INTERPIPE LIMITED

Consolidated Financial Statements
Year ended 31 December 2016 together with

Independent Auditor's Report

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The directors present their Report together with the accompanying Consolidated Financial Statements (the "Consolidated Financial Statements") of Interpipe Limited (referred to herein as the "Company") and its subsidiaries (collectively referred to herein as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Principal Activity and Subsidiaries

The Company was incorporated under the Companies Law of Cyprus under the name of Ramelton Holdings Limited as a limited liability company on 30 December 2005 and changed its name to Interpipe Limited on 15 May 2007. The registered office and the principal place of business of the Company is Mykinon 8, P.C. 1065 Nicosia, Cyprus.

The Company operates through a number of subsidiaries in various jurisdictions (the list of the subsidiaries is disclosed in Note 32 to the accompanying Consolidated Financial Statements) and has concentration of its business in Ukraine, where its production subsidiaries are located.

The principal activity of the Company is holding ownership interests in its subsidiaries, their financing and strategic management. The Group's activities comprise design, manufacture and distribution of steel tubes, solid-rolled railway wheels and steel billets.

Development and Performance of the Business

The Group is the largest vertically integrated manufacturer of steel billets, steel pipes and railway wheels in Ukraine. It is a significant player in (i) the steel pipes international market supplying its products to customers in more than 70 countries globally and (ii) in the railway wheels market being the number one wheels' exporter in the world, with a presence in more than 20 countries around the world and a significant market share in every important geographical region.

The political and economic crisis in Ukraine, which broke in 2014, continued to have its negative effect on the Group's business in Ukraine in the reporting period. The crisis affected all economic activities in Ukraine and caused a significant general decline in demand for Interpipe products in the country. In addition, the significant drop of oil prices in the fourth quarter of 2014 led to a massive contraction of the demand for oil and gas tubular products globally, including those produced by the Group, during the whole 2015 and 2016. Furthermore, in 2016, global steel markets were suffering from unprecedented price dumping initiated by the Chinese producers. This also made a significant adverse impact on the Group's steel segment performance. In response to these negative trends, the management developed and implemented a set of measures in order to maintain the Group's liquidity position and its operational sustainability. These included a reduction of capital expenditures, administrative cost, volume of operations (reduced utilization of certain production capacities, personnel layoffs, etc.), suspension of debt servicing and so on.

The decline in pipes and steel production in 2016 and 2015 as compared to the previous years) was 25% and 31%, respectively. In 2016, the Group generated revenue from sales of USD 506.7 million and incurred a net loss of USD 168.0 million. 68 per cent of the Group's revenue in 2016 came from the pipes business segment, 25 per cent – from wheel business segment and 4 per cent – from the steel making segment. Further segment information is disclosed in Note 6 to the accompanying Consolidated Financial Statements.

Issued Capital and Capital Distributions

Upon its incorporation on 30 December 2005, the Company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of CY£1 each at par. On 22 December 2006 the Company issued 4,000 additional ordinary shares of CY£1 each at a premium of CY£ 41,033 each for a total premium of CY£164,132 thousand, which is equivalent to USD 361,091 thousand translated at historic rate.

During the period from March to June 2008 a set of amendments was made to the authorised share capital of the Company, including conversion of the authorised share capital into euro, a subdivision of the existing shares and a merge of the existing shares and two additional issues of shares both before the merging and after it.

In December 2011, the Company issued 1,950,000 additional ordinary shares of EUR 0.01 each (equivalent of USD 26 thousand) at a premium of EUR 25 each for a total premium of EUR 48,591 thousand, which is equivalent of USD 64,974 thousand translated at historic rate.

As a result of the above mentioned transactions, as at 31 December 2015 and 2016, the number of shares equalled to 4,001,950 thousand ordinary shares of EUR 0.01 each and the authorised, issued and fully paid capital of the Company amounted to EUR 40,019 thousand (equivalent of USD 62,304 thousand).

During the year ended 31 December 2016, the Company did not declare any dividends.

Information relating to dividends payable by the subsidiaries is disclosed in Notes 21 and 31 to the accompanying Consolidated Financial Statements.

Principal Risks and Uncertainties

The Group is largely exposed to the risks of operating environment in Ukraine. The country continues to experience the consequences of the political and economic turmoil, which broke in 2014. Bilateral relations with the Russian Federation remain damaged over the annexation of Crimea by the latter and its alleged role in the continuing support of separatists in certain parts of the Donetsk and Lugansk regions. Signing of the Association Agreement between Ukraine and the EU in 2014 caused the Russian Federation to implement various trade barriers, including embargos, for key Ukrainian export products with the Group's ones among them. All these events resulted in higher inflation in the county, devaluation of the national currency against major foreign currencies, illiquidity of the financial and capital markets, deterioration of public finances.

All the earlier noted negative developments in Ukraine and on key commodity markets increased uncertainties of the Group's business and affected the fair value and the recoverable amounts of its property plant and equipment. The ultimate outcome of the political and economic instability in Ukraine and its impact are difficult to predict, but it may have further negative implications on the Ukrainian economy and the Group's operations.

The Ukrainian government attempts to pursue a comprehensive structural reform agenda aiming at the removal of the existing imbalances in the economy, public finance and governance, fighting corruption, reforming judiciary system, etc. with an ultimate goal to secure conditions for economic recovery in the country. The IMF continued to support the Ukrainian government under the four-year Extended Fund Facility Programme, which was approved in March 2015. Further availability of the EFF Programme highly depends on the reforms sustaining momentum, other political and economic factors.

In 2014, the National Bank of Ukraine tightened currency exchange and international payment regulations in the country and mandated obligatory conversion of foreign currency sale proceeds into Ukrainian Hryvnia. Since that, certain restrictions had been loosen or withdrawn; however, foreign currency controls and volatility of the exchange rates in Ukraine remain the key factors materially influencing the Group's operations.

