REGISTERED NUMBER: 08785177 (England and Wales)

# Metinvest Investments Limited

# Strategic Report, Report of the Directors and

# Financial Statements for the Year Ended 31 December 2016

Metinvest Investments Limited (Registered number: 08785177)

# Contents of the Financial Statements
for the Year Ended 31 December 2016

**Metinvest Investments Limited**

**Company Information
for the Year Ended 31 December 2016**

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| | |
|---|---|
| **DIRECTORS:** | Accomplish Corporate Services Limited<br>O Lyubarev |
| **SECRETARY:** | Accomplish Secretaries Limited |
| **REGISTERED OFFICE:** | 3rd Floor<br>St James's Square<br>London<br>SW1Y 4LB |
| **REGISTERED NUMBER:** | 08785177 (England and Wales) |
| **AUDITORS:** | Haines Watts Exeter LLP, Statutory Auditors<br>3 Southernhay West<br>Exeter<br>Devon<br>EX1 1JG |

# Strategic Report
## for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016.

**REVIEW OF BUSINESS**
Metinvest Investments Limited (the "Company") was set up to centralise the treasury function of the Metinvest Group, as well as with a view to a potential issue of Eurobonds.

**PRINCIPAL RISKS AND UNCERTAINTIES**
The Company activities expose it to the financial risks: credit risk and liquidity risk. The Metinvest Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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

**DEVELOPMENT AND PERFORMANCE**
The course of business of the company has been as the management expected.

**KEY PERFORMANCE INDICATORS**
Due to the nature of the company the directors do not have any key performance indicators.

The directors do however, regularly review the finances of the company and take decisions based on the facts available at the time.

**ON BEHALF OF THE BOARD:**

........................................................................
O Lyubarev - Director

Date: ....25|5|17........................

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

**DIVIDENDS**
No dividends will be distributed for the year ended 31 December 2016.

**FUTURE DEVELOPMENTS**
The management does not anticipate any major changes during the coming financial year and expects to continue with its holding and financing activities.

**DIRECTORS**
The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

Accomplish Corporate Services Limited
O Lyubarev

**FINANCIAL INSTRUMENTS**
The company has not entered into any complex financial instruments.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**
The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**
The auditors, Haines Watts Exeter LLP, Statutory Auditors, will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**

........................................................................
O Lyubarev - Director

Date: ........25/5/17.................

We have audited the financial statements of Metinvest Investments Limited for the year ended 31 December 2016 on pages seven to twenty one. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**
As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**
In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Emphasis of matter – Economic and political environment in the Ukraine**

We draw your attention to Note 2 of the consolidated financial statements of Metinvest B.V. which states that 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, including the loss of control over the Group's assets located in the non-controlled territory in March 2017. These factors increase uncertainties regarding the Group's assessment of the carrying amounts of property, plant and equipment under revaluation model and the recoverable amounts of property, plant and equipment, goodwill and other intangible assets under impairment testing.

Our opinion is not modified in respect of this matter.

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Benjamin de Cruz (Senior Statutory Auditor)
for and on behalf of Haines Watts Exeter LLP, Statutory Auditors
3 Southernhay West
Exeter
Devon
EX1 1JG

Date: 26/6/17

Metinvest Investments Limited (Registered number: 08785177)

## Statement of Comprehensive Income
## for the Year Ended 31 December 2016

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **TURNOVER** | | - | - |
| Administrative expenses | | (34,575) | (60,268) |
| **OPERATING LOSS** | 4 | (34,575) | (60,268) |
| Income from shares in group undertakings | | 25,500,000 | 89,000,000 |
| | | 25,465,425 | 88,939,732 |
| Interest payable and similar expenses | 6 | (29,126,620) | (52,126,491) |
| **(LOSS)/PROFIT BEFORE TAXATION** | | (3,661,195) | 36,813,241 |
| Tax on (loss)/profit | 7 | - | - |
| **(LOSS)/PROFIT FOR THE FINANCIAL YEAR** | | (3,661,195) | 36,813,241 |
| **OTHER COMPREHENSIVE INCOME** | | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | (3,661,195) | 36,813,241 |

