Metinvest B.V.

Unaudited Interim Condensed Consolidated Financial Information

30 June 2016

Contents

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

All amounts in millions of US dollars

	Note	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Goodwill		584	601
Other intangible assets		153	164
Property, plant and equipment	7	4,508	4,822
Investments in associates and joint ventures	8	818	779
Deferred tax asset		86	105
Income tax prepaid		50	105
Trade and other receivables	9	174	229
Total non-current assets		**6,373**	**6,805**
Current assets			
Inventories		798	766
Income tax prepaid		44	66
Trade and other receivables	9	1,632	1,365
Cash and cash equivalents		183	180
Total current assets		**2,657**	**2,377**
TOTAL ASSETS		**9,030**	**9,182**
EQUITY			
Share capital		0	0
Share premium		6,225	6,225
Other reserves		(8,319)	(8,013)
Retained earnings		5,890	5,674
Equity attributable to the owners of the Company		**3,796**	**3,886**
Non-controlling interest		**140**	**138**
TOTAL EQUITY		**3,936**	**4,024**
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations		337	335
Deferred tax liability		307	348
Other non-current liabilities		107	103
Total non-current liabilities		**751**	**786**
Current liabilities			
Loans and borrowings	10	2,892	2,858
Seller's notes	11	89	88
Trade and other payables	12	1,362	1,426
Total current liabilities		**4,343**	**4,372**
TOTAL LIABILITIES		**5,094**	**5,158**
TOTAL LIABILITIES AND EQUITY		**9,030**	**9,182**

Signed and authorized for release on behalf of Metinvest B.V. on “29” September 2016:

Originally signed by Director A, Yuriy Ryzhenkov

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

	Note	Six months ended 30 June 2016	2015
Revenue	6	2,880	3,650
Cost of sales		(2,240)	(3,047)
Gross profit		**640**	**603**
Distribution costs		(347)	(463)
General and administrative expenses		(82)	(96)
Other operating income/ (expenses), net	13	(5)	47
Operating profit		**206**	**91**
Finance income		13	11
Finance costs	14	(178)	(374)
Share of result of associates and joint ventures		70	99
Profit / (loss) before income tax		**111**	**(173)**
Income tax (expense) / credit		(21)	7
Profit / (loss) for the period		**90**	**(166)**
Profit / (loss) attributable to:			
Owners of the Company		87	(167)
Non-controlling interests		3	1
Profit / (loss) for the period		**90**	**(166)**

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income
All amounts in millions of US dollars

	Note	Six months ended 30 June 2016	2015
Profit / (loss) for the period		90	(166)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(175)	(1,731)
Items that will not be reclassified to profit or loss:			
(Impairment) / revaluation of property, plant and equipment		(2)	872
Share in other comprehensive (loss) / income of joint venture	8	(2)	56
Remeasurement of retirement benefit obligations		-	47
Income tax related to items that will not be reclassified subsequently to profit or loss		1	(166)
Total other comprehensive loss		**(178)**	**(922)**
Total comprehensive loss for the period		**(88)**	**(1,088)**

Total comprehensive loss attributable to:

Owners of the Company	(90)	(1,063)
Non-controlling interest	2	(25)
Total comprehensive loss for the period	**(88)**	**(1,088)**

All amounts in millions of US Dollars

	Note	Six months ended 30 June 2016	2015
Cash flows from operating activities			
Profit / (loss) before income tax		**111**	**(173)**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		268	295
Impairment of property, plant and equipment and intangible assets		1	165
Impairment of goodwill		-	39
Finance income		(13)	(11)
Finance costs		178	374
Unrealised operating foreign exchange differences		(3)	(82)
Net change in retirement benefit obligations, except for interest costs, remeasurements and currency translation		(9)	(23)
Share of result of associates and joint ventures		(70)	(99)
(Reversal of write-down) / write-down of inventories, net		(43)	8
Impairment of trade receivables		2	2
Other non-cash operating income, net		(2)	(12)
Operating cash flows before working capital changes		**420**	**483**
Decrease / (increase) in inventories		3	(24)
Increase in trade and other accounts receivable		(237)	(309)
(Decrease) / increase in trade and other accounts payable		(19)	315
Cash generated from operations		**167**	**465**
Income taxes refunded / (paid)		45	(22)
Interest paid		(49)	(89)
Net cash from operating activities		**163**	**354**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(130)	(113)
Proceeds from sale of property, plant and equipment		6	8
Proceeds from sale of Black Iron (Cyprus) Limited		6	-
Interest received		9	10
Proceeds from disposal of other non-current assets		-	1
Net cash used in investing activities		**(109)**	**(94)**
Cash flows from financing activities			
Prepayment under consent solicitation agreement		-	(33)
Repayment of loans and borrowings		(8)	(82)
Net trade financing repayments		(33)	(94)
Other finance costs		(9)	(3)
Net cash used in financing activities		**(50)**	**(212)**
Effect of exchange rate changes on cash and cash equivalents		(1)	(11)
Net increase in cash and cash equivalents		**3**	**37**
Cash and cash equivalents at the beginning of the year		**180**	**114**
Cash and cash equivalents at the end of the period		**183**	**151**