In late 2013, the Group breached certain financial covenants and missed scheduled principal repayments of USD 106 million under some of its debt facilities, which triggered further cross-defaults. As a result, the Group's lenders became entitled to demand early repayment of all outstanding amounts. During the period of 2014-2016, USD 522 million of the scheduled principal repayments were also missed and as at 31 December 2016 the carrying amount of the borrowings in default amounted to USD 1,021,380 thousand (USD 998,192 thousand as at 31 December 2015). Accordingly, the liabilities due or claimable within 12 months from 31 December 2016 and 2015 exceeded the Group's current assets as of these dates by USD 1,040,601 thousand and USD 958,618 thousand respectively. See Note 19 – Borrowings for further details.

As at 31 December 2016 and 2015, the Group's net equity deficit amounted to USD 786,846 thousand and USD 628,089 thousand, respectively. The deficit was caused, to a material extent, by the significant foreign exchange losses incurred by the Group during 2014-2016.

Further discussion on the operating environment and related risks of the Group as well as discussion of Group's going concern are provided in Note 2 to the Consolidated Financial Statements.

Other principal operating and financial risks of the Group are discussed in Notes 34 and 35 to the accompanying Consolidated Financial Statements.

Main Strategic Objectives

The Group's key strategic objectives are to diversify its geographical presence and product mix in order to enhance its position as a leading producer of pipes and wheels in the CIS and to expand the presence of its products in the global markets. The Group intends to pursue this strategy by increasing its seamless pipe and wheel production, enhancing its product mix, improving quality of its products and services, expanding its global presence and working more closely with its customers to deliver higher value-added products and services while improving profit margins. The Group has launched its investment and capacity modernization program, which should enable our products to meet more challenging and demanding quality requirement in the new markets. The success of this initiative is viewed as the key success factor for the Group in penetrating new markets and diversifying the customer base to compensate for a significant reduction of demand in our traditional geographical segments, in particular the CIS.

The directors believe that a mutually acceptable debt restructuring agreement with the lenders will ultimately be reached, contributing to the sustainability of the Group's capital structure, supporting our long-term business strategy and allowing the Group to focus on managing various other business risks in the current uncertain and volatile environment. For more information on operating environment and risks of the Group, refer to Note 2 to the accompanying Consolidated Financial Statements.

Research and Development

The Company and the Group did not carry out any material research and development activities in 2016.

Events after the Reporting period

Events after the reporting date are disclosed in Note 36 to the accompanying Consolidated Financial Statements.

Board of Directors

As at 31 December 2016 composition and responsibilities of the Board of Directors was as follows:

Name	*Function*	*Date of appointment*
Kirill Roubinski	Chairman of the Board of Directors of Interpipe Limited	20 June 2012
Gennady Gazin	Non-Executive Director	15 October 2007
Andrii Dudnyk	Non-Executive Director	15 October 2007
Jean Pierre Saltiel	Independent Non-Executive Director	30 November 2007
Ganna Khomenko	Non-Executive Director	9 December 2009
Michael Tsarev	Non-Executive Director	11 May 2011
Yakiv Konstantynivs'ky	Non-Executive Director	20 July 2011
Iuliia Chebotarova	Non-Executive Director	10 October 2012
Ulrich Becker	Independent Non-Executive Director	1 June 2014
Philippe Bideau	Independent Non-Executive Director	15 June 2016
Fadi Khraybe	Chief Executive Officer of Interpipe Limited	01 November 2016

There being no requirement in the Company's Articles of Association for the retirement of the Directors by rotation, the respective Directors presently members of the Board continue in the office except as noted below.

The following changes occurred in Board of Directors' constitution and responsibilities allocation during the year and up to the date of this report:

- In June 2016, Philippe Bideau was appointed as Independent Non-Executive Director;
- In November 2016, Fadi Khraybe was appointed as a Chief Executive Officer of the Company replacing Oleg Rozenberg, who resigned in October 2016;
- In April 2017, Kirill Roubinski, Chairman of the Board of Directors of Interpipe Limited Board of Directors resigned;
- In May 2017, Jean Pierre Saltiel, Independent Non-Executive Director of Interpipe Limited Board of Directors resigned;
- In July 2017, Gennady Gazin, Non-Executive Director of Interpipe Limited Board of Directors resigned.

There were no changes in the assignment of responsibilities and remuneration of the Board of Directors during the year and up to the date of this report.

Independent Auditors

The independent auditors, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution proposing their reappointment and giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Signed and authorised for issue on behalf of the Board of the Company:

Member of the Board, Chief Executive Officer — Fadi Khraybe

Member of the Board, Non-Executive Director — Andrii Dudnyk

28 September 2018

INTERPIPE LIMITED

STATEMENT OF THE DIRECTORS' AND MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

INTERPIPE

The following statement is made with a view to specifying the respective responsibilities of the directors and management in relation to the Consolidated Financial Statements of Interpipe Limited and its subsidiaries (collectively referred to herein as the "Group").

The directors and management are responsible for the preparation of the Consolidated Financial Statements that present fairly the consolidated financial position of the Group as at 31 December 2016 and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU (hereafter "IFRS") and the Cyprus Companies Law, Cap.113.

In preparing the Consolidated Financial Statements, the Directors and management are responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- preparation of the Consolidated Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

The Directors and management, within their competencies, are also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions of countries of incorporation;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The Consolidated Financial Statements for the year ended 31 December 2016 were authorised for issue on 28 September 2018.