## Metinvest Investments Limited (Registered number: 08785177)

**Balance Sheet**
**31 December 2016**

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Investments | 8 | 98,020,000 | 98,020,000 |
| | | | |
| **CURRENT ASSETS** | | | |
| Debtors | 9 | 102,226,733 | 260,307,880 |
| Cash at bank | 10 | 24,916 | 56,895 |
| | | 102,251,649 | 260,364,775 |
| **CREDITORS** | | | |
| Amounts falling due within one year | 11 | (9,937,849) | (42,317,780) |
| **NET CURRENT ASSETS** | | 92,313,800 | 218,046,995 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 190,333,800 | 316,066,995 |
| **CREDITORS** | | | |
| Amounts falling due after more than one year | 12 | (203,895,000) | (325,967,000) |
| **NET LIABILITIES** | | (13,561,200) | (9,900,005) |
| | | | |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 13 | 10,000 | 10,000 |
| Retained earnings | 14 | (13,571,200) | (9,910,005) |
| **TOTAL EQUITY** | | (13,561,200) | (9,900,005) |

The financial statements were approved by the Board of Directors on ........25/5/17............... and were signed on its behalf by:

..........................................................

O Lyubarev - Director

## Statement of Changes in Equity
## for the Year Ended 31 December 2016

| | Called up share capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|
| **Balance at 1 January 2015** | 10,000 | (46,723,246) | (46,713,246) |
| **Changes in equity** | | | |
| Total comprehensive income | - | 36,813,241 | 36,813,241 |
| **Balance at 31 December 2015** | 10,000 | (9,910,005) | (9,900,005) |
| **Changes in equity** | | | |
| Total comprehensive income | - | (3,661,195) | (3,661,195) |
| **Balance at 31 December 2016** | 10,000 | (13,571,200) | (13,561,200) |

Metinvest Investments Limited (Registered number: 08785177)

## Cash Flow Statement
## for the Year Ended 31 December 2016

| | Notes | 2016 $ | 2015 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 1 | (59,294) | (60,560) |
| Finance costs paid | | - | - |
| Net cash from operating activities | | (59,294) | (60,560) |
| **Cash flows from investing activities** | | | |
| Share premium repayments from related parties | | 122,072,000 | 234,725,000 |
| Dividends received | | 61,532,880 | 64,967,120 |
| Net cash from investing activities | | 183,604,880 | 299,692,120 |
| **Cash flows from financing activities** | | | |
| Repayment of loans from related parties | | (122,072,000) | (236,048,000) |
| Interest paid | | (61,505,565) | (63,619,120) |
| Net cash from financing activities | | (183,577,565) | (299,667,120) |
| **(Decrease)/increase in cash and cash equivalents** | | (31,979) | (35,560) |
| **Cash and cash equivalents at beginning of year** | 2 | 56,895 | 92,455 |
| **Cash and cash equivalents at end of year** | 2 | (24,916) | 56,895 |

## Notes to the Cash Flow Statement
## for the Year Ended 31 December 2016

### 1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| (Loss)/profit before taxation | (3,661,195) | 36,813,241 |
| Finance income | (25,500,000) | (89,000,000) |
| Finance costs | 29,126,619 | 52,126,491 |
| Foreign exchange losses | 5,790 | 6,195 |
| | (28,786) | (54,073) |
| Decrease in trade and other debtors | (29,523) | (6,195) |
| Decrease in trade and other creditors | (985) | (292) |
| **Cash generated from operations** | (59,294) | (60,560) |

### 2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Year ended 31 December 2016**

| | 31.12.16 | 1.1.16 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 24,916 | 56,895 |

**Year ended 31 December 2015**

| | 31.12.15 | 1.1.15 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 56,895 | 92,455 |

## 1. COMPANY INFORMATION

The company is a limited company incorporated in England and Wales.