All amounts in millions of US Dollars

	Attributable to owners of the Company					Non-controlling interest (NCI)	Total equity
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total**		
Balance at 31 December 2015	**0**	**6,225**	**(8,013)**	**5,674**	**3,886**	**138**	**4,024**
Impairment of property, plant and equipment	-	-	(2)	-	(2)	-	**(2)**
Share in other comprehensive income of joint venture	-	-	(2)	-	(2)	-	**(2)**
Income tax related to items included in other comprehensive income	-	-	1	-	1	-	**1**
Currency translation differences	-	-	(174)	-	(174)	(1)	**(175)**
Other comprehensive loss for the period	**-**	**-**	**(177)**	**-**	**(177)**	**(1)**	**(178)**
Profit for the period	-	-	-	87	**87**	3	**90**
Total comprehensive loss for the period	-	**-**	**(177)**	**87**	**(90)**	**2**	**(88)**
Realised revaluation reserve	-	-	(129)	129	**-**	-	**-**
Balance at 30 June 2016	**0**	**6,225**	**(8,319)**	**5,890**	**3,8796**	**140**	**3,936**
Balance at 31 December 2014	**0**	**6,225**	**(6,034)**	**6,372**	**6,563**	**199**	**6,762**
Revaluation of property, plant and equipment	-	-	853	-	**853**	19	**872**
Share in other comprehensive income of joint venture	-	-	56	-	**56**	-	**56**
Remeasurement of retirement benefit obligation	-	-	-	44	**44**	3	**47**
Income tax related to items included in other comprehensive income	-	-	(154)	(8)	**(162)**	(4)	**(166)**
Currency translation differences	-	-	(1,687)	-	**(1,687)**	(44)	**(1,731)**
Other comprehensive loss for the period	**-**	**-**	**(932)**	**36**	**(896)**	**(26)**	**(922)**
Profit for the period	-	-	-	(167)	**(167)**	1	**(166)**
Total comprehensive loss for the period	-	**-**	**(932)**	**(131)**	**(1,063)**	**(25)**	**(1,088)**
Realised revaluation reserve	-	-	(139)	139	**-**	-	**-**
Balance at 30 June 2015	0	**6,225**	**(7,105)**	**6,380**	**5,500**	**174**	**5,674**

All tabular amounts in millions of US Dollars

1 Metinvest B.V. and its operations

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

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

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

In November 2007 the Company acquired from parties known as Smart Group 82% of PJSC Ingulets Iron Ore Enrichment Works in exchange for the transfer to SMART of 25% of the Company. Following the November 2007 transaction, Metinvest B.V. was owned 75% by SCM Cyprus and 25% by SMART. SCM Cyprus 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.

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

As of 30 June 2016, Metinvest B.V. is owned 71.24% by SCM Cyprus and 23.76% by companies of the Smart Group. The remaining 5% interest in the Company has been acquired from the previous owners of Ilyich Group for the benefit of SCM and SMART. It is the intention of SCM and SMART to dispose of the said 5% interest in due course (after receipt of respective governmental approvals if such will be necessary), and in such manner that the ultimate interest of SCM in the Company shall be 75% minus 1 share, and the ultimate interest of SMART in the Company shall be 25% plus 1 share, thus SCM remaining as the controlling shareholder.

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

	Effective % interest as at			
Name	**30 June 2016**	**31 December 2015**	**Segment**	**Country of incorporation**
Metinvest Holding LLC	100.0%	100.0%	Corporate	Ukraine
PJSC Azovstal Iron and Steel Works	96.2%	96.2%	Metallurgical	Ukraine
PJSC Yenakiieve Iron and Steel Works	91.5%	91.5%	Metallurgical	Ukraine
JV Metalen LLC	100.0%	100.0%	Metallurgical	Ukraine
PJSC Khartsyzsk Pipe Plant	98.5%	98.5%	Metallurgical	Ukraine
Ferriera Valsider S.p.A.	70.0%	70.0%	Metallurgical	Italy
Metinvest Trametal S.p.A.	100.0%	100.0%	Metallurgical	Italy
Spartan UK Limited	100.0%	100.0%	Metallurgical	UK
Metinvest International SA	100.0%	100.0%	Metallurgical	Switzerland
Metinvest Eurasia LLC	100.0%	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	93.0%	93.0%	Metallurgical	Ukraine
JSC Zaporozhkoks	52.2%	52.2%	Metallurgical	Ukraine
JSC Donetskkoks	93.6%	93.6%	Metallurgical	Ukraine
PJSC Northern Iron Ore Enrichment Works	96.4%	96.4%	Mining	Ukraine
PJSC Central Iron Ore Enrichment Works	99.8%	99.8%	Mining	Ukraine
PJSC Ingulets Iron Ore Enrichment Works	99.8%	99.8%	Mining	Ukraine
OSC Komsomolske Flux Plant	99.7%	99.7%	Mining	Ukraine
United Coal Company LLC	100.0%	100.0%	Mining	USA
PJSC Krasnodon Coal Company	92.9%	92.9%	Mining	Ukraine