Member of the Board, Chief Executive Officer Fadi Khraybe

Member of the Board, Non-Executive Director Andrii Dudnyk

28 September 2018

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Independent Auditor's Report

To the Members of Interpipe Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Interpipe Limited (the "Company"), and its subsidiaries (the "Group"), which are presented in pages 10 to 62 and comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that as at the date of approval of the consolidated financial statements, the Group has not completed its negotiations with the lenders on reaching a mutually acceptable restructuring agreement with respect to its borrowing facilities and other debt, which remain in default since October 2013. The Group incurred a net loss of USD 172,796 thousand during the year ended December 31, 2016 and, as of that date, the Group's current liabilities exceeded its current assets by USD 1,040,601 thousand. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Ernst & Young Cyprus Ltd is a member firm of Ernst & Young Global Ltd.
Ernst & Young Cyprus Ltd is a limited liability company incorporated in Cyprus with registration number HE 222520. A list of the directors' names is available at the company's registered office, Jean Nouvel Tower, 6 Stasinou Avenue, 1060 Nicosia, Cyprus.
Offices: Nicosia, Limassol

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

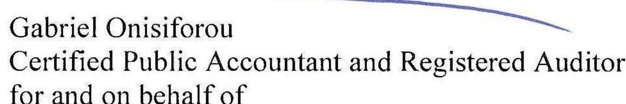
Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Gabriel Onisiforou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
28 September 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(in US dollars and in thousands)

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	8	316,281	388,387
Intangible assets and goodwill	9	1,517	886
Investments in associates	10	851	936
Deferred tax assets	11	2,080	2,072
Prepaid income tax		3,246	6,429
Other non-current assets		210	280
		324,185	**398,990**
Current assets			
Inventories	12	100,427	88,875
Trade and other accounts receivable	13	64,613	87,952
Prepayments and other current assets	14	33,371	41,425
Prepaid current income tax		336	-
Taxes recoverable, other than income tax	15	8,547	12,160
Other financial assets	16	22,692	19,893
Cash and cash equivalents	17	24,417	16,686
		254,403	**266,991**
TOTAL ASSETS		**578,588**	**665,981**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital		62,304	62,304
Share premium		426,065	426,065
Revaluation reserve		294,313	325,830
Accumulated deficit		(200,427)	(60,761)
Cash flow hedge reserve		(296,829)	(319,677)
Foreign currency translation reserve		(1,076,485)	(1,071,769)
		(791,059)	(638,008)
Non-controlling interests		4,213	9,919
Total equity	31	**(786,846)**	**(628,089)**
Non-current liabilities			
Subordinated loan	18	40,000	40,000
Deferred tax liabilities	11	13,463	13,422
Provisions	20	16,956	15,028
Other non-current liabilities		11	11
		70,430	**68,461**
Current liabilities			
Borrowings	19	1,167,897	1,080,586
Trade and other accounts payable	21	65,961	71,287
Advances and other current liabilities	23	33,309	39,861
Current income tax payable		4,953	6,447
Taxes payable, other than income tax	22	3,985	5,215
Provisions	20	18,899	22,213
		1,295,004	**1,225,609**
Total liabilities		**1,365,434**	**1,294,070**
TOTAL EQUITY AND LIABILITIES		**578,588**	**665,981**

Member of the Board, Chief Executive Officer — Fadi Khraybe

Member of the Board, Non-Executive Director — Andrii Dudnyk

28 September 2018

The Notes presented on pages 13 – 62 form an integral part of the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(in US dollars and in thousands)

	Notes	2016	2015
Revenue	6	506,665	626,361
Cost of sales	24	(466,079)	(522,853)
Gross profit		**40,586**	**103,508**
Selling and distribution expenses	25	(86,412)	(100,085)
General and administrative expenses	26	(37,387)	(40,105)
Other operating income and expenses, net	27	(5,286)	(62,832)
Operating foreign exchange difference	28	27,445	108,697
Operating (loss) / profit		**(61,054)**	**9,183**
Finance income	29	1,000	536
Finance costs	30	(107,793)	(106,207)
Non-operating foreign exchange difference	28	(4,120)	10,023
Share of gain / (loss) of associates	10	28	(130)
Loss before tax		**(171,939)**	**(86,595)**
Income tax (expenses) / benefit	11	(857)	10,195
Loss for the year		**(172,796)**	**(76,400)**
Loss attributable to:			
Equity holders of the parent		(168,023)	(74,224)
Non-controlling interests		(4,773)	(2,176)
		(172,796)	**(76,400)**
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:			
Net effect of cash flow hedge accounting	35	22,848	(84,903)
Exchange differences on translation of foreign operations, including net investments	35	(5,649)	(163,163)
Net other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:		**17,199**	**(248,066)**
Other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement (loss) / gains on defined benefit plans	20	(3,835)	2,056
Income tax effect	11	675	(370)
		(3,160)	1,686
Revaluation of property, plant and equipment	8	-	110,835
Income tax effect	11	-	(19,951)
		-	90,884
Net other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods:		**(3,160)**	**92,570**
Other comprehensive income / (loss) for the year, net of tax:		**14,039**	**(155,496)**
Total comprehensive loss attributable to:			
Equity holders of the parent		(153,051)	(230,287)
Non-controlling interests		(5,706)	(1,609)
		(158,757)	**(231,896)**

The Notes presented on pages 13 – 62 form an integral part of the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(in US dollars and in thousands)