The company's registered office is:
3rd Floor
11-12 St James Square
London
SW1Y 4LB

## OPERATING ENVIRONMENT OF METINVEST 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. It has continued in 2016, though to a lesser extent as compared to 2014–2015.
The inflation rate in Ukraine during 2016 reduced to 12% (as compared to 43% in 2015), while GDP returned to growth of 2% (after 10% decline in 2015).
Devaluation of national currency during 2016 has been moderate. In 2016 the National Bank of Ukraine ("NBU") has made certain steps to ease the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency proceeds subject to mandatory sale on the interbank market 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, the NBU allowed Ukrainian companies to pay dividends to non-residents with a limit of USD 5 million per month. Current restrictions are effective until 16 June 2017. As of 31 December 2016, the amount of undistributed retained earnings of the Group's Ukrainian subsidiaries was approximately USD 1,658 million.
The IMF continued to support the Ukrainian government under the four-year Extended Fund Facility ("EFF") Programme approved in March 2015, providing the third tranche of approximately USD 1 billion in September 2016. Further disbursements of IMF tranches depend on the continued implementation of Ukrainian government reforms, and other economic, legal and political factors. The banking system remains fragile due to its: weak level of capital; its weakening asset quality caused by the economic situation; currency depreciation; 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 sustained escalation of the conflict since the signing of ceasefire agreements in September 2014 until January 2017. The relationships between Ukraine and the Russian Federation remained strained.
On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. Just after that the Russian government implemented a trading embargo on many key Ukrainian export products. In response, the Ukrainian government implemented similar measures against Russian products. This had some but not a significant impact on Group's trading.
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. Despite the challenges management still controlled these assets and oversaw their operations as of 31 December 2016.

## OPERATING ENVIRONMENT OF THE GROUP- continued

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. There has been no significant impact to the physical condition of the Group's assets as at 31 December 2016.

Further, in February-March 2017 there was escalation of military confrontation near Avdiivka (where PJSC Avdiivka Coke Plant is located), which led to temporary suspension of the production. Production on PJSC Yenakiieve Iron and Steel Works (which includes two facilities located in Yenakiieve and Makiivka) and PJCS Krasnodon Coal Company has been disrupted since February 2017 by a blockade of railway transportation between Ukraine and the uncontrolled territory.

Following these events, in February 2017 the self-proclaimed authorities in the non-controlled territory announced their intention to seize businesses located on the non-controlled territory and to require businesses to comply with various fiscal, regulatory and other requirements which contravene Ukrainian legislation. On 15 March 2017, the Group determined that it has lost control over the operations of entities located in the non-controlled territory, including PJSC Yenakiieve Iron and Steel Works; JV Metalen LLC; PJSC Makiivka Iron and Steel Works; PJCS Krasnodon Coal Company; PJSC Khartsyzsk Pipe Plant; and PJSC Komsomolske Flux Plant; JSC Donetskkoks. As of 31 December 2016 the aggregate consolidated tangible assets of these entities amount to USD 506 million (5% of the Group's total consolidated assets). During 2016 these subsidiaries contributed USD 563 million to the Group's external revenues (9% of consolidated revenues) and incurred an aggregate net loss of USD 35 million. Management have concluded that these events do not impact the application of the going concern assumption for the preparation of these consolidated financial statements. The loss of control is considered to be a non-adjusting post-balance sheet event and, consequently, there has been no adjustment to the carrying values of the Group's assets or liabilities as of 31 December 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.
The increase in the Group's steel production in 2016 (as compared to 2015) was 9%, while iron ore production decreased by 9% due to need to restore the rate and pace of overburden removal following cost-cutting measures undertaken in the second half of 2015 and first half of 2016. There was also a 7% reduction of production of coking coal due to unfavourable market environment during the first half of 2016.

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. The benchmark price for hot-rolled coil (Metal Expert HRC CIS export FOB Black Sea) reached USD 492 in December 2016 which is 84% 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 USD 81 per dry tonne in December 2016 and increased further in first months of 2017. Coking coal prices (HCC LV, FOB Australia) increased from USD 89 per tonne in December 2015 to USD 200 per tonne in December 2016. These price dynamics had positive impact on the Group's gross margins and overall financial results in 2016 as compared to 2015.