As at 30 June 2016, the Group employed approximately 84 thousand people (31 December 2015: 91 thousand).

The Company's registered address is Nassaulaan 2A, 2514 JS , The Hague. The company is registered with the commercial trade register under the number 24321697. The principal places of production facilities of the Group are in Ukraine, Italy, the UK and the USA.

2 Operating environment of the Group

The ongoing political and economic instability in Ukraine has led to a deterioration of State finances, volatility of financial markets, illiquidity on capital markets, higher inflation and a depreciation of the national currency against major foreign currencies and has continued in the first half of 2016, though to somewhat lesser extent as compared to 2014–2015. The inflation in Ukraine in the first half of 2016 approximated 5% (2015: 43%). The National Bank of Ukraine ("NBU"), among other measures, imposed a requirement for Ukrainian companies to sell majority of their foreign currency revenue and other foreign currency inflows on the inter-bank market, restrictions on the purchase of foreign currency on the inter-bank market, and ban for payment of dividends abroad. The above restrictions were prolonged several times, however in 2016 NBU has made certain steps to ease the currency control restrictions. In particular, the required share of foreign currency for mandatory sale was decreased from 75% to 65% starting from 9 June 2016 and the settlement period for export-import transactions in foreign currency was increased from 90 to 120 days starting from 28 July 2016. Also starting from 13 June 2016, NBU allowed Ukrainian companies to pay dividends to non-residents with a limit of USD 5 million per month. As of 30 June 2016, the amount of undistributed retained earnings of the Group's Ukrainian subsidiaries was approximately USD 1,311 million.

As of the date of this report the official NBU exchange rate of Hryvnya against US dollar was UAH 25.90 per USD 1, compared to UAH 24.85 per USD 1 as at 30 June 2016 and UAH 24.00 per USD 1 as at 31 December 2015.

On 11 March 2015, the IMF Executive Board approved a four-year Extended Fund Facility ("EFF") programme for Ukraine in the amount exceeding USD 17 billion. During 2015 Ukraine obtained first and second tranches in accordance with EFF programme in the amount of USD 5 billion and USD 1.7 billion, respectively. Further disbursements of IMF tranches depend on the implementation of Ukrainian government reforms, and other economic, legal and political factors. In October 2015, Ukraine reached an agreement with the majority of its creditors for restructuring of the part of the national external debt in the amount of USD 15 billion. After Ukraine reached the above restructuring agreement on external debt with the majority of its creditors, the credit rating of Ukraine has improved. There remains a significant portion of debt for which a restructuring has not been agreed to. There were no substantial changes related to the Ukraine's external debt in the first half of 2016.

On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. The Russian government reacted to this event by implementing a trading embargo or import duties on many key Ukrainian export products. In response, the Ukrainian government implemented similar measures against Russian products.

The banking system of Ukraine remains fragile due to its weak level of capital, its weakening asset quality caused by the economic situation, currency devaluation and other factors.

The conflict in the parts of Eastern Ukraine which started in spring 2014 has not been resolved to date. However, there was no substantial escalation of the conflict since the signing of ceasefire agreements in September 2014. 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 line of contact of conflicting parties. Production at these plants has been negatively impacted by the situation starting from the second half of 2014. The Group retains operational controls over all its assets.

The negative impact on production volumes has been caused primarily by disruptions in infrastructure (rail transportation, road transport and electricity and gas supply). This has resulted in some temporary suspensions of operations or decrease of production at some plants during 2014–2016. 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. There has been no significant impact to the physical condition of the Group's assets.

During the period ended 30 June 2016 management of the Group continued to use certain measures in order to maintain profitability and liquidity, such as reduction in capital expenditures and administrative costs.

The increase in the Group's steel production in the first half of 2016 (as compared to the first half of 2015) was 8%, while iron ore production remained unchanged. There was also a slight 4% reduction of production of coking coal.