	Attributable to equity holders of the parent								
	Issued capital	Share premium	Revaluation reserve	Accumulated deficit	Cash flow hedge reserve	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
At 31 December 2014	**62,304**	**426,065**	**257,010**	**(5,993)**	**(234,774)**	**(912,341)**	**(407,729)**	**11,556**	**(396,173)**
Loss for the year	-	-	-	(74,224)	-	-	(74,224)	(2,176)	(76,400)
Other comprehensive income / (loss) (Note 20, 35)	-	-	86,582	1,686	(84,903)	(159,428)	(156,063)	567	(155,496)
Total comprehensive income / (loss)	**-**	**-**	86,582	**(72,538)**	**(84,903)**	**(159,428)**	**(230,287)**	**(1,609)**	**(231,896)**
Depreciation transfer	-	-	(17,762)	17,762	-	-	-	-	-
Acquisition of non-controlling interest	-	-	-	8	-	-	8	(28)	(20)
At 31 December 2015	**62,304**	**426,065**	**325,830**	**(60,761)**	**(319,677)**	**(1,071,769)**	**(638,008)**	**9,919**	**(628,089)**
Loss for the year	-	-	-	(168,023)	-	-	(168,023)	(4,773)	(172,796)
Other comprehensive (loss) / income (Note 20, 35)	-	-	-	(3,160)	22,848	(4,716)	14,972	(933)	14,039
Total comprehensive (loss) / income	**-**	**-**	**-**	**(171,183)**	**22,848**	**(4,716)**	**(153,051)**	**(5,706)**	**(158,757)**
Depreciation transfer	-	-	(31,517)	31,517	-	-	-	-	-
At 31 December 2016	**62,304**	**426,065**	**294,313**	**(200,427)**	**(296,829)**	**(1,076,485)**	**(791,059)**	**4,213**	**(786,846)**

Share premium is not available for distribution.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(in US dollars and in thousands)

	Notes	2016	2015
Loss before tax		**(171,939)**	**(86,595)**
Adjustments for:			
Depreciation and amortisation	24,25,26	63,369	60,946
Impairment of property, plant and equipment and intangible assets	27	-	51,021
Loss / (gain) on disposal of property, plant and equipment and intangible assets	27	498	(934)
Reclassification of the foreign exchange loss to cost of sales	24	70,897	39,857
Finance costs	30	107,793	106,207
Finance income	29	(1,000)	(536)
Movement in provisions less interest cost		(22,440)	36,608
Share of (profit)/loss of associates	10	(28)	130
Translation difference and foreign exchange difference		(24,594)	(127,588)
Operating cash flows before working capital changes		**22,556**	**79,116**
(Increase) / decrease in inventories		(3,872)	36,769
Decrease / (increase) in trade and other accounts receivable		20,927	(25,145)
Decrease in prepayments and other assets		21,261	159,383
Decrease in taxes recoverable, other than income tax		2,826	4,279
Decrease in trade and other accounts payable		(4,252)	(22,095)
(Decrease) / increase in taxes payable, other than income tax		(972)	2,533
Decrease in advances and other current liabilities		(4,413)	(167,652)
Cash generated from operations		**54,061**	**67,188**
Income tax paid		(3,694)	(2,238)
Interest and other finance costs paid		(5,624)	(8,279)
Net cash inflow from operating activities		**44,743**	**56,671**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets		(38,151)	(53,144)
Proceeds from sale of property, plant and equipment		10	16
Acquisition of non-controlling interests		-	(28)
Interest received		1,001	629
Net cash outflow from investing activities		**(37,140)**	**(52,527)**
Cash flows from financing activities			
Proceeds from borrowings		1,073	255
Repayments of borrowings		(24)	(407)
Placement on restricted cash accounts		-	(4,177)
Dividends paid to non-controlling interest holders		-	(2)
Net cash inflow / outflow from financing activities		**1,049**	**(4,331)**
Net increase / (decrease) in cash and cash equivalents		8,652	(187)
Net foreign exchange difference		(921)	(3,012)
Cash and cash equivalents at period beginning		**16,686**	**19,885**
Cash and cash equivalents at period end	17	**24,417**	**16,686**

The Notes presented on pages 13 – 62 form an integral part of the consolidated financial statement.

1. Corporate information

These Consolidated Financial Statements include the financial statements of Interpipe Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group").

The Company was incorporated as a limited liability company under the name of Ramelton Holdings Limited in accordance with the Companies Law of Cyprus on 30 December 2005. It was renamed to Interpipe Limited on 15 May 2007. The registered office and principal place of business of the Company is Mykinon 8, P.C. 1065 Nicosia, Cyprus .

The Company holds ownership interests in a number of subsidiaries registered in various jurisdictions as detailed in Note 32 with a concentration of the Group's business in Ukraine, where its production facilities are located. The principal business activities of the Group are described in more detail in Note 6.

Average number of employees for the year 2016 and 2015 equaled to 9.8 thousand and 10.7 thousand, respectively.

The Consolidated Financial Statements of the Group as at 31 December 2016 and for the year then ended were authorised for issue in accordance with a resolution of the Board of Directors on 28 September 2018.

2. Operating environment and risks of the Group

These Consolidated Financial Statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business.

The Group's business is exposed to the risks of operating environment in Ukraine. Over the past years, Ukraine has been in a political and economic turmoil. The Ukrainian economy suffered a deep downturn in 2014-2016 due to political instability, the escalation of the conflict in Donetsk and Lugansk region, annexation of Crimea, deterioration of conflict with Russia and unfavourable global markets for key export oriented sectors. All these events resulted in higher inflation, devaluation of the national currency against major foreign currencies, decrease in GDP, illiquidity and volatility of financial markets.

The Ukrainian government attempts to pursue a comprehensive structural reform program aiming at the removal of the existing imbalances in the economy, public finance and governance, fighting corruption, reforming judiciary system, etc., with an ultimate goal to secure conditions for economic recovery in the country. The IMF continued to support the Ukrainian government under the four-year Extended Fund Facility Programme, which was approved in March 2015. Further disbursements of the IMF tranches depend on the continued implementation of the reforms by the Ukrainian government as well as other economic, legal and political factors. The banking system and public finance remain fragile due to an insufficient level of capital and poor quality of assets caused by the deteriorated economic situation, currency depreciation and other factors.