As at 31 December 2016 and 2015, 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 and amounts of future taxable profits of Group's subsidiaries. During 2016 and January and February 2017, the Group's Ukrainian subsidiaries have received the refunds of prepaid income taxes and VAT recoverable of USD 71 million and USD 434 million, respectively.

**OPERATING ENVIRONMENT OF THE GROUP- continued**

These events in Ukraine increase uncertainties, including 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 for assets located in the above mentioned eastern regions of Ukraine.

Despite certain improvements in 2016, the final resolution and the ongoing effects of the political and economic situation are difficult to predict but they may have further severe effects on the Ukrainian economy and the Company's business.

## 2. ACCOUNTING POLICIES

**Basis of preparing the financial statements**
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements are presented in US dollar ($).

2. **ACCOUNTING POLICIES- continued**

**Going concern**

In March 2015, the Group sought an agreement to defer principal payments from its 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 initiated a broader restructuring and consequently did not make the necessary principal payments, triggering default and cross defaults under its bank and non-bank loans and borrowings, as well as bonds. This resulted in a reclassification of all non-current loans and borrowings to current loans and borrowings. The amount of liability to bondholders and PXF lenders is disclosed in Note 19 of the consolidated accounts.

The Group undertook a number of measures aimed at restructuring of its debt in the period from April 2015. Negotiations with bondholders were held based on which the High Court of England and Wales (the Court) sanctioned a moratorium of the Group on taking enforcement action or initiation of insolvency proceedings by bondholders until 27 May 2016; this moratorium was further extended by the Court until 30 November 2016. Further, the Group concluded and signed a standstill agreement with its PXF lenders initially until 27 May 2016 and later prolonged this until 30 November 2016.

On 23 December 2016, the Group agreed the principal finance documents with the majority of bondholders and PXF lenders for its debt restructuring as contemplated by the Heads of Terms (the Restructuring) and issued a practice statement letter (to formally bring the process to the attention of the creditors) in connection with a proposed scheme of arrangement under Part 26 of the Companies Act 2006 to implement the Restructuring (the Restructuring Scheme).

On 17 January 2017, the Court granted leave to the Company to convene scheme meetings of bondholders and PXF lenders to vote on the Restructuring Scheme on 6 February 2017. At the scheme meetings, the majority of bondholders and PXF lenders voted in favour the proposed Restructuring Scheme. On 8 February 2017, at the sanction hearing, the Court sanctioned the Restructuring Scheme.

The Restructuring was implemented on 22 March 2017 when all conditions precedent were satisfied.

Key features of the Restructuring are:

- Existing bonds and PXF facilities were reprofiled and their maturities were extended:
    - 3 series of bonds due in 2016, 2017 and 2018 were exchanged into a new USD 1,225 million bond due 31 December 2021;
    - 4 syndicated PXF facilities were consolidated into a single USD 1,100 million PXF facility due 30 June 2021, with a grace period on scheduled repayments of principal until 31 December 2018;
    - All accrued and unpaid interest during the moratoriums under bonds and the standstill agreements under the PXF facilities was converted into the principal of the new instruments..
- New bond and PXF facility are treated as senior liabilities of the Group and rank pari passu between themselves. Relationships between bondholders and PXF lenders are governed by an Intercreditor Agreement.
- Interest rates increased for both debt instruments, but interest is payable in full to the extent there is available unrestricted cash (i.e. cash balance after deduction of cash in transit, amounts held in special accounts in Ukraine for the purpose of purchase of foreign currency, and certain other amounts). This provides a cash flow flexibility for the Group and makes it more resistant to the volatile external economic environment.
    - Interest rate increased for both debt instruments – for bonds to 10.875% per annum and for PXF to the aggregate of 4.16% per annum and LIBOR for US dollar with a 1% floor.