The prices of steel, coking coal and iron ore experienced both volatility and an overall decline during 2014–2015 and reached the decade-lowest levels in the fourth quarter of 2015 and January–February 2016. Since March 2016, there was a notable increase in price levels, with some correction/stabilisation thereafter. The average benchmark price for hot-rolled coil (Metal Expert HRC CIS export FOB Black Sea) reached April-June 2016 period average of USD 417 which is 56% higher compared to December 2015. Benchmark iron ore price (Platts 62% Fe CFR China) increased from USD 39 per dry tonne in December 2015 to April-June 2016 period average of USD 55 per dry tonne. Coupled with decrease of freight costs in the first half of 2016, these price dynamics had positive impact on the Group's financial results starting March 2016 as compared to the fourth quarter of 2015 and January–February 2016.

Despite some positive developments in the first half of 2016, the events in Ukraine and volatility in commodity markets continue to create uncertainties, including the Group's assessment of the fair value of property, plant and equipment and the recoverable amount of property, plant and equipment, goodwill and other intangible assets under impairment testing for assets located in Ukraine.

2 Operating environment of the Group (continued)

As of 30 June 2016, the Group had significant balances receivable from and prepayments made to the State mainly 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 and amounts of future taxable profits of Group's subsidiaries. During the first half of 2016, the Group's Ukrainian subsidiaries have received the refunds of prepaid income taxes and VAT recoverable of USD 53 million and USD 146 million, respectively.

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 Going concern

In March 2015, the Group sought approval for a partial deferral of principal payments to May 2015 in respect of the pre-export financing (PXF) facilities due in March and April 2015. Whilst approval for the above deferral was obtained from the majority of PXF lenders under the facilities, the Group was unable to obtain the required consent of all PXF lenders. The Group was obliged to start a broader restructuring and consequently did not make the necessary principal payment, triggering default and cross defaults under its bank and non-bank loans and borrowings, as well as bonds. This has resulted in a reclassification from non-current loans and borrowings to current loans and borrowings of USD 974 million as of 30 June 2016. The amount of liability to bondholders and PXF lenders is disclosed in Note 10.

The Group undertook a number of measures to ensure a stable platform for negotiating the restructuring of its debt.

In April 2015, the Group launched consent solicitations with respect to its bonds. Following bondholders' meetings for the 2015, 2017 and 2018 bonds, the majority of bondholders agreed to waive existing and related potential events of default until the end of January 2016. Moreover, 2015 bondholders agreed to extend the maturity of the 2015 bonds from 20 May 2015 to 31 January 2016 in exchange for a redemption of 25% of principal. Following the launch by the Group of a scheme of arrangement procedure on 29 January 2016 a competent English Court sanctioned a moratorium of the Group on taking enforcement action or initiation of insolvency proceedings by holders of 2016, 2017, 2018 bonds of Metinvest B.V. until 27 May 2016.

Further in December 2015 the Group concluded and signed on 1 December 2015 (with expiry on 29 January 2016) a standstill agreement with its PXF lenders which provides for a forbearance on the taking of enforcement action or the initiation of insolvency proceedings by the PXF lenders. The standstill period has been extended until 27 May 2016.

Both groups of lenders have agreed to support the liquidity of the Group by permitting the reduced payment of accrued interest to 30% (with remaining 70% being capitalized) starting from 31 January 2016; these terms were in place up to the date of this report. Since the date of default, the Group continues to pay interest due on its loans and borrowings.

On 24 May 2016, the Group agreed the non-binding heads of terms for the restructuring of the bonds and PXF facilities (the Heads of Terms) with the coordinating committee of lenders to the PXF facilities and the ad hoc committee of bondholders. Among other terms, the Heads of Terms include an extension of the Group's debt maturities until the end of 2021, including a grace period on scheduled amortisation of principal until the end of 2018. The Heads of Terms impose certain limitations on transactions with related parties and require the debt owed to shareholders to be subordinated to the PXF facilities and bonds.

On 25 May 2016, the Group issued a practice statement letter proposing a new scheme of arrangement under English law to extend the moratorium on enforcement actions in respect of its bonds until 30 November 2016 at the latest. This scheme of arrangement was sanctioned by the High Court of England and Wales on 30 June 2016.

On June 24, the second extension of the standstill agreement with PXF lenders was signed with effect to 30 November 2016 at the latest.

Discussions with creditors are currently ongoing with a view to document and implement a consensual restructuring based on the Heads of Terms.

Management has prepared monthly cash flow projections for the remainder of 2016 and quarterly for 2017. Additionally, management has performed a high-level liquidity analysis for 2018 through to 2022 and considers that there is sufficient liquidity to maintain operations under the current circumstances. Based on cash flow projections, liquidity and other factors analysis, management plans to negotiate with the lenders a mutually acceptable schedule of repayment of principal and interest.

Although management remains in discussions with its lenders, it has not yet concluded a restructuring agreement. Thus, there is an uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

All tabular amounts in millions of US Dollars

3 Going concern (continued)

The Group's ability to continue as a going concern is crucially dependent on the following conditions:

- willingness of the Group's lenders not to demand early repayment of borrowings in default;
- ability of the Group to negotiate with the lenders a mutually acceptable and feasible debt repayment schedule; and
- absence of escalation of the conflict in the Eastern Ukraine (Note 2).

Despite these material uncertainties with respect to the repayment of the Group's loans and borrowings and with respect to the debts restructuring, based on cash flow projections performed and an anticipated favourable outcome of the discussions with its lenders, management considers that the application of the going concern assumption for the preparation of this interim condensed consolidated financial information is appropriate.

4 Basis of preparation and significant accounting policies

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union ("EU"). The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS as adopted by EU.

Except as described below, the basis of preparation, accounting policies and critical accounting estimates and judgments applied are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

Current and deferred taxes. Income tax expense in the interim period is recognised based on management's best estimate of the weighted average effective annual income tax rate expected for the full financial year.

Exchange rate fluctuations. The following table summarises exchange rates of UAH against USD and Euro ("EUR") as of the dates used for translating foreign currency balances:

	30 June 2016	**31 December 2015**
USD / UAH	24.85	24.00
EUR / UAH	27.56	26.22

The following table summarises average exchange rates of UAH against USD and EUR:

	Six months ended 30 June	
	2016	**2015**
USD / UAH	25.46	21.37
EUR / UAH	28.42	23.83

Valuation techniques and inputs used to determine fair values of financial assets and liabilities in this interim condensed consolidated financial information for the six months ended 30 June 2016 are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2015. Unless otherwise stated, fair values of financial instruments approximate their carrying values as at 30 June 2016 and 31 December 2015.

In 2016 the Group changed presentation of legal and consulting expenses related to debt restructuring. Such expenses were reclassified from general and administrative expenses to finance costs to better reflect the substance of such expenditures. This resulted in change in comparative information for the six months ended 30 June 2015 amounting to USD 3 million.

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 2016:

- Annual improvements to IFRSs 2012. The improvements consist of changes to seven standards, three of which are relevant to the Group. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The Group is not expecting any impact of the above amendments on its financial statements.

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

- IFRS 9, Financial Instruments;
- IFRS 15, Revenue from Contracts with Customers;
- IFRS 16, Leases;
- Amendments to IFRS 10 and IAS 28;
- Amendments to IAS 7; and
- Amendment to IAS 12.

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. IFRS 16 will require the Group to recognise in the balance sheet assets taken in an operating lease and the related lease liabilities.

Other new or revised standards or interpretations that will become effective for annual periods starting after 1 January 2017 will likely have no material impact to the Group.

All tabular amounts in millions of US Dollars

6 Segment information

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

Segment information for the period ended 30 June 2016 was as follows:

	Metallurgical	**Mining**	**Corporate overheads**	**Eliminations**	**Total**
Six months ended 30 June 2016					
Sales – external	2,290	590	-	-	**2,880**
Sales to other segments	38	397	-	(435)	-
Total of the reportable segments' revenue	**2,328**	**987**	**-**	**(435)**	**2,880**
Adjusted EBITDA	**332**	**214**	**(32)**	**(44)**	**470**
Share in EBITDA of joint ventures	69	41			**110**
Adjusted EBITDA including share in EBITDA of joint ventures	**401**	**255**	**(32)**	**(44)**	**580**
Reconciling items:					
Depreciation and amortisation					**(268)**
Finance income					**13**
Finance costs					**(178)**
Share of result of associates and share of depreciation, amortisation, tax and finance income and costs of joint ventures					**(40)**
Foreign exchange gains less losses, net					**3**
Other reconciling items					**1**
Profit before tax					**111**

	Metallurgical	**Mining**	**Corporate overheads**	**Eliminations**	**Total**
Capital expenditure	61	53	2	-	**116**

There were no significant non-cash items included into adjusted EBITDA for six months ended 30 June 2016.

All tabular amounts in millions of US Dollars

6 Segment information (continued)

	Metallurgical	Mining	Corporate overheads	Eliminations	Total
Six months ended 30 June 2015					
Sales – external	2,839	811	-	-	**3,650**
Sales to other segments	32	690	-	(722)	-
Total of the reportable segments' revenue	**2,871**	**1,501**	**-**	**(722)**	**3,650**
Adjusted EBITDA	**320**	**181**	**(30)**	**14**	**485**
Share in EBITDA of joint venture	101	37			**138**
Adjusted EBITDA including share in EBITDA of joint venture	**421**	**218**	**(30)**	**14**	**623**
Reconciling items:					
Depreciation and amortisation					**(295)**
Finance income					**11**
Finance costs					**(374)**
Reversal of impairment / (impairment) of property, plant and equipment and intangible assets	5	(170)	-	-	**(165)**
Goodwill impairment	-	(39)	-	-	**(39)**
Share of result of associates and share of depreciation, amortisation, tax and finance income and costs of joint venture					**(39)**
Foreign exchange gains less losses, net					**104**
Other reconciling items					**1**
Profit before tax					**(173)**

	Metallurgical	Mining	Corporate overheads	Eliminations	Total
Capital expenditure	49	63	5	-	**117**

There were no significant non-cash items included into adjusted EBITDA for six months ended 30 June 2015.

All tabular amounts in millions of US Dollars

7 Property, plant and equipment

The movements of property, plant and equipment during six-months period ended 30 June 2015 and 30 June 2016 were as follows:

	Land	**Buildings and structures**	**Plant and machinery**	**Furniture, fittings and equipment**	**Construction in progress**	**Total**
As at 1 January 2015	**72**	**2,082**	**3,684**	**52**	**648**	**6,538**
Additions	-	-	-	-	110	**110**
Transfers	-	31	50	3	(84)	**-**
Disposals and other movements	-	-	(1)	-	(8)	**(9)**
Depreciation charge	-	(70)	(208)	(5)	-	**(283)**
Currency translation differences	(6)	(477)	(853)	(13)	(144)	**(1,493)**
Impairment	-	(8)	(5)	-	-	**(13)**
Revaluation	-	290	584	5	2	**881**
As at 30 June 2015	**66**	**1,848**	**3,251**	**42**	**524**	**5,731**

	Land	**Buildings and structures**	**Plant and machinery**	**Furniture, fittings and equipment**	**Construction in progress**	**Total**
As at 1 January 2016	**50**	**1,612**	**2,704**	**36**	**420**	**4,822**
Additions	-	-	-	-	111	**111**
Transfers	-	39	76	2	(117)	**-**
Disposals and other movements	-	-	(1)	(2)	(6)	**(9)**
Depreciation charge	-	(67)	(188)	(5)	-	**(260)**
Currency translation differences	-	(50)	(88)	(1)	(14)	**(153)**
Impairment	-	(2)	(1)	-	-	**(3)**
As at 30 June 2016	**50**	**1,532**	**2,502**	**30**	**394**	**4,508**

As at 30 June 2016 the Group considered that the fair value of property, plant and equipment is not substantially higher than its carrying value and no revaluation is required for these interim financial statements. In this consideration management analysed the developments in the operating environment of the Group (Note 2) since the last revaluation of property, plant and equipment performed as at 30 June 2015.

As at 30 June 2016 no indicators of impairment of property, plant and equipment were identified by management.

All tabular amounts in millions of US Dollars

8 Investments in associates and joint ventures

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

			30 June 2016		31 December 2015	
Name	**Type of relationship**	**Segment**	**% of ownership**	**Carrying value**	**% of ownership**	**Carrying value**
Zaporozhstal Group	Joint venture	Metallurgical	49.9%	481	49.9%	458
PJSC Southem Iron Ore Enrichment Works	Joint venture	Mining	45.9%	318	45.9%	298
JSC Yenakievskiy Koksohimprom	Associate	Metallurgical	50.0%	8	50.0%	7
IMU	Associate	Metallurgical	49.9%	7	49.9%	7
PJSC Zaporozhogneupor	Associate	Metallurgical	45.4%	3	45.4%	2
Black Iron (Cyprus) Limited	Associate	Mining	0%	-	49.0%	6
Other	Associate	Mining	n/a	1	n/a	1
Total				**818**		**779**

Key changes in the carrying amount of the Group's investments in associates and joint ventures during six months ended 30 June 2016 were due to Group's share in their after tax results of USD 70 million, share in other comprehensive loss of USD 2 million (originated due to revaluation of property plant and equipment), sale of investments in Black Iron (Cyprus) Limited in January 2016 and negative currency translation differences of USD 23 million due to devaluation of UAH against USD.

9 Trade and other receivables and other non-current assets

	30 June 2016	31 December 2015
Non-current assets		
Trade receivables	141	201
Loans issued to related parties	12	11
Other non-current financial assets	10	7
Other non-current non-financial assets	11	10
Total non-current assets	**174**	**229**
Current financial assets		
Trade receivables and receivables on commission sales	941	757
Loans issued to related parties	200	198
Other financial receivables	75	56
Total current financial assets	**1,216**	**1,011**
Recoverable value added tax	196	148
Prepayments made	170	142
Prepaid expenses and other non-financial receivables	50	64
Total current non-financial assets	**416**	**354**
Total current assets	**1,632**	**1,365**
Total trade and other receivables	**1,806**	**1,594**

The trade receivables increased since 31 December 2015 mainly as a reflection of increased prices for the Group's products, as described in Note 2.

The prepayments made are a reflection of requirements of non-Ukrainian suppliers of goods and services for the increased risks and uncertainties of doing business with Ukrainian counterparties.

All tabular amounts in millions of US Dollars

10 Loans and borrowings

	30 June 2016	31 December 2015
Bonds	1,181	1,146
Bank borrowings	1,106	1,091
Non-bank borrowings	408	393
Trade finance	197	228
Total current loans and borrowings	**2,892**	**2,858**

As disclosed in Note 3, when the Group breached its payment covenants and consequently as a result of this breach and the associated impact of cross default all loans and borrowing were reclassified to current loans and borrowings. As at 30 June 2016, the bank borrowings include PXF facilities in the amount USD 1,089 million (31 December 2015: USD 1,073 million).

As of 30 June 2016, the Group's 2018 bonds were traded on open markets with discount of approximately 35% (31 December 2015: 57%) to their nominal value. However, as trading volumes are low, these trades may not represent the fair value of bonds. Further, given the current default status on loans and borrowings and the uncertainties on the timing of cash flows on their repayment, management considers it is impracticable to estimate a fair value of the loans and borrowings as at 30 June 2016.

11 Seller's notes

As of 30 June 2016 seller's notes were carried at USD 89 million (31 December 2015: USD 88 million). During the period ended 30 June 2016 the Group did not make the due payments and is currently negotiating the new terms in parallel to the Group-wide restructuring (Note 3). However as at 30 June 2016 no binding restructuring agreement on Seller's notes was signed.

12 Trade and other payables

	30 June 2016	31 December 2015
Trade payables and payables on sales made on commission	946	984
Dividends payable to shareholders of Metinvest B.V.	88	88
Dividends payable to non-controlling shareholders of Company subsidiaries	2	2
Payable for acquired property, plant and equipment and other intangible assets	24	54
Other financial liabilities	42	46
Total financial liabilities	**1,102**	**1,174**
Prepayments received	90	101
Accruals for employees' unused vacations and other payments to employees	44	51
Income tax payable	26	19
Other taxes payable	53	45
Wages and salaries payable	18	17
Other allowances	29	19
Total trade and other payables	**1,362**	**1,426**

As at 30 June 2016, the Group had contractual capital expenditure commitments in respect of property, plant and equipment totalling USD 152 million (31 December 2015: USD 266 million).

All tabular amounts in millions of US Dollars

13 Other operating income/ (expenses), net

Other operating income and expenses for the six months ended 30 June were as follows:

	Six months ended 30 June	
	2016	**2015**
Foreign exchange gains less losses, net	3	104
Maintenance of social infrastructure	(7)	(14)
Sponsorship and other charity payments	(2)	(8)
Impairment of trade and other receivables	(2)	(2)
Goodwill impairment	-	(39)
Other income, net	3	6
Total other operating income/ (expenses), net	**(5)**	**47**

The decrease in foreign exchange gains less losses, net is a reflection of stabilisation of UAH against major foreign currencies in the first half of 2016, as described in Note 4.

14 Finance costs

Finance costs for the six months ended 30 June were as follows:

	Six months ended 30 June	
	2016	**2015**
Net foreign exchange loss	30	239
Interest expense		
- borrowings	47	39
- bonds	60	56
- seller's notes	3	3
- imputed interest on seller's notes	2	3
Interest cost on retirement benefit obligations	22	29
Other finance costs	14	5
Total finance costs	**178**	**374**

All tabular amounts in millions of US Dollars

15 Balances and transactions with related parties

Unless stated otherwise, other related parties are related through common control under SCM. As at 30 June 2016 and 31 December 2015 significant balances outstanding with related parties are detailed below:

	30 June 2016					**31 December 2015**				
	SCM Limited	**Asso-ciates**	**Joint ventures**	**SCM and related entities**	**Smart Group**	**SCM Limited**	**Asso-ciates**	**Joint ventures**	**SCM and related entities**	**Smart Group**
ASSETS										
Other non-current assets, including:	**-**	**-**	**-**	**12**	**-**	**-**	**-**	**-**	**12**	**-**
Long-term loans issued	-	-	-	11	-	-	-	-	11	-
Other non-current assets	-	-	-	1	-	-	-	-	1	-
Trade and other receivables, including:	**-**	**48**	**275**	**129**	**80**	**-**	**50**	**274**	**124**	**77**
Trade receivables and receivables on commission sales	-	48	177	27	2	-	50	172	35	2
Prepayments made	-	-	-	44	-	-	-	-	30	-
Loans issued	-	-	98	24	78	-	-	101	24	75
Other financial receivables	-	-	-	34	-	-	-	1	35	-
Cash and cash equivalents	**-**	**-**	**-**	**71**	**-**	**-**	**-**	**-**	**71**	**-**

	30 June 2016					**31 December 2015**				
	SCM Limited	**Asso-ciates**	**Joint ventures**	**SCM and related entities**	**Smart Group**	**SCM Limited**	**Asso-ciates**	**Joint ventures**	**SCM and related entities**	**Smart Group**
LIABILITIES										
Non-bank borrowings	-	-	-	303	105	-	-	-	292	101
Other non-current liabilities	-	-	-	14	-	-	-	-	15	-
Trade and other payables, including:	**41**	**57**	**440**	**125**	**48**	**40**	**58**	**410**	**137**	**48**
Dividends payable	40	-	-	-	48	39	-	-	-	48
Trade payables and payables on sales made on commission	-	36	438	95	-	-	41	402	99	-
Prepayments received	-	21	-	8	-	-	17	6	8	-
Other financial liabilities	1	-	2	22	-	1	-	2	30	-

All tabular amounts in millions of US Dollars

15 Balances and transactions with related parties (continued)

Significant transactions with related parties during the six months ended 30 June 2016 are detailed below:

	Associates	Joint ventures	SCM and related entities	Smart Group	Total
Sales, including:	**10**	**214**	**16**	**1**	**241**
Steel	-	8	13	1	**22**
Scrap metal	-	13	1	-	**14**
Coke and coking coal	8	96	-	-	**104**
Iron ore	-	62	-	-	**62**
Other	2	35	2	-	**39**
Finance income / (expense), including:	**-**	**5**	**(11)**	**(2)**	**(8)**
Interest income	-	5	4	2	**11**
Interest expense	-	-	(15)	(4)	**(19)**

Significant transactions with related parties during the six months ended 30 June 2015 are detailed below:

	Associates	Joint ventures	SCM and related entities	Smart Group	Total
Sales, including:	**25**	**302**	**22**	**-**	**349**
Steel	-	12	19	-	**31**
Scrap metal	-	22	1	-	**23**
Coke and coking coal	23	156	-	-	**179**
Iron ore	-	72	-	-	**72**
Other	2	40	2	-	**44**
Other operating income / (expense) net, including	**-**	**-**	**(4)**	**-**	**(4)**
Sponsorship and other charity payments	-	-	(5)	-	**(5)**
Other operating income	-	-	1	-	**1**
Finance income / (expense), including:	**-**	**5**	**(10)**	**(1)**	**(6)**
Interest income	-	5	3	3	**11**
Interest expense	-	-	(13)	(4)	**(17)**

All tabular amounts in millions of US Dollars

15 Balances and transactions with related parties (continued)

The following is a summary of purchases from related parties during the six months ended 30 June 2016:

	Associates	Joint ventures	SCM and related entities	Total
Purchases, including:	**37**	**462**	**484**	**983**
Steel products	1	450	-	**451**
Coke and coking coal	28	-	19	**47**
Raw materials and spare parts	5	10	30	**45**
Electricity	-	-	189	**189**
Gas	2	1	82	**85**
Fuel	-	-	24	**24**
Services, including transportation	1	-	138	**139**
Other	-	1	2	**3**

The following is a summary of purchases from related parties during the six months ended 30 June 2015:

	Associates	Joint ventures	SCM and related entities	Total
Purchases, including:	**34**	**647**	**460**	**1,141**
Steel products	-	640	2	**642**
Coke and coking coal	31	1	-	**32**
Raw materials and spare parts	2	5	19	**26**
Electricity	-	-	223	**223**
Gas	-	-	55	**55**
Fuel	-	-	9	**9**
Services, including transportation	-	-	150	**150**
Other	1	1	2	**4**

Not included in the tables above are Group's transactions on purchase and further re-sale of iron ore, coal and steel products from or to joint ventures where the Group is acting as an agent and not as principal. Income and costs related to such transactions are presented net within other operating income / (expense). Group's net gain on such transactions was USD 2 million during the six months ended 30 June 2016 (six months ended 30 June 2015: USD 1 million)

During the six months ended 30 June 2016, the remuneration of key management personnel of the Group comprised current salaries and related bonuses totalling USD 6 million (six months ended 30 June 2015: USD 4.3 million).

As at 30 June 2016, key management helds the Group's bonds in the total amount of less than USD 1 million. Rights of these bondholders are not different from the rights of other bondholders.

16 Events after the balance sheet date

On 9 August 2016 the Decree of Cabinet of Ministers of Ukraine No 461, regulating pension entitlement on preferential terms, came into force. Under the Decree, the list of positions and professions eligible to the early retirement pension was reduced. The change is expected to reduce the defined benefit obligation of the Group. Management is currently assessing impact of these changes on its financial statements.