The Ukrainian economy indicates a certain recovery from the structural crisis of previous years that resulted in a growth of denominated GDP of around 2.5% and 2.4% in 2016 and 2017, respectively. In addition, there was a further progress in monetary policy, which led to the stabilisation of the national currency. The National Bank of Ukraine ("NBU") conducts interest rate policy consistent with its inflation targets and keeps the national currency floating. As an element of currency regime liberalization, the NBU made some steps in 2016 and 2017 to eliminate certain currency control restrictions introduced in previous years. In particular, a proportion of foreign currency proceeds subject to mandatory sale was decreased from 75% to 50% and certain further relaxations with respect to a settlement period for export-import operations in foreign currency were introduced. Starting from June 2016, the NBU allowed Ukrainian companies to pay dividends to non-residents subject to a monthly limit of USD 5 million.

Bilateral relations with the Russian Federation remain damaged and deteriorating over the annexation of Crimea and its alleged role in continuing armed conflict in Donetsk and Lugansk regions. In addition, through 2016 and 2017 the Association Agreement between the European Union and Ukraine came fully into force that will enhance liberalisation of trade, improvement of quality standards and further integration of Ukrainian economy into the European market. As a reaction to a signing of the Association Agreement between Ukraine and the EU in 2014, the Russian government implemented various trading barriers, which effectively resulted in a trading embargo for many key Ukrainian export products. In response, the Ukrainian government implemented similar measures against Russian products. In particular, in December 2015 the Russian Federation suspended the CIS Free Trade Agreement with respect to Ukraine and resulting custom duties of 7.5% and 5.0% are imposed on import of the steel pipes and railway wheels produced in Ukraine, respectively. At the same time, the Eurasian Economic Commission introduced 4.75% and 19% antidumping duty on import of the railway wheels and steel pipes produced in Ukraine. All these developments had a significant deteriorating effect on the Group's operations, since earlier the Russian Federation market used to account for a significant share of the overall Group revenues. In order to decrease its dependence from the Russian market, the Group continued to implement a transformation plan, which aims to diversify its presence at the key markets and to further reduce the share of the Russian customers in its overall business portfolio.

The Group's current and target business model assumes an extensive geographical diversification of its sales and presence in different markets. The Group's ability to operate in particular regions is highly dependent on specific trade regimes. Since 2014, the Group operates in the US market under the special agreement ("Suspension agreement") suspending antidumping duty of 7.47% on import of OCTG pipes produced by Interpipe. The Suspension agreement was extended in June 2018 by the US Government for one year till July 2019. In addition to the antidumping duty, in March 2018 a safeguard tariff of 25% was imposed for all steel products from Ukraine including all of the Group's pipe products supplied to the US market. In the European market Interpipe's seamless pipe products are subject to 13.8% antidumping duty. Relevant review of the EU antidumping tariffs for Interpipe products will be performed in 2018 and the final decision regarding the Group's trade regime in Europe is expected by the end of 2018. In March 2018, the Eurasian Economic Commission increased antidumping duty on import of the railway wheels produced in Ukraine to 34.44%, such duty is in force till January 2021. All recently introduced unfavourable changes in trading regimes in the US and Russia would likely adversely and materially affect Group's gross margins and its overall financial performance in the future.

Due to the significant deterioration of the financial position of the Group, a debt and capital restructuring process was initiated by the Group in 2014. Consequently, since 2014 the Group did not make the contractual principal payments and since 2015 stopped servicing its debt, triggering default and cross defaults under its bank borrowings, as well as the bonds. This decision resulted in a reclassification of all non-current loans and borrowings to current loans and borrowings. The amount of liability due to bondholders and different types of lenders is disclosed in Note 19. Since 2014, the Group is in the process of the overall restructuring negotiations with the Coordinating Committee formed by the lenders under the Override Agreement. As at 31 December 2017, 2016 and 2015, the Lenders had not indicated any intention to accelerate and had not accelerated any amounts owing to them and had not enforced their rights under any finance documents on the basis of the above events of default. As at the date of the issuance of these Consolidated Financial Statements, the Group is still in process of negotiations with the lenders on reaching a mutually acceptable restructuring agreement.

As at 31 December 2016 and 2015, the Group's net equity deficit amounted to USD 786,846 thousand and USD 628,089 thousand respectively, resulting to a material extend from the significant accumulated historic foreign exchange losses. The Group incurred a net loss of USD 172,796 thousand during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its total assets by USD 1,040,601 thousand.

The Group's ability to operate as a going concern continues to be dependent on a successful completion of the capital restructuring negotiations as well as its success in entering new markets to replace reduced volume of business with its more traditional customers and on Group's ability to further diversify its customers base. Further negative political and macroeconomic developments or further adverse changes of Group's international trade regimes could materially affect the Group's performance and its financial position in a manner not currently determinable.

The directors and management of the Group have concluded that the combination of the above conditions and circumstances indicates the existence of a material uncertainty, which may potentially cast significant doubt about the Group's ability to continue as a going concern. Nevertheless, having assessed the situation, the directors and management believe that the mutually acceptable restructuring agreement with the lenders will be reached, which would also remove all material risks relating to any ongoing or potential litigations and disputes related to the restructuring process, and the Group will be able to manage various business risks in uncertain and volatile environment and will be able to continue its operations for the foreseeable future in the normal course of business. For these reasons, the Group continues to adopt the going concern basis of accounting in preparing its financial statements.