## 2. ACCOUNTING POLICIES- continued

- Until 31 December 2018, a minimum of approximately 30% of interest is to be paid in cash. The remaining interest is paid via a quarterly cash sweep with a condition of the average unrestricted cash balance being above USD 180 million. All interest, except for catch-up interest, which is not paid in cash is to be capitalised. Catch-up interest under bonds is set at 1.5025% per annum and is payable to the extent of cash being available on the corresponding level of the cash sweep.
- Starting 1 January 2019, all interest under both debt instruments is payable in cash in full amount.

- In addition to recourse rights of bondholders and PXF lenders existing under debt instruments which were subject to the Restructuring, the creditors received rights over common security consisting of, inter alia, the following items. The common security is subject to release under certain circumstances.
  - share pledge over 100% of shares of Metinvest Management B.V. which is 100% owned by Metinvest B.V. and owns 99.8% of the share capital of PJSC Ingulets Iron Ore Enrichment Works, 99.3% of the share capital of PJSC Ilyich Iron and Steel Works and 50%+1 share of PJSC Central Iron Ore Enrichment Works;
  - a guarantee from Metinvest Management B.V.;
  - share pledge over 50%+1 share of each of PJSC Ingulets Iron Ore Enrichment Works, PJSC Ilyich Iron and Steel Works and PJSC Central Iron Ore Enrichment Works;
  - pledge of certain equipment from PJSC Ingulets Iron Ore Enrichment Works, PJSC Ilyich Iron and Steel Works and PJSC Central Iron Ore Enrichment Works;
  - pledge over certain bank accounts (including debt service account).
- Certain covenants are imposed on the Group, including limitations to pay dividends, make certain restricted payments, engage in certain transactions with related parties, make capital expenditures above certain levels, incur new debt on top of the permitted caps (unlimited trade finance, capital expediture financing of USD 175 million, debt for general corporate purposes of USD 50 million), prepay or redeem subordinated debt before its maturity, as well as certain financial covenants (interest cover ratio, debt cover ratio, tangible net worth, gearing).
- Existing and future loans from SCM and SMART are to be subordinated in favour of the new bond and PXF facility.
- Additional reporting requirements are imposed on the Group.

In addition, on 4 January 2017, UCC Seller Notes were restructured (Note 20 of the consolidated accounts). Maturity was extended by 5 years to 31 December 2021. Interest rate was increased from 7% per annum to 9% per annum. The principal repayments are to be done through the cash sweep mechanism based on coal prices and to be calculated on a monthly basis. Until 31 December 2018, a minimum of 30% of interest is to be paid in cash. The remaining 70% of interest are to be paid in cash only if the average unrestricted cash (after repayment of 30% of interest and cash sweep) exceeds USD 15 million, otherwise it must be capitalised. Starting 1 January 2019, 100% of interest is payable in cash.

Considering the fact that the restructuring agreement has been concluded and improvements in markets and Group's performance (as discussed in Note 1), uncertainty which might have casted significant doubt about the Group's ability to continue as going concern which existed prior to the restructuring has been substantially reduced. Further, loss of control in 2017 over the operations of the entity located in the non-controlled territory (Note 1) did not impact the application of going concern. As such, management have concluded that the application of going concern assumption for the preparation of these consolidated financial statements is appropriate.

**Preparation of consolidated financial statements**

The financial statements contain information about Metinvest Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Metinvest B.V.

## 2. ACCOUNTING POLICIES- continued

**Investments in subsidiaries**
Investments in subsidiary undertakings are recognised at cost.

**Foreign currencies**
Assets and liabilities denominated in foreign currencies are translated into US Dollars at rates of exchange applicable at the balance sheet dates. Transactions in foreign currencies are translated at the rates in effect at the dates of transactions. Any currency exchange rate difference as a consequence thereof is accounted for in the profit and loss account.

**Investments**
Investments are stated at cost less any permanent diminution in value.

**Financial instruments**
Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Significant judgements and estimates**
The financial statements do not include any significant judgements or estimates.

**Taxation**
Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the prior period.

**Debtors**
Short term debtors are measured at transaction price, less any impairment. Loan receivable are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Creditors**
Short term creditors are measured at the transaction price. Loans payable are measured initially at fair value and are measured subsequently at amortised cost using the effective interest method.

## 3. EMPLOYEES AND DIRECTORS

There were no staff costs for the year ended 31 December 2016 nor for the year ended 31 December 2015.

## 4. OPERATING LOSS

The operating loss is stated after charging:

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Foreign exchange differences | 5,790 | 6,195 |

## 5. AUDITORS' REMUNERATION

The accounts include auditors remuneration of $4,936 (2015 - $5,921).

## 6. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Interest on loans with group companies | 29,126,620 | 52,126,491 |

## 7. TAXATION

**Analysis of the tax charge**
No liability to UK corporation tax arose for the year ended 31 December 2016 nor for the year ended 31 December 2015.

**Reconciliation of total tax charge included in profit and loss**
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| (Loss)/profit before tax | (3,661,195) | 36,813,241 |
| (Loss)/profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%) | (732,239) | 7,362,648 |
| Effects of: | | |
| Expenses not deductible for tax purposes | - | 1,302,508 |
| Income not taxable for tax purposes | (5,100,000) | (17,800,000) |
| Group relief | 5,832,239 | 9,134,844 |
| Total tax charge | - | - |

The aggregate current tax relating to items that are recognised as items of other comprehensive income is $nil (2015 $nil).

8. **FIXED ASSET INVESTMENTS**

| | Shares in group undertakings |
|---|---|
| | $ |
| **COST** | |
| At 1 January 2016 | |
| and 31 December 2016 | 98,020,000 |
| **NET BOOK VALUE** | |
| At 31 December 2016 | 98,020,000 |
| At 31 December 2015 | 98,020,000 |

The company's investments at the Balance Sheet date in the share capital of companies include the following:

**Metinvest Capital UK Limited**
Registered office:
Nature of business: Treasury function for group companies

| Class of shares: | % holding |
|---|---|
| Ordinary shares | 100.00 |
| Share premium | 100.00 |

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Aggregate capital and reserves | 106,118,032 | 102,208,387 |
| Profit for the year | 29,409,645 | 45,990,786 |

*The registered office is* 11-12 *St James's Square, London,* SW1Y 4LB.

Group accounts are not prepared as the Metinvest Investments Limited have taken exemption under Section 400 of the Companies Act 2006 as it and its subsidiary financial statements are included in the consolidated financial statements of its parent.

9. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Amounts owed by group undertakings | 102,226,733 | 260,307,880 |

10. **CASH AT BANK**

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Bank accounts | 24,916 | 56,895 |

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Amounts owed to group undertakings | 9,932,913 | 42,311,859 |
| Accrued expenses | 4,936 | 5,921 |
| | 9,937,849 | 42,317,780 |

## 12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Amounts owed to group undertakings | 203,895,000 | 325,967,000 |

## 13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2016 $ | 2015 $ |
|---|---|---|---|---|
| 10,000 | Ordinary | $1 | 10,000 | 10,000 |

Particulars of Ordinary shares

The shares rank equally for voting purposes. On a show of hands every shareholder present in person shall have one vote, and on a poll every shareholder shall have one vote for each share of which he is the holder.

All shares have equal rights to participate in a distributions (including on a winding up).

No shares carry any rights of redemption.

## 14. RESERVES

| | Retained earnings $ |
|---|---|
| At 1 January 2016 | (9,910,005) |
| Deficit for the year | (3,661,195) |
| At 31 December 2016 | (13,571,200) |

Called up share capital represents the nominal value of shares that have been issued.

Retained earnings includes all current and prior period retained profit and losses.

## 15. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

**Vistra (UK) Limited**
A related shareholder of Accomplish Corporate Services Ld.

During the year services were provided to the company totalling $16,013 (2015 $24,705). At the balance sheet date there was no balance due to the related party.

## 16. ULTIMATE CONTROLLING PARTY

The company's immediate parent company is Metinvest B.V., The Hague, The Netherlands. Metinvest B.V. prepare consolidated accounts and these can be found at www.metinvestholding.com/en/

The ultimate parent company is JSC System Capital Management, Ukraine.

Mr Rinat Akhmetov has control over JSC System Capital Management.