow projections for ten years which are based on Group's strategy approved by senior management; first year of forecast is based on the Group's approved business plan for the year. Valuation method used for determination of each CGU fair value is based on unobservable market data, which is within Level 3 of the fair value hierarchy.

All tabular amounts in millions of US dollars

7 GOODWILL CONTINUED

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

	2014	2013
Metallurgical		
Post-tax discount rate (US$)	**(16.0% for 2015–2016 and 12.6% for 2017 onwards)**	12.0%
Revenue growth rate	**–1% to 4%**	0% to 12%
EBITDA margins	**10% to 18%**	5% to 17%
Growth rate in perpetual period	**3%**	3%
Mining (except for UCC)		
Post-tax discount rate (US$)	**(16.0% for 2015–2016 and 12.6% for 2017 onwards)**	12.0%
Revenue growth rate	**–23% to 6%**	–7% to 6%
EBITDA margins	**25% to 40%**	35% to 44%
Growth rate in perpetual period	**3%**	3%

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 time value of money and risks specific to the Group. 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.

Forecasted iron ore prices for Fe 62% fines (CFR North China) are US$85 per tonne in 2015, US$80 per tonne in 2016 and recover at 2.5% p.a. to US$98 per tonne in 2024 (31 December 2013: range from US$105 per tonne to US$125 per tonne in 2023). Forecasted prices for other iron ore products and prices at other markets were determined based on respective discounts or premiums for Fe content, applicable transportation costs and historic discounts or premiums usual for those markets.

Forecasted coal prices used in the impairment test for all CGUs for low volatile hard coking coal (FOB Queensland) start from US$129 per tonne in 2015, recover to US$165 per tonne in 2017 and grow at 2.5% p.a. on average thereafter (31 December 2013: start from US$165 per tonne in 2014 per tonne and grow at 3.6% on average thereafter). Forecasted prices for other types of coal and prices at other markets were determined based on respective historic discounts for differences in quality of each particular coal type and estimated transportation costs.

Forecasted prices for hot-rolled coils at Ukrainian ports are estimated to gradually increase from current levels to US$593 per ton in 2024 (31 December 2013: US$666 per tonne in 2023). 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.

For entities of the Metallurgical segment which have been affected by the conflict in the Eastern Ukraine, the production volumes used in the model for first half of 2015 are consistent with those achieved in December 2014 and January 2015 as described in the Note 2, and subsequently increasing to approximately 80-95% of the plants' capacity.

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

7 GOODWILL CONTINUED

As at 31 December 2014 Metallurgical division recoverable amount is US$6,014 million and exceeds its total carrying amount by US$1,139 million (31 December 2013: recoverable amount of US$4,224 million, exceeded carrying value by US$279 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 2014	31 December 2013
Volumes of production/sales		
Decrease in all the periods by 2.5%	**–**	Recoverable amount equals carrying amount
Decrease in all the periods by 9%	**Recoverable amount equals carrying amount**	
Steel prices		
Decrease in all the periods by 0.4%	**–**	Recoverable amount equals carrying amount
Decrease in all the periods by 1%	**–**	Impairment of US$545 million required
Decrease in all the periods by 2.6%	**Recoverable amount equals carrying amount**	–
Decrease in all the periods by 4%	**Impairment of US$647 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 US$131 million required
Discount rates		
Increase in all the periods by 0.3pp	**–**	Recoverable amount equals carrying amount
Increase in all the periods by 1pp	**–**	Impairment of US$531 million required
Increase in all the periods by 2.3pp	**Recoverable amount equals carrying amount**	–
Growth rate in perpetual period		
Decrease by 0.6pp	**–**	Recoverable amount equals carrying amount
Decrease by 1pp	**–**	Impairment of US$168 million required
Decrease by 1.5pp	**Recoverable amount exceeds carrying amount by US$763 million**	

As at 31 December 2014 the recoverable amount of Mining group of CGUs (except for UCC) is US$2,537 million and exceeds its total carrying amount by US$400 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 this group of CGUs:

	31 December 2014	31 December 2013
Iron ore prices		
Decrease in all the periods by 5%	**Recoverable amount equals carrying amount**	
Decrease in all the periods by 10%	**Impairment of US$381 million required**	n/a
Discount rates		
Increase in all the periods by 1.7pp	**Recoverable amount equals carrying amount**	n/a

With regard to impairment testing of the goodwill related to Mining group of CGUs as at 31 December 2013, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable amount.

As at 31 December 2014, the Mining group of CGUs includes goodwill which arose on the acquisition of UCC in the amount of US$73 million (31 December 2013: US$176 million). Starting from 2014 management started to monitor and test this goodwill for impairment separately from other Mining CGUs. This change has been driven by reassessment of synergies available from acquisition of UCC.

As at 31 December 2014 recoverable amount of UCC was estimated at US$ 603 million. Total impairment charge of US$209 million has been recorded for UCC, out of which US$103 million were recorded against goodwill and US$106 million were recorded against coal reserves of separate mines (Note 8).

The impairment loss resulted from the decline in coal prices in 2014 which are not expected to recover in full in the near future. The decrease of coal prices in all forecasted periods by 5% with all other variables held constant would result in additional impairment charge of US$152 million, out of which US$ 72 million will be charged to goodwill.

Notes to the Abbreviated Consolidated Financial Statements – 31 December 2014 continued

All tabular amounts in millions of US dollars

8 OTHER INTANGIBLE ASSETS

The movements of other intangible assets were as follows:

	Coal reserves	Licenses and mining permits	Other intangible assets	Total
As at 1 January 2013				
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
Additions	–	–	24	24
Impairment (Note 7)	(106)	(3)	–	(109)
Currency translation differences	–	(207)	(38)	(245)
Amortisation	(6)	(34)	(8)	(48)
As at 31 December 2014				
Cost	**312**	**373**	**220**	**905**
Accumulated amortisation	**(37)**	**(163)**	**(171)**	**(371)**
Net carrying amount	**275**	**210**	**49**	**534**

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

The coal reserves were acquired as part of the acquisition of UCC in 2009. The coal reserves are being amortised using the units-of-production method over their useful life of approximately 30 years.

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 2013	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 upon revaluation	–	(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
Additions	**–**	**–**	**–**	**–**	**589**	**589**
Transfers	**–**	**77**	**285**	**16**	**(378)**	**–**
Disposals	**–**	**(6)**	**(22)**	**(4)**	**(4)**	**(36)**
Reclassification to inventory	**–**	**–**	**–**	**–**	**(15)**	**(15)**
Elimination against gross carrying amount upon revaluation	**–**	**(203)**	**(591)**	**(15)**	**–**	**(809)**
Revaluation	**–**	**899**	**1,955**	**16**	**32**	**2,902**
Currency translation differences	**(11)**	**(1,749)**	**(2,328)**	**(62)**	**(479)**	**(4,629)**
As at 31 December 2014	**72**	**2,418**	**4,256**	**89**	**682**	**7,517**
Accumulated depreciation and impairment						
As at 1 January 2013	–	(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 upon revaluation	–	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)
Charge for the year	**–**	**(212)**	**(579)**	**(21)**	**–**	**(812)**
Disposals	**–**	**3**	**18**	**3**	**2**	**26**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**
Elimination against gross carrying amount upon revaluation	**–**	**203**	**591**	**15**	**–**	**809**
Impairment	**–**	**(125)**	**(63)**	**(3)**	**(15)**	**(206)**
Currency translation differences	**–**	**176**	**314**	**17**	**–**	**507**
As at 31 December 2014	**–**	**(336)**	**(572)**	**(37)**	**(34)**	**(979)**
Net book value as at						
31 December 2013	83	3,019	4,104	90	916	8,212
31 December 2014	**72**	**2,082**	**3,684**	**52**	**648**	**6,538**

During 2014, management performed assessments whether the 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 determined the fair value of its property, plant and equipment through a combination of independent appraisers and internal assessments. 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 balance was revalued during 2014.

As of 30 June 2014 the Group decided to revalue majority of its property, plant and equipment mainly due to significant devaluation of UAH against US$ and EUR. The fair values of property, plant and equipment were estimated by independent appraisers as follows:

- carrying amounts of items of plant and machinery which are priced in hard currency were adjusted for changes in US$/UAH and EUR/UAH exchange rates during six months ended 30 June 2014; and
- carrying amounts of other items of property, plant and equipment were adjusted for relevant cumulative price indices (for construction works and materials, different types of equipment, etc.) in Ukraine since the date of the latest revaluation of such items.

All tabular amounts in millions of US dollars

9 PROPERTY, PLANT AND EQUIPMENT CONTINUED

The revised carrying amounts were then compared to the estimated recoverable amount of groups of assets and the net revaluation amount was then recorded. The revaluations as at 30 June 2014 resulted in a US$1,651 million revaluation surplus recorded in other comprehensive income and US$41 million of reversal of previously recognised impairment in profit and loss.

As of 31 December 2014 due to further devaluation of UAH and increased inflation in Ukraine the Group performed another revaluation of assets where fair value was expected to be significantly higher than their carrying amounts. These revalued assets represent 76% of total value of the Group's property, plant and equipment as of 31 December 2014. The revaluations as at 31 December 2014 together with the below discussed tests for impairment resulted in a US$1,251 million revaluation surplus recorded in other comprehensive income and US$247 million of recognised impairment in profit and loss.

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. 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.

Where it was considered that the fair value of assets is unlikely to be substantially higher than the carrying value as of 31 December 2014, only a test for impairment has been performed. These assets represented 17% of total value of the Group's property, plant and equipment as of 31 December 2014 before impairment.

The recoverable amount has been determined based on fair value less costs of disposal calculations over a period of expected usage of the assets. Valuation method used for determination of each CGU recoverable value is based on unobservable market data, which is within Level 3 of the fair value hierarchy. Assumptions used in impairment testing of PPE are consistent with those used in goodwill impairment test (Note 7).

Resulting from the test an impairment loss of US$215 million and a revaluation reserve reversal of US$249 million have been recognised on two CGUs being iron ore mining (US$316 million in aggregate) and coal mining (US$145 million in aggregate) operations in Ukraine. These impairments were largely driven by decrease in iron ore and coal prices in 2014. Increase of iron ore prices by 15% would increase recoverable amount of iron ore mining CGU to its carrying amount before impairment. No reasonably possible change in any of the assumptions of the impairment model of coal mining CGU would change the amount of impairment.

The specific risk of future severe physical damage or loss of control over entities located within or in close proximity to the areas not controlled by Ukrainian government were not taken into account when building cash flow projections nor was this included within the discount rate in either goodwill or CGU impairment testing. If a 20% probability that this risk crystallises was applied with respect to the CGUs located within the territories not controlled by the Ukrainian government and 10% for CGUs in close proximity to it, all other factors remaining constant, then impairment of US$464 million of property, plant and equipment would need to be recognised.

During 2014 US$23 million of borrowing costs were capitalised, capitalisation rate was 7% (2013: US$37 million, capitalisation rate 6%).

As at 31 December 2014 and 2013 no buildings, plant and machinery were pledged to third parties as collateral for loans and borrowings.

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investment in joint ventures and associates were as follows as at 31 December 2014 and 2013:

			2014		2013	
Name	Type of relationship	Segment	**% of ownership**	**Carrying value**	% of ownership	Carrying value
PJSC Southern Iron Ore Enrichment Works	Joint venture	Mining	**45.9%**	**345**	–	–
Zaporozhstal Group	Joint venture	Metallurgical	**49.9%**	**522**	49.9%	742
Zaporozhogneupor	Associate	Metallurgical	**45.4%**	**4**	39.7%	11
Yenakievskiy Koksohimprom	Associate	Metallurgical	**50.0%**	**6**	50.0%	8
IMU	Associate	Metallurgical	**49.9%**	**13**	49.9%	22
Black Iron (Cyprus) Limited	Associate	Mining	**49.0%**	**14**	–	–
Other	Associate	Mining	**n/a**	**2**	n/a	3
Total				**906**		786

All Group's associates and joint ventures are accounted for using equity method.

None of the joint ventures and associates is traded on active markets and there are no reliable market prices available.

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

PJSC Southern Iron Ore Enrichment Works

On 14 July 2014 the Group acquired a 44.8% ownership interest in PJSC Southern Iron Ore Enrichment Works. This ownership interest, together with the acquisition of non-controlling interests in two already consolidated subsidiaries made in consideration of an additional share in the Group together with a change in the ownership rights assigned to each share (see Note 15). Additional 1.1% of ownership interest in PJSC Southern Iron Ore Enrichment Works had been acquired in a separate transaction earlier in the year.

The Group has assessed the cost of acquisition of PJSC Southern Iron Ore Enrichment Works through valuation of its business using estimated discounted cash flows (Level 3). The resulting fair value of a US$ 360 million is considered to be the fair value of consideration transferred and has been credited to share premium. Management has attributed fair values to identifiable assets and liabilities, including a mining license.

As of the date of acquisition, this investment was classified as a joint venture due to the fact that strategic financial and operating decisions require participation of and consent from both Metinvest and another major shareholder of PJSC Southern Iron Ore Enrichment Works.

PJSC Southern Iron Ore Enrichment Works is a large Ukrainian iron ore mining plant which produces iron ore concentrate and sinter. Its products are used by the Group's integrated steel plants and are also sold to the third parties (mostly in China, Ukraine and Europe) primarily through the Group's trading companies.

Zaporozhstal Group

Investment in Zaporozhstal Group is represented by the number of interests in the steel and mining businesses, the most significant being:

- 49.9% effective interest in JSC Zaporozhstal Integrated Iron & Steel Works (Zaporozhstal), a large Ukrainian integrated steel plant which sources majority of its iron ore and coke consumption from the Group and sells majority of its finished products through the Group's trading companies;
- 38.9% effective interest in JSC Zaporizhya Iron Ore Plant, large iron ore mining enterprise in Ukraine which sells part of its iron ore output to Zaporozhstal; and
- 42.7% effective interest in JSC Zaporozhkoks and a 49.2% effective interest in JSC Zaporozhogneupor which are Group's subsidiary and associate respectively.

As at 31 December 2014 and 2013, Metinvest's investment in Zaporizhstal Group was classified as a joint venture due to the fact that direction of key relevant activities (strategic financial and operating decisions) requires participation of and consents from the other shareholders of Zaporizhstal Group.

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

	2014	2013
Carrying amount at 1 January	**786**	764
Acquisition of share in PJSC Southern Iron Ore Enrichment Works	**369**	–
Acquisition of share in Black Iron (Cyprus) Limited	**20**	–
Acquisition of associate	**–**	8
Share of after tax results of joint ventures and associates	**142**	14
Share of other comprehensive income of joint ventures and associates	**123**	–
Currency translation difference	**(534)**	–
Carrying amount at 31 December	**906**	786

The nature of the activities of the Group's associates, Group's relationships with its associates and their key financial information is as follows:

- JSC Zaporozhogneupor, Ukrainian producer of refractories, with revenues of US$54 million and net loss of US$6 million in 2014 (2013: US$64 and nil, repectively) and total assets of US$29 million as at 31 December 2014 (31 December 2013: US$50 million);
- Yenakievskiy Koksohimprom, Ukrainian producer of coke which sources majority of its coal consumption from the Group and sells majority of its coke output to the Group's steel plants; Yenakievskiy Koksohimprom had revenues of US$83 million and net profit of US$4 million in 2014 (2013: US$126 and US$5, respectively) and total assets of US$46 million as at 31 December 2014 (31 December 2013: US$66 million);
- Black Iron (Cyprus) Limited, entity which owns licences for development of two iron ore deposits nearby Kryvyi Rih, Ukraine; and
- Industrial-Metallurgical Union (IMU), entity which owns 4.5% interest in ArcelorMittal Kryvyi Rih, the largest integrated steel plant in Ukraine.

All tabular amounts in millions of US dollars

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

The summarised financial information of the Group's joint ventures is as follows:

	Zaporozhstal Group		PJSC Southern Iron Ore Enrichment Works
	31 December 2014	31 December 2013	**31 December 2014**
Balance sheet:			
Non-current assets	**1,077**	1,527	**488**
Cash and cash equivalents	**12**	27	**5**
Other current assets	**470**	481	**392**
Total current assets	**482**	508	**397**
Trade and other payables and provisions	**74**	97	**–**
Other non-current financial liabilities	**109**	112	**53**
Total non-current liabilities	**183**	209	**53**
Trade and other payables and provisions	**448**	713	**80**
Other current financial liabilities	**186**	225	**–**
Total current liabilities	**634**	938	**80**
Net assets	**742**	888	**752**

	Zaporozhstal Group		PJSC Southern Iron Ore Enrichment Works
	31 December 2014	31 December 2013	**31 December 2014**
Profit or loss for the year ended:			
Revenue	**1,862**	1,710	**316**
Depreciation and amortisation	**(75)**	(109)	**(26)**
Interest income	**–**	16	**4**
Interest expense	**(147)**	(55)	**(3)**
Income tax expense/income	**(16)**	7	**(46)**
Profit or loss	**111**	(1)	**190**
Statement of comprehensive income for the year ended:			
Other comprehensive income	**245**	–	**–**
Total comprehensive income	**348**	(2)	**190**
Dividends received by the Group during the year ended	**–**	–	**–**

The information above reflects the amounts presented in the financial statements of the joint ventures and associates and impact of fair value adjustments made on acquisition of these joint ventures and associates, if any.

The reconciliation of the net assets of the Group's joint ventures presented above to the carrying amounts of the respective investments is presented below:

	Zaporozhstal Group		PJSC Southern Iron Ore Enrichment Works
	31 December 2014	31 December 2013	**31 December 2014**
Net assets	**742**	888	**752**
Group's ownership, %	**49.9%**	49.9%	**45.9%**
Group's interest in net assets	**370**	443	**345**
Goodwill	**152**	299	**–**
Carrying value	**522**	742	**345**

11 OTHER NON-CURRENT ASSETS

	31 December 2014	31 December 2013
Long-term loans issued to related parties (US$ denominated, 9% effective interest rate, mature during 2014–2017)	**20**	30
Long-term loans issued to related parties (US$ denominated, 11% effective interest rate, mature in 2016)	**98**	98
Long-term loans issued to related parties (US$ denominated, 9% effective interest rate, mature in 2015)	**–**	26
Other non-current financial assets	**11**	26
Other non-current non-financial assets	**10**	8
Total	**139**	188

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

	31 December 2014	31 December 2013
Balances neither past due nor impaired:		
– related parties	**118**	154
– other	**11**	26
Total non-current and not impaired	**129**	180

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 2014	31 December 2013
Finished goods and work in progress	**566**	928
Raw materials	**409**	450
Ancillary materials, spare parts and consumables	**210**	414
Goods for resale	**37**	71
Total inventories	**1,222**	1,863

In 2014, inventory write down expense was US$16 million (2013: US$14 million).

As at 31 December 2014, inventories totalling US$151 million (31 December 2013: US$158 million) have been pledged as collateral for borrowings (Note 18).

13 TRADE AND OTHER RECEIVABLES

	31 December 2014	31 December 2013
Trade receivables and receivables on commission sales	**1,544**	1,844
Current portion of loans issued to related parties (Note 11)	**86**	48
Other receivables	**78**	148
Total financial assets	**1,708**	2,040
Recoverable value added tax	**225**	308
Prepayments made	**45**	298
Prepaid expenses and other non-financial receivables	**64**	92
Total trade and other receivables	**2,042**	2,738

All tabular amounts in millions of US dollars

13 TRADE AND OTHER RECEIVABLES CONTINUED

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

	31 December 2014		31 December 2013	
	Trade receivables	**Other financial receivables**	Trade receivables	Other financial receivables
Provision for impairment at 1 January	**56**	**25**	118	18
Net impairment during the year	**50**	**10**	(64)	8
Reclassification	**–**	**–**	1	(1)
Currency translation differences	**(29)**	**(8)**	1	–
Provision for impairment at 31 December	**77**	**27**	56	25

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

	31 December 2014		31 December 2013	
	Trade receivables and receivables on commission sales	**Other financial receivables**	Trade receivables and receivables on commission sales	Other financial receivables
Key customers	**30**	**–**	120	–
SCM and other related companies, including associates and joint venture(s)	**73**	**126**	67	119
Balances covered by bank letters of credit	**202**	**–**	295	–
Balances insured	**249**	**–**	265	–
Existing and new customers with no history of default	**69**	**25**	141	20
Balances renegotiated with SCM and other related companies, including associates and joint venture(s)	**28**	**–**	37	40
Total current and not impaired	**651**	**151**	925	179
Past due:				
– less than 30 days overdue	**162**	**–**	190	–
– 30 to 90 days overdue	**91**	**–**	282	2
– 90 to 180 days overdue	**73**	**2**	279	2
– 180 to 360 days overdue	**33**	**2**	32	5
– over 360 days overdue	**16**	**9**	21	8
Total past due	**375**	**13**	804	17
Total individually impaired	**595**	**27**	171	25
Less impairment provision	**(77)**	**(27)**	(56)	(25)
Total	**1,544**	**164**	1,844	196

As at 31 December 2014, 12% of overdue receivables related to key customers (2013: 59%) and 61% to SCM and other related parties (2013: 32%). The payments from one of key customers have been delayed. During 2014 Group has recorded impairment charge totalling US$50 million related to this receivable.

As at 31 December 2014, trade and other receivables totalling US$175 million (31 December 2013: US$ 182 million) have been pledged as collateral for borrowings (Note 18).

During 2014 trade accounts receivable in the amount of US$175 million has been sold to a third party. The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised assets is US$2 million. The maximum exposure to loss is determined with reference to the historical loss ratio and the statistical model of the respective markets the Group.

14 CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Current accounts	**105**	765
Bank deposits up to 3 months	**9**	18
Total cash and cash equivalents	**114**	783

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 2014	31 December 2013
As rated by Moody's:		
– A2	**35**	607
– A3	**1**	–
– Baa2	**3**	3
– Ba1	**2**	3
– Caa1	**–**	122
– Ca	**61**	–
Not covered by Moody's rating	**12**	48
Total cash and cash equivalents	**114**	783

As at 31 December 2014, amounts in banks rated Ca (31 December 2013: Caa1) relate mainly to First Ukrainian International Bank which is under common control of SCM.

15 SHARE CAPITAL AND SHARE PREMIUM

	Number of outstanding shares					
	Class A	Class B	Class C	Ordinary shares	Share premium	Total
At 31 December 2013	9,000	474	–	0	5,461	5,461
At 31 December 2014	**6,750**	**2,251**	**474**	**0**	**6,225**	**6,225**

As at 31 December 2014, the issued share capital comprised 6,750 ordinary class A shares (2013: 9,000), 2,251 ordinary class B shares (2013: 474) and 474 class C shares (2013: nil) with a par value of EUR 10. Each ordinary share carries one vote and is fully paid.

In 2014 the Group changed its Articles of Association and created three classes of shares (A, B and C). Ownership interests of SCM Limited were transferred to new Class A shares. Ownership interests of Smart were transferred to new Class B shares. Ownership interests of the previous Class B shares were transferred to new Class C shares. Additional rights of these new classes of shares were established, the most significant of which were:

- the establishment of a Supervisory Board of ten members, where seven are appointed by the Class A shareholder and three are appointed by the Class B shareholder;
- a number of decisions with respect to acquisitions and financing decisions above a specified amount require effectively consent of Class A and B shareholder; and
- Class C shares are not entitled to receive dividends.

As a result of the acquisition of 44.8% of PJSC Southern Iron Ore Enrichment Works, an additional 14.1% interest in PJSC Ingulets Iron Ore Enrichment Works and 16% interest PJSC Northern Iron Ore Enrichment Works (Notes 10 and 17) and the issuance of additional share and share rights, management recognised Share premium of US$764 million on these transactions, being the fair value of shares contributed.

All tabular amounts in millions of US dollars

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 2013	(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)
Total comprehensive income/(loss) for the period	**–**	**2,381**	**–**	**(5,028)**	**(2,647)**
Depreciation transfer, net of tax	**–**	**(256)**	**–**	**–**	**(256)**
Acquisition of subsidiaries from parties under common control	**–**	**–**	**(43)**	**–**	**(43)**
Balance as at 31 December 2014	**(13)**	**4,394**	**(3,038)**	**(7,377)**	**(6,034)**

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. Group 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.

During the fourth quarter of 2014 the National Bank of Ukraine issued a number of instructions which limited the ability of Ukrainian legal entities other than those whose securities are traded on a stock exchange to pay dividends in foreign currency. The Group believes it still can lawfully repay the dividends from such subsidiaries abroad therefore has not classified any of such retained earnings as undistributable reserves.

The ability of the Group to pay dividends has been limited with terms and conditions of the Group's bonds (Note 17).

17 MATERIAL NON-CONTROLLING INTERESTS IN SUBSIDIARIES

Subsidiaries that have non-controlling interest that is material to the Group have been determined by management based on combination of the following factors: (i) the percentage of shares held by non-controlling shareholders; (ii) accumulated amount of non-controlling interest (NCI) in the subsidiary; and (iii) total assets and revenues of the respective subsidiaries.

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

	Proportion of NCI (same as voting rights held by NCI)	Profit or loss attributable to NCI	OCI attributable to NCI	Amount of NCI in the subsidiary	Dividends paid to NCI during the year
As at 31 December 2014					
PJSC Azovstal Iron and Steel Works	**3.9%**	**2**	**(6)**	**50**	**–**
PJSC Avdiivka Coke Plant	**7.5%**	**(6)**	**(7)**	**32**	**–**
JSC Zaporozhkoks	**49.0%**	**(3)**	**(19)**	**34**	**–**
PJSC Northern Iron Ore Enrichment Works	**3.6%**	**32**	**(117)**	**54**	**–**
PJSC Ingulets Iron Ore Enrichment Works	**0.2%**	**32**	**(92)**	**2**	**1**
Total		**57**	**(241)**	**172**	**1**
As at 31 December 2013					
PJSC Azovstal Iron and Steel Works	3.8%	(12)	–	53	–
PJSC Avdiivka Coke Plant	7.1%	(2)	–	43	–
JSC Zaporozhkoks	47.9%	(4)	18	54	–
PJSC Northern Iron Ore Enrichment Works	21.6%	164	(1)	433	2
PJSC Ingulets Iron Ore Enrichment Works	14.4%	94	(2)	302	–
Total		240	15	885	2

17 MATERIAL NON-CONTROLLING INTERESTS IN SUBSIDIARIES CONTINUED

The summarised financial information of these subsidiaries (including the impact of consolidation fair value adjustments, but before intercompany eliminations), was as follows at 31 December 2014 and 2013:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets
As at 31 December 2014					
PJSC Azovstal Iron and Steel Works	**1,044**	**1,399**	**970**	**179**	**1,294**
PJSC Avdiivka Coke Plant	**186**	**490**	**207**	**44**	**425**
JSC Zaporozhkoks	**137**	**66**	**123**	**11**	**69**
PJSC Northern Iron Ore Enrichment Works	**946**	**1,109**	**365**	**201**	**1,489**
PJSC Ingulets Iron Ore Enrichment Works	**1,087**	**886**	**1,012**	**204**	**757**
As at 31 December 2013					
PJSC Azovstal Iron and Steel Works	1,416	1,476	1,353	123	1,416
PJSC Avdiivka Coke Plant	416	579	350	41	604
JSC Zaporozhkoks	87	120	76	19	112
PJSC Northern Iron Ore Enrichment Works	1,292	1,438	312	412	2,006
PJSC Ingulets Iron Ore Enrichment Works	2,072	939	676	233	2,102

	Revenue	Profit/(loss)	Total comprehensive (loss)/income
Year ended 31 December 2014			
PJSC Azovstal Iron and Steel Works	**1,900**	**55**	**(119)**
PJSC Avdiivka Coke Plant	**568**	**(76)**	**(177)**
JSC Zaporozhkoks	**312**	**(6)**	**(44)**
PJSC Northern Iron Ore Enrichment Works	**1,101**	**164**	**(527)**
PJSC Ingulets Iron Ore Enrichment Works	**984**	**173**	**(744)**
Year ended 31 December 2013			
PJSC Azovstal Iron and Steel Works	2,613	(314)	(327)
PJSC Avdiivka Coke Plant	918	(24)	(30)
JSC Zaporozhkoks	172	(8)	30
PJSC Northern Iron Ore Enrichment Works	1,670	556	550
PJSC Ingulets Iron Ore Enrichment Works	1,295	590	578

The Group's centralised treasury monitors the cash flows of the Group's subsidiaries and adjusts the subsidiaries' operating cash flows (e.g. by means of changing intragroup trading balances) to provide sufficient funds for the approved investing activities or payment of dividends.

In partial consideration for the increase in shares and change in rights to the Smart Group the Group obtained additional 14% in Ingulets Iron Ore Enrichment works and 16% in Northern Iron Ore Enrichment works (both subsidiaries of the Group) resulting in a reduction in non-controlling interest of US$558 million. The difference of US$154 million between the carrying value of non-controlling interest derecognised and consideration transferred (i.e. share premium recognised – Note 15) is recognised as reduction in the equity attributable to the parent's shareholders (reflected directly in retained earnings).

On 20 May 2010, 14 February 2011 and 28 November 2014, the Group issued guaranteed bonds with aggregate amount of US$1,150 million outstanding as at 31 December 2014 that mature from May 2015 through to February 2018 (see Note 30). The bonds are guaranteed on a joint and several basis by PJSC Avdiivka Coke Plant, PJSC Ingulets Iron Ore Enrichment Works, PJSC Khartsyzsk Pipe Plant, PJSC Northern Iron Ore Enrichment Works, PJSC Central Iron Ore Enrichment Works, PJSC Azovstal Iron and Steel Works, PJSC Yenakiieve Iron and Steel Works. The terms of bonds, subject to certain exceptions and qualifications, limit the ability of the Group to:

– undertake any amalgamation, merger, division, spin-off, transformation or other reorganisation or restructuring;
– incur additional indebtedness;
– pay dividends or distributions in respect of its share capital or redeem or repurchase capital stock or subordinated debt;
– create mortgages, pledges, security interests, encumbrances, liens or other charges;
– transfer or sell assets; and
– enter into transactions with affiliates.

All tabular amounts in millions of US dollars

17 MATERIAL NON-CONTROLLING INTERESTS IN SUBSIDIARIES CONTINUED

Metinvest entered into a number of credit facility agreements for an aggregate amount of US$1,181 million which mature from 2015 to 2018. These loans are guaranteed by Ingulets GOK. Also, as a condition of these loans, the certain subsidiaries of Metinvest (PJSC Azovstal Iron and Steel Works, PJSC Yenakiieve Iron and Steel Works, PJSC Northern Iron Ore Enrichment Works, PJSC Ingulets Iron Ore Enrichment Works and Metinvest International S.A.) are jointly committed to perform sales of steel products to Metinvest International S.A. from the date when the funds are drawn down by Metinvest. The commitment to sell steel products mirrors the repayment schedule of the loans balances and extends to loans' maturity dates. The proceeds from such sales are transferred through special accounts of the lenders and banks will have rights to these proceeds only in case Metinvest does not make a scheduled payment under the credit facilities. There are no other restrictions to these accounts. The amount of funds on such accounts as at 31 December 2014 is US$0 million (31 December 2013: US$0 million).

18 LOANS AND BORROWINGS

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

	31 December 2014	31 December 2013
Non-current		
Bank borrowings	**476**	1,186
Bonds	**1,032**	1,239
Non-bank borrowings	**370**	–
	1,878	2,425
Current		
Bank borrowings	**714**	777
Trade finance	**416**	911
Bonds	**138**	30
	1,268	1,718
Total loans and borrowings	**3,146**	4,143

	31 December 2014	31 December 2013
Loans and borrowings due:		
– within 1 year	**1,268**	1,718
– between 1 and 5 years	**1,872**	2,416
– after 5 years	**6**	9
Total borrowings	**3,146**	4,143

The majority of the Group's bank borrowings and trade finance 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 2014		31 December 2013	
In % per annum	US$	EUR	US$	EUR
Bank borrowings	**4%**	**3%**	4%	2%
Bonds issued	**10%**	**–**	9%	–
Non-bank borrowings	**10%**	**–**	–	–
Trade finance	**3%**	**–**	3%	2%
Reported amount	**3,124**	**22**	3,990	153

As at 31 December 2014, bonds issued carry fixed interest rates (31 December 2013: fixed interest rate); bank borrowings and trade finance denominated in EUR carry interest rates of EURIBOR 1–6 months plus margins of 2% (31 December 2013: EURIBOR 1–6 months plus margins of 0.5%–2.5%); the bank borrowings and trade finance denominated in US$ carry interest rates of LIBOR 1–6 months plus margins of 2%–5.3% (31 December 2013: LIBOR 1–6 months plus margins of 1%–6%).

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

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

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

18 LOANS AND BORROWINGS CONTINUED

In 2014 the Group has obtained US$444 million of loans from the related parties (9.5% p.a. repayable in 2017) and repaid US$75 million of it during the year.

In November 2014, the Group agreed with the holders of its US$386 million (at nominal value) guaranteed bonds due in May 2015 to exchange them for immediately paid cash component of US$97 million and new 10.5% p.a. bonds of US$ 289 million repayable in four semiannual instalments from May 2016 through to November 2017. After this exchange, US$114 million (at nominal value) of bonds due in May 2015 remained outstanding.

As at 31 December 2014, borrowings totalling US$ 151 million were secured with inventories (31 December 2013: US$ 134 million), borrowings totalling US$175 million were secured with trade and other accounts receivable (31 December 2013: US$182 million) and borrowings totalling US$2,383 million were secured with the future sales proceeds (31 December 2013: US$ 1,940 million).

As at 31 December 2014, the fair value of bonds was US$676 million (31 December 2013: US$1,240 million) as determined by reference to observable market quotations. However, as the trading volumes are low, these quotations may not represent the fair value of the bonds. If the fair value of bonds is estimated based on expected cash flows discounted at 12.3% which is close to the new effective interest rate for the Group's bonds which were exchanged in November 2014, then their fair value as at 31 December would be US$1,108 million. The fair value of bank borrowings was US$1,118 million (31 December 2013: US$1,948 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 2014 and 31 December 2013, the fair value of trade finance borrowings is approximately equal to their carrying value.

19 SELLER'S NOTES

	31 December 2014	31 December 2013
Non-current portion	**–**	75
Current portion	**86**	90
Total seller's notes	**86**	165

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 US$3 billion excluding interest.

Seller's notes bear nominal interest rate of 5% p.a., and are recorded at an effective interest rate of 12.5% p.a. In January 2015 the Group renegotiated to extend the repayments till 2016.

As of 31 December 2014, the fair value of seller's notes was US$80 million (31 December 2013: US$178 million).

20 RETIREMENT BENEFIT OBLIGATIONS

The Group's defined benefit obligations relate to:

	31 December 2014	31 December 2013
State-defined early pensions for employees working in hazardous and unhealthy working conditions	**434**	749
Long-term employee benefits under collective bargaining agreements	**39**	54
Total defined benefit obligations	**473**	803

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

	2014	2013
Defined benefit obligation as at 1 January	**803**	714
Current service cost	**17**	17
Remeasurements of the defined benefit liability resulting from:		
– changes in financial assumptions	**16**	59
– changes in demographic assumptions	**3**	(3)
– experience adjustments	**19**	14
Past service cost	**–**	(5)
Interest cost	**70**	90
Benefits paid	**(61)**	(83)
Currency translation difference	**(394)**	–
Defined benefit obligation as at 31 December	**473**	803

All tabular amounts in millions of US dollars

20 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

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

	2014	2013
Current service cost	**17**	17
Past service cost	**–**	(5)
Interest cost	**70**	90
Total	**87**	102

The principal actuarial assumptions used were as follows:

	31 December 2014	31 December 2013
Nominal discount rate	**16.04%**	14%
Nominal salary increase	**12.9%–15.0%**	4%–10%
Nominal pension entitlement increase (indexation)	**3.6%**	5.2%
Long-term inflation	**5.0%**	5.2%

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

	2014	2013
Nominal discount rate increase/decrease by 1pp	**(35)/40**	(55)/62
Nominal salary increase/decrease by 1pp	**11/(12)**	28/(26)
Inflation increase/decrease by 1pp	**10/(12)**	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 2014, the weighted average maturity of the Group's defined benefit obligations is 9.3 years and it varies across different Group's subsidiaries from six to 12 years (31 December 2013: 9.5 years, varying from six to 12 years). Payments in respect of defined benefit obligations expected to be made during the year ending 31 December 2015 are US$51 million.

21 OTHER NON-CURRENT LIABILITIES

	31 December 2014	31 December 2013
Tax liabilities under moratorium (Note 29)	**12**	23
Asset retirement obligations	**17**	17
Other non-current liabilities	**10**	18
Deferred income	**–**	5
Total other non-current liabilities	**39**	63

22 TRADE AND OTHER PAYABLES

	31 December 2014	31 December 2013
Trade payables and payables on sales made on commission	**996**	1,255
Payables for acquired non-controlling interest	**–**	3
Dividends payable to shareholders of Metinvest B.V.	**88**	70
Dividends payable to non-controlling shareholders of Group subsidiaries	**3**	12
Payable for acquired property, plant and equipment and other intangible assets	**95**	98
Other financial liabilities	**37**	18
Total financial liabilities	**1,219**	1,456
Prepayments received	**114**	189
Accruals for employees' unused vacations and other payments to employees	**67**	116
Income tax payable	**9**	15
Other taxes payable	**73**	57
Wages and salaries payable	**20**	35
Other allowances	**44**	41
Total trade and other payables	**1,546**	1,909

23 EXPENSES BY NATURE

	2014	2013
Raw materials including change in finished goods and work in progress	**2,016**	3,569
Goods for resale	**1,935**	1,608
Energy materials including gas, electricity and fuel	**1,593**	2,221
Wages and salaries	**787**	949
Transportation services	**1,074**	912
Repairs and maintenance expenses	**296**	355
Pension and social security costs	**220**	301
Pension costs – defined benefit obligations (Note 20)	**17**	12
Depreciation and amortisation	**850**	1,070
Impairment and devaluation of property, plant and equipment and other intangible assets (Notes 8 and 9)	**315**	192
Taxes and duties	**149**	133
Services and other costs	**338**	596
Total operating expenses	**9,590**	11,918
Classified in the income statement as:		
– cost of sales	**8,240**	10,406
– distribution costs	**1,063**	1,121
– general and administrative expenses	**287**	391
Total operating expenses	**9,590**	11,918

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:

	2014	2013
Audit of the financial statements (including audit fee of the signing firm of US$0.1 million)	**2**	3
Tax services	**–**	–
Other non-audit services	**–**	–
Total	**2**	3

All tabular amounts in millions of US dollars

24 OTHER OPERATING INCOME/(EXPENSE), NET

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

	2014	2013
(Impairment)/reversal of impairment of trade and other receivables (Note 13)	**(60)**	56
Maintenance of social infrastructure	**(30)**	(66)
Operating foreign exchange gains less losses, net	**391**	101
Sponsorship and other charity payments	**(39)**	(15)
(Loss)/gain on disposal of property, plant and equipment and intangible assets, net	**8**	(1)
Impairment of goodwill (Note 7)	**(102)**	–
Other (expense)/income, net	**(38)**	62
Total other operating income, net	**130**	137

25 FINANCE INCOME

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

	2014	2013
Interest income:		
– loans issued	**20**	28
– bank deposits	**3**	5
– imputed interest on other financial instruments	**–**	13
Other finance income	**2**	20
Total finance income	**25**	66

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

26 FINANCE COSTS

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

	2014	2013
Net foreign exchange loss:	**593**	6
Interest expense:		
– borrowings	**100**	95
– bonds	**118**	118
– seller's notes	**8**	12
– imputed interest on seller's notes	**10**	16
Interest cost on retirement benefit obligations	**70**	90
Other finance costs	**3**	4
Total finance costs	**902**	341

Net foreign exchange losses arise on intragroup loans and dividends payable between the entities with different functional currencies.

27 INCOME TAX

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

	2014	2013
Current tax	**198**	394
Deferred tax	**13**	(21)
Income tax expense	**211**	373

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its subsidiaries. In 2014 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18% (2013: 19%). In 2014, the tax rate for Swiss operations was 10% (2013: 10%) and for European companies tax rate in 2014 varied from 10% to 31% (2013: varied from 10% to 35%). The tax rate for US operations was 35% (2013: 35%).

27 INCOME TAX CONTINUED

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

	2014	2013
IFRS profit before tax	**370**	765
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(10)**	95
Tax effect of items not deductible or assessable for taxation purposes:		
– impairment of goodwill (Note 7)	**36**	–
– charitable donations and sponsorship	**3**	1
– other non-deductible expenses	**75**	50
– non-taxable income	**(14)**	(12)
Write-down/reversal of write-down of deferred tax assets, net	**168**	155
Indexation of tax base of PPE in Ukraine	**(51)**	–
Effect of other changes in estimates regarding realisability and timing of realisation of deferred tax balances	**4**	84
Income tax expense	**211**	373

The weighted average applicable tax rate was -2.7% in 2014 (2013: 12.4%). Variation in weighted average tax rate is mostly due to variation in profitability of Group's subsidiaries in Ukraine some of which are profitable and some are loss making.

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 2014	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Currency translation difference	31 December 2014
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	93	20	14	(22)	105
Long-term receivables	92	(47)	–	(45)	–
Inventory valuation	35	(8)	–	(9)	18
Trade and other accounts receivable	8	(3)	–	(5)	–
Accrued expenses	75	(36)	–	(4)	35
Tax losses carried forward	297	(91)	–	(103)	103
Retirement benefit obligations	128	10	7	(63)	82
Prepayments received	3	(3)	–	–	–
Other	24	2	(1)	(22)	3
Gross deferred tax asset	755	(156)	20	(273)	346
Less offsetting with deferred tax liabilities	(529)	90	(9)	191	(257)
Recognised deferred tax asset	226	(66)	11	(82)	89
Tax effect of taxable temporary differences					
Property, plant and equipment and intangible assets	(588)	135	(535)	285	(703)
Advances paid	(3)	3	–	–	–
Inventory tax differences	(7)	(2)	–	1	(8)
Borrowings and long-term payables	(92)	45	–	45	(2)
Other	(31)	(38)	1	20	(48)
Gross deferred tax liability	(721)	143	(534)	351	(761)
Less offsetting with deferred tax assets	529	(90)	9	(191)	257
Recognised deferred tax liability	(192)	53	(525)	160	(504)

During the year ended 31 December 2014 the Group recognised a valuation provision in the amount of US$ 186 million against deferred tax asset due to a change in estimate regarding recoverability of the related balance (2013: US$155 million).

All tabular amounts in millions of US dollars

27 INCOME TAX CONTINUED

Deferred tax asset on unused tax losses not recognised as at 31 December 2014 comprised US$167 million (31 December 2013: US$86 million).

	1 January 2013	Credited/ (charged) to income statement	Credited/ (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)

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

	2014			2013		
	Before tax	**Deferred tax charge**	**After tax**	Before tax	Deferred tax charge	After tax
Revaluation of property, plant and equipment	**2,902**	**(521)**	**2,381**	553	(91)	462
Remeasurement of retirement benefit obligation	**(38)**	**7**	**(31)**	(70)	10	(60)
Other comprehensive income	**2,864**	**(514)**	**2,350**	483	(81)	402

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.

As discussed in Note 34, there were revisions introduced to the Tax Code of Ukraine from 1 January 2015. These changes were considered to be substantially enacted with respect of calculation of deferred taxes as at 31 December 2014. The application of these revisions to the Tax Code is yet to be reviewed by the tax authorities. Consequently, the management interpretation of these changes (and the related impact on tax base of assets and liabilities as at 31 December 2014) may be challenged.

28 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.

As at 31 December 2014 and 2013 significant balances outstanding with related parties are detailed below:

	31 December 2014					31 December 2013				
	SCM Limited	**Associates**	**Joint ventures**	**SCM and related entities**	**Smart**	SCM Limited	Associates	Joint ventures	SCM and related entities	Smart
ASSETS										
Other non-current assets, including:	**–**	**–**	**98**	**20**	**–**	–	–	98	32	26
Long-term loans issued	**–**	**–**	**98**	**20**	**–**	–	–	98	30	26
Other non-current assets	**–**	**–**	**–**	**–**	**–**	–	–	–	2	–
Trade and other receivables, including:	**1**	**27**	**274**	**92**	**74**	3	34	505	178	40
Trade receivables and receivables on commission sales	**–**	**27**	**270**	**33**	**3**	–	34	291	51	7
Prepayments made	**–**	**–**	**1**	**4**	**–**	–	–	214	2	–
Loans issued	**–**	**–**	**3**	**12**	**71**	3	–	–	10	31
Interest accrued on long term loans issued	**–**	**–**	**–**	**–**	**–**	–	–	–	1	2
Receivables for disposal of subsidiaries and associates	**–**	**–**	**–**	**2**	**–**	–	–	–	5	–
Receivables for deposit certificates sold	**–**	**–**	**–**	**1**	**–**	–	–	–	1	–
Other financial receivables	**1**	**–**	**–**	**40**	**–**	–	–	–	108	–
Cash and cash equivalents	**–**	**–**	**–**	**60**	**–**	–	–	–	122	–

	31 December 2014					31 December 2013				
	SCM Limited	**Associates**	**Joint ventures**	**SCM and related entities**	**Smart**	SCM Limited	Associates	Joint ventures	SCM and related entities	Smart
LIABILITIES										
Non-current liabilities, including:	**–**	**–**	**1**	**279**	**92**	–	–	1	1	–
Non-bank borrowings	**–**	**–**	**–**	**278**	**92**					
Other non-current liabilities	**–**	**–**	**1**	**1**	**–**	–	–	1	1	–
Trade and other payables, including:	**41**	**35**	**396**	**159**	**60**	15	48	55	154	590
Dividends payable	**40**	**–**	**–**	**–**	**48**	12	–	–	–	58
Trade payables and payables on sales made on commission	**–**	**32**	**394**	**118**	**–**	–	47	55	84	531
Prepayments received	**–**	**3**	**2**	**29**	**–**	–	–	–	66	–
Other financial liabilities	**1**	**–**	**–**	**12**	**12**	3	1	–	4	1

All tabular amounts in millions of US dollars

28 BALANCES AND TRANSACTIONS WITH RELATED PARTIES CONTINUED

Significant transactions (excluding purchases) with related parties during 2014 and 2013 are detailed below:

2014	SCM Limited	Associates	Joint ventures	SCM and related entities	Smart	Total
Sales, including:	**–**	**49**	**684**	**68**	**39**	**840**
Steel	–	9	20	56	10	95
Scrap metal	–	–	82	3	–	85
Coke and coking coal	–	29	260	2	4	295
Iron ore	–	–	271	1	–	272
Other	–	11	51	6	25	93
Other operating income/(expense) net	**–**	**1**	**–**	**(15)**	**–**	**(30)**
Sponsorship and other charity payments	–	–	–	(29)	–	(29)
Other	–	1	–	14	–	(1)
Finance income/(expenses), including:	**–**	**–**	**11**	**(14)**	**(1)**	**(4)**
Interest income – bank deposits	–	–	–	1	–	1
Interest income – other	–	–	11	4	5	20
Other finance income (expenses)	–	–	–	(19)	(6)	(25)

2013	SCM Limited	Associates	Joint ventures	SCM and related entities	Smart	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/(expenses), 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

The following is a summary of purchases from related parties in 2014 and 2013:

2014	Associates	Joint ventures	SCM and related entities	Smart	Total
Purchases, including:	**93**	**1,563**	**1,569**	**56**	**3,281**
Metal products	10	1,528	12	–	1,550
Coke and coking coal	73	15	49	–	137
Raw materials and spare parts	7	18	139	55	219
Electricity	–	–	689	–	689
Gas	–	–	230	–	230
Fuel	–	–	38	–	38
Services	2	2	402	–	406
Other	1	–	10	1	12

28 BALANCES AND TRANSACTIONS WITH RELATED PARTIES CONTINUED

2013	Associates	Joint ventures	SCM and related entities	Smart	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

In 2014 the Group has obtained US$444 million of loans from the related parties (9.5% p.a. repayable in 2017) and repaid US$75 million of it during the year.

In 2014, the remuneration of key management personnel of the Group comprised current salaries and related bonuses totalling US$ 10.9 million (in 2013: US$ 8.6 million).

29 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 value-added tax, 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 other jurisdictions plus 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 thus are eliminated on consolidation. As at 31 December 2014, the amount of the financial liabilities recorded in these financial statements is US$15 million. US$12 million are presented as non-current liability related to the bankruptcy moratorium (Note 21).

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.

29 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS CONTINUED

Capital expenditure commitments

As at 31 December 2014, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling US$ 166 million (31 December 2013: US$ 346 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 2014 and as at 31 December 2013 and during 2014 and 2013 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; and property damage and business interruption policies in respect of its European and US assets.

30 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 program 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 co-operation 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; (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 2014, if the UAH had strengthened/weakened by 50% against the US dollar with all other variables held constant, post-tax profit for the year would have been US$190 million higher/lower (2013: if the UAH strengthened/weakened by 10% against US$ dollar, post tax profit for the year would have been US$17 million higher/lower), mainly as a result of foreign exchange losses/gains on translation of US dollar-denominated trade receivables and foreign exchange gains/losses on translation of US dollar-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.

30 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 2014, 49% of the total borrowings were provided to the Group at fixed rates (31 December 2013: 29%). During 2014 and 2013, the Group's borrowings at variable rate were denominated in US$ 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 judgment 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 Notes 13, 18 and 30 for information about maturity dates and effective interest rates of financial instruments.

At 31 December 2014, if interest rates on US$ and EUR-denominated borrowings had been by 1pp higher/lower (2013: 1pp) with all other variables held constant, post-tax profit for the year would have been US$13 million lower/higher (2013: US$25 million).

(**b**) **Credit risk**

Credit risk is managed on a 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 2014 is US$1,951 million (2013: US$3,002 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.

All tabular amounts in millions of US dollars

30 FINANCIAL RISK MANAGEMENT CONTINUED

(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.

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 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank borrowings	**750**	**326**	**184**	**8**
Trade finance	**416**	**–**	**–**	**–**
Bonds	**215**	**237**	**1,005**	**–**
Non-bank borrowings	**35**	**35**	**381**	**–**
Seller's notes	**92**	**–**	**–**	**–**
Trade and other payables	**1,219**	**–**	**–**	**–**
At 31 December 2013				
Bank borrowings	849	751	509	15
Trade finance	911	–	–	–
Bonds	117	591	914	–
Seller's notes	98	93	–	–
Trade and other payables	1,456	–	–	–

31 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 2014 and 31 December 2013.

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 ('Caa2'), updated on 05 December 2014 and 02 December 2014, respectively, capped both by the Ukraine's country ceiling.

	31 December 2014	31 December 2013
Total borrowings (Note 18)	**3,146**	4,143
Seller's notes (Note 19)	**86**	165
Less: cash and cash equivalents (Note 14)	**(114)**	(783)
Net debt	**3,118**	3,525
Total equity	**6,762**	9,631
Total capital	**9,880**	13,156
Gearing ratio	**32%**	27%

32 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 2014 is 12.3% (31 December 2013: 6.2%).

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 (Notes 18, 19 and 21).

33 RECONCILIATION OF CLASSES OF FINANCIAL INSTRUMENTS WITH MEASUREMENT CATEGORIES

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

34 EVENTS AFTER THE BALANCE SHEET DATE

In late December 2014 the Parliament of Ukraine passed a law which significantly revised the tax code effective 1 January 2015. The most significant changes that are expected to impact the Group are:

– Revised corporate tax computation rules, whereby the basis for calculating corporation tax is now an adjusted accounting profit, rather than through a separate calculation of taxable income and deductible expenses. The enacted corporate tax rates were not change as a result of this revision. The Group is currently estimating the impact of these new tax changes but does not expect these to result in a significant change in the effective tax rate;
– Revision to rules governing the payment of VAT, which require output VAT to be paid to the tax authorities based on the supply of the good or service, net of input VAT if this VAT is determined to have been paid to the tax authorities by the Group's suppliers. The prior VAT settlement mechanism was based on a monthly payment computed through a VAT return where the net VAT payment was calculated based on accrued net of input and output VAT. The Group has estimated that the impact of this is to increase the cash outflow of VAT payments in 2015 following the implementation of these new rules. The amount of this increased cash outflow cannot be determined; and
– New real estate (property) tax has been introduced. This tax is levied based on the floor area of the Group's buildings (subject to certain reliefs). This new tax will increase the tax burden of the Group. The Group is currently assessing the magnitude of this new tax.

The developments after the balance sheet date which are related to the operating environment are disclosed in Note 2.

On 3 March 2015 the National Bank of Ukraine issued a regulation which temporarily prohibits payment of dividends by Ukrainian legal entities abroad. The restriction is effective until 3 June 2015. Management is currently assessing the legal basis for this and the possible impact of this restriction on the Group.

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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 of 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 by 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 cold-rolling semi-finished steel (blooms/billets/slabs). They comprise three broad categories, namely long, flat products and pipes.

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 plates, hot-rolled heavy plates, and hot-rolled, cold-rolled and hot-dip galvanised coils and sheets.

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 5m and a thickness of at least 5mm. 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 concentrate and pellets as the basic raw materials for the production of sinter, iron and crude steel, which is further rolled into finished products 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.

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

Iron ore concentrate
Iron ore containing the valuable minerals of an ore from which most of the waste material has been removed and was enriched by Fe.

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

Long products
A classification of steel products that includes hot-rolled sections (light, medium, heavy), debars, merchant bars, wire rods and rails 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.

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 concentrate, spheres of typically 8–18mm (0.31–0.71") in diameter are produced. The process combines agglomeration and thermal treatment to convert the raw ore into pellets with characteristics appropriate for use in a blast furnace.

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.

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

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
Hot 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 external stakeholders, 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.

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 products made with 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.

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

Slab
The most common type of semi-finished steel products. Slabs are produced with a thickness of 220-300mm, width of 1,250-2,100mm and length of 5,000-12,000mm.

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

Glossary and Abbreviations continued

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 Plant21

Krasnodon Coal
PJSC Krasnodon Coal Company

Metinvest
Metinvest Group

Metinvest Eurasia
Metinvest Eurasia LLC

Metinvest International
Metinvest International S.A.

Metinvest-Resource
Metinvest-Resource LLC

Metinvest-SMC
Metinvest-SMC LLC

Metinvest-Shipping
Metinvest-Shipping 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

Smart
JSC Smart Holding

Southern GOK
PJSC Southern Iron Ore Enrichment Works

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

S&OP
Sales and Operations Planning

TSI
The Steel Index

WSA
World Steel Association

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