3. Basis of preparation

Statement of Compliance

The Group's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) as well as in accordance with the requirements of the Cyprus Companies Law, Cap.113. The entities composing the Group maintain their accounting records in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the Consolidated Financial Statements, which have been prepared from the Group entities' local statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The Consolidated Financial Statements have been prepared on a historical cost basis except for property, plant and equipment and construction in progress, that are carried at a revalued amount, investment in associates accounted for using the equity method, post-employment benefits measured in accordance with the requirements of IAS 19 "Employee benefits" and certain financial instruments measured in accordance with the requirements of IAS 39 "Financial instruments: recognition and measurement".

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenues and expenses during the reporting period.

Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 5.

These Consolidated Financial Statements are presented in US Dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated; all expenses are shown in brackets (unless otherwise indicated in notes).

The Consolidated Financial Statements provide comparative information in respect of the previous period.

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016.

The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's Consolidated Financial Statements.

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

This amendment does not have any impact on the Group's Consolidated Financial Statements.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be made retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

These amendments do not have any impact on the Group's Consolidated Financial Statements.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

This amendment does not have any impact on the Group's Consolidated Financial Statements.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

This amendment does not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Basis of consolidation

The IFRS Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries at 31 December 2016 and for the year then ended. At each reporting date, the Company, regardless of the nature of its involvement with an entity (the investee), determines whether it is a parent by assessing whether it controls the investee. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the interest in subsidiaries not held by the Group. Non-controlling interests at the reporting date represent the non-controlling shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the non-controlling shareholders' portion of changes in net assets since the date of the combination. Non-controlling interests are presented within the shareholders' equity, except for those interests, which meet definition of the financial liabilities as referred to below in Note 4 under Financial liabilities.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. Summary of significant accounting policies

Foreign currency translation

The Consolidated Financial Statements are presented in the USD, which is the Company's functional and presentation currency. Items in the financial statements of each entity included in the Consolidated Financial Statements are measured using the functional currency determined for that entity. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences upon re-measurement are recognised in statement of comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Ukrainian hryvnia is the functional currency of the subsidiaries domiciled in Ukraine. The functional currencies of the subsidiaries domiciled outside of Ukraine are as follows: the United States dollar for those registered in Switzerland, Germany, United Arab Emirates, Republic of Cyprus and the United States of America, Russian rouble for a subsidiary in Russia, and Kazakhstani tenge for a subsidiary in Kazakhstan.

As at the reporting date, the assets and liabilities of these companies are translated into the presentation currency of the Group at the rate of exchange at the reporting date. For the reporting year, the amounts presented in their statements of comprehensive income and cash flows are translated at the monthly weighted average exchange rates. All equity transactions and significant transactions relating to the statement of comprehensive income such as revaluation and impairment of property, plant and equipment and write down of inventories to net realisable value were translated using the exchange rate ruling at the date of transaction. The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

Net investments in foreign operations

Intragroup net investments in foreign operations are accounted based on provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Net investment is considered to be monetary item with the settlement which is neither planned nor likely to occur in the foreseeable future. Such monetary items consist of intercompany loans and may include long-term receivables and payables.

In the Consolidated Financial Statements of the Group exchange differences arising on monetary items that are designated to form part of the intercompany net investments are recognised in other comprehensive income and taken to a separate component in equity during period of designation.

Exchange differences recognized in other comprehensive income should be reclassified from equity to profit or loss only on disposal of the respective net investment in accordance with provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and a part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Property, plant and equipment

The Group applies revaluation model for the groups of property, plant and equipment. The last revaluation was performed by independent appraiser as at 31 December 2015. Subsequently, property, plant and equipment are carried at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. When no market values are available, fair value of specific machinery and equipment is determined by using depreciated replacement cost approach. Fair values of other items of property, plant and equipment are determined by reference to market-based evidence, which are the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Prior to the revaluation property, plant and equipment were stated at cost or deemed cost at the date of transition to IFRS (hereinafter referred as "cost"), excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost included the cost of replacing part of such plant and equipment, when that cost was incurred and if the recognition criteria were met.

Revaluations of property, plant and equipment are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is adjusted to the revalued amount of the asset.

Increases in carrying amount arising on revaluation of property, plant and equipment is recorded in other comprehensive income and are credited to revaluation reserve in equity. However, such increase is to be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If the asset's carrying amount is decreased as a result of the revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

As the asset is used by the Group, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred to retained earnings. On the subsequent sale or retirement of a revalued property, the respective revaluation surplus carried in equity is transferred directly to retained earnings.

Depreciable amount is the cost or revalued amount of the item of property, plant and equipment less estimated residual value at the end of the useful life. Depreciation is calculated on a straight-line basis over the estimated remaining useful life of the assets, determined at the date of revaluation, or estimated useful life of the assets, determined at the date the asset is available for use.

The asset's residual values, useful lives and methods are reviewed, and adjusted, if appropriate, at each financial year end. Depreciation is calculated over the estimated remaining useful life of the assets as follows:

Buildings and structures	3-50 years
Machinery and equipment	1-25 years
Transport and motor vehicles	1-10 years
Fixtures and office equipment	1-7 years

Construction in progress comprises prepayments made and letters of credit issued for purchases of property, plant and equipment, as well as property, plant and equipment which have not yet been constructed. No depreciation is recorded on such assets until they are available for use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year when the item is derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and social infrastructure facilities held by production subsidiaries in Ukraine, which do not meet the definition of an asset according to IFRS are not included in these IFRS Consolidated Financial Statements. Construction and maintenance costs of social infrastructure facilities are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangible assets

Intangible assets include patents and trademarks, accounting and other software acquired separately from business combination and measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. Intangible assets are amortised using straight line method over estimated useful lives from three to ten years.

Investments in associates

The Group’s investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group’s share of the associates’ profit or loss is recognised in the Group's profit or loss. Distributions received from an associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised in the Group's other comprehensive income.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The reporting dates of the associate and the Group are identical and the associates’ accounting policies conform to those used by the Group for the like transactions and events in similar circumstances.

Impairment of non-financial assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Impairment losses on non-revalued assets are recognised in profit or loss. However, an impairment loss on a revalued asset is recognised directly against any revaluation surplus attributable to the asset to the extent that the impairment loss does not exceed the amount of the revaluation surplus for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in the prior years in profit or loss. After such the reversal, the depreciation charge in future periods is adjusted to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at their fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at their initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon their initial recognition at fair value through profit or loss. Financial assets are classified as held for trading, if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with gains or losses recognised as finance income or finance costs, respectively, in the consolidated statement of comprehensive income. The Group has not designated any financial asset at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised as finance income or finance costs, respectively, in the consolidated statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity and available for sale financial investments

The Group did not have any financial asset held to maturity or available for sale during the years ended 31 December 2016 and 2015.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading, if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised as finance income or finance costs, respectively, in the consolidated statement of comprehensive income.

Trade and other payables

Trade and other payables are initially recognised at cost being the fair value of the consideration received, net of transaction costs incurred. Subsequently, instruments with fixed maturity are re-measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs, and any discount or premium on settlement. After initial recognition, such instruments are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised as finance income or finance costs, respectively, in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Liability attributable to non-controlling participants

Some non-controlling interests in the Group subsidiaries established in the form of a limited liability company do not satisfy the conditions of an equity instrument. Such non-controlling interests are treated as financial liability attributable to non-controlling participants and are reclassified from equity. At initial recognition and subsequently at each reporting date, liability attributable to non-controlling participants is measured at the present value of the amount payable at exercise, with any change in value reflected in the consolidated statement of comprehensive income as finance income or expense.

Guarantees issued

The guarantee contract is measured at the higher of the amount determined in accordance with the principles discussed in Provisions below and the amount initially recognised less cumulative amortisation at the reporting date.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business day on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised as finance income or finance costs in the consolidated statement of comprehensive income.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets are impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised as expenses in the consolidated statement of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised against the respective expenses in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

For trade and other receivables, an allowance for impairment is made when there is an objective evidence (such as probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. When trade and other receivables are uncollectible, they are written off against the allowance account. Changes in the carrying amount of the allowance account and subsequent recoveries of amounts previously written off are recognised as expenses in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Hedge accounting

Initial recognition and subsequent measurement

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction and could affect profit or loss.

The hedging instrument is non-derivative financial liabilities of the Company on debts and loans denominated in foreign currencies. The hedged item is highly probable intercompany revenue denominated in foreign currencies. Hedged item will be received during risk management period in the amount equal to the amount of hedging instruments.

If a cash flow hedge is effective during the period, the portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. The associated gains or losses that were recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. Refer to Note 35 for more details.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first-in, first-out ("FIFO") basis, except for cost of work-in-process (comprising unfinished products and metal billets) which is determined on weighted average basis. 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 excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash in hand, cash at bank and highly liquid demand deposits (with original maturity date of less than 90 days) free from contractual encumbrances which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of the cash and cash equivalents as defined above less outstanding bank overdrafts, if any.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Pension obligations

In the normal course of business the Group contributes to the Ukrainian, Russian and Kazakhstani state pension schemes at the statutory rates in force during the year, based on gross salary payments; such expense is charged in the period the related salaries are earned. The Group has also agreed to provide certain defined contribution pension benefits in Switzerland and the USA. The Group has no legal or constructive obligations to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. These contributions are expensed as incurred.

In addition, the Group's Ukrainian production subsidiaries provide other post-employment benefits to their employees. There are two significant defined benefit post-employment plans in Ukraine, both of which are unfunded. These plans comprise:

- the Group's legal contractual obligation to its employees to make one-off payment on retirement to employees with long service and other benefits according to the collective agreements, and
- the Group's legal obligation to compensate the Ukrainian state pension fund for additional pensions paid to certain categories of the eligible employees of the Group. The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method in respect of those employees entitled to such payments. Management uses actuarial techniques in calculating the liability related to these retirement obligations at each reporting date. Actual results could vary from estimates made to the date.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position of the Group with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service cost resulting from introduction of pension benefits is recognised immediately in income.

Contingent liabilities

Contingent liabilities are recognised in the Consolidated Financial Statements if their fair value can be measured reliably and if it is a present obligation that arises from past events. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax expense is calculated by each entity on the pre-tax income determined in accordance with the tax law of a country in which the entity is incorporated, using tax rates enacted during the tax period when the respective transaction arises.

Deferred tax

Deferred income tax is recognised, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue from rendering of services is recognised when services are rendered.

Cost of sales and other expenses recognition

Cost of revenue that relates to the same transaction is recognised simultaneously with the respective revenue. Expenses also include warranties and other costs which are to be incurred after the shipment of the goods is made and which can be measured reliably.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these Consolidated Financial Statements. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group adopted the new standard starting on 1 January 2018. The Group has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from additional information. Overall, the Group expects no significant impact on its statement of financial position and equity after applying of IFRS 9.

(a) Classification and measurement

The Group does not expect a significant impact on its consolidated statement of financial position or equity from application of new classification and measurement requirements of IFRS 9. The Group did not have financial assets measured at fair value through profit or loss at 31 December 2017, therefore, reclassification for these instruments is not required under IFRS 9.

Trade accounts receivable are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its trade accounts receivable either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses.

(c) Hedge accounting

The Group does not expect any impact on its consolidated statement of financial position and equity after applying IFRS 9.

IFRS 15 Revenue from contracts with customers

IFRS 15 was issued in May 2014 and established a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The new revenue standard supersedes all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group adopted the modified retrospective application of the new standard on the required effective date.

(a) Sale of goods

For contracts with customers adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Advances received from customers

Generally, the Group receives only short-term advances from its customers. They are presented as part of advances and other current liabilities. Under IFRS 15, the Group must determine whether there is a significant financing component in its contracts. However, the Group decided to use the practical expedient provided in IFRS 15, and will not adjust the promised amount of the consideration for the effects of a significant financing components in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Group will not account for a financing component even if it is significant.

(c) Other adjustments

The Group analyzed its sales contracts with customers effective during 2017 and concluded that (1) the Group is always acting as principal and (2) the contracts did not contain option of return of the sold goods, (3) the Group does not use discounts, rebates or warranties.

(d) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The Group`s management believes that disclosures presented within these consolidated financial statements will meet the requirements of IFRS 15 and no additional information should be disclosed. The Group continues to analyze presentation and disclosure requirements of IFRS 15 as well as relevant best practices in the industry.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective but would be expected to have a material impact on the Group.

5. Significant accounting judgements and estimates

Estimation of uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Pension obligations under defined benefit plan

The Group collects information relating to its employees in service and pensioners receiving pension benefits and uses the actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. These calculations require the use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate and future projected salary). More details are provided in Note 20.

Valuation of property, plant and equipment

As described in the Note 4, the Group applies the revaluation model to its property, plant and equipment.

At each reporting date the Group carries out the review of the carrying value of these assets in order to determine whether it is materially different from the fair value. The majority of the Group's property, plant and equipment represent specialised items used in production process. Accordingly, management primarily uses the expected future cash flow models applied to the respective cash generating unit ("CGU") and considers such approach to be the most appropriate in the current operating environment of the Group.

Useful life of property, plant and equipment and residual value

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each reporting date. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation recognised in statement of comprehensive income.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. This requires an estimation of the value in use of CGU to which the item is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group also assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset.

Impairment of goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to individual CGU.

An impairment of goodwill exists when the carrying value of CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected gross margins, raw materials price inflation and the growth rate used for extrapolation purposes.

Allowance for doubtful accounts receivable

The Group makes allowances for doubtful accounts receivable (Note 13). Significant judgment is used to determine the doubtful accounts. In determining the doubtful accounts and estimating impairment allowance such factors are considered as current overall economic conditions, industry-specific economic conditions, historical and anticipated customer performance. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the financial statements.

Net realisable value of inventories

Inventory is carried at lower of cost and net realisable value. Estimates of net realisable value of raw materials, work in progress and finished goods are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the period (Note 12).

Taxes

Uncertainties may exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions or discloses contingent liability, based on reasonable estimates, for probable or, respectively, possible consequences of audits to be conducted by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and different interpretations of the tax regulations by the taxable entity and the respective tax authority. Such differences in interpretations may arise relative to a wide variety of issues depending on the conditions prevailing in the respective Group company domicile. When the Group assesses the probability of litigation and subsequent cash outflow in respect to taxes as remote, no contingent liability has been recognised.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected future performance

Further details on taxes are disclosed in Note 11 and Note 34.

Value-added tax recoverable

Value-added tax (“VAT”) recoverable is reviewed at each reporting date and reduced to the extent that it is no longer probable that a refund or VAT liabilities for netting will be available. The Group considers that the amount due from the state as at the reporting date will be either recovered in cash or reclaimed against the VAT liabilities related to sales.

Judgements

Litigations

The Group exercises considerable judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation or arbitration, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, as well as in determining a possible range of any final settlement. Because of the inherent uncertainties in evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as any new information becomes available, primarily with the support of, as appropriate, internal specialists or outside consultants, such as legal counsel. Revisions to the estimates may significantly affect future operating results (Notes 20 and 34).

Designation of monetary items as part of net investment in foreign operations

Throughout the Group there are various intercompany balances between subsidiaries, including loans that are used to finance mainly capital expenditure projects as well as working capital requirements. The majority of these balances are denominated in the USD and are translated into the respective local functional currencies in the subsidiaries’ local accounts. Balances for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, a part of the Group’s net investment in that foreign operation and exchange differences on these balances are recognised in other comprehensive income and only reclassified from the equity to profit or loss on disposal of the respective net investment. It is the Group management’s view that the total balance of the loans and other liabilities granted by the parent and subholding companies to its Ukrainian subsidiaries as from 1 January 2014 qualify as net investments in its foreign operations (Note 35).

6. Segment information

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

For management purposes, the Group is organised into business units based on its products and services, and has four reportable operating segments as follows:

1. Pipes segment – production and distribution of:
   - Seamless oil country tubular goods ("OCTG"), used for oil and gas exploration and production;
   - Seamless transportation line pipes, used for oil and gas transportation in severe pressure and temperature conditions;
   - Seamless industrial pipes, used in a large variety of infrastructure and industrial applications;
   - Seamless special applications pipes, used in various applications by the machine-building, power and heat generation and petrochemical industries, among others;
   - Industrial welded pipes, used mainly in the construction industry and in local water distribution networks;
   - Transportation line welded pipes, used to transport water, crude oil and natural gas in moderate pressure and temperature conditions.
2. Railway wheels segment - production and distribution of extensive range of forged wheels used for freight cars, passenger carriages, locomotives and underground trains as well as tyres for wheel sets used on locomotives, underground trains and trams.
3. Steel making segment:
   - Collection and processing of scrap for internal consumption in steel billets production. Scrap not usable for the Group's production purposes is sold to external customers;
   - Production and distribution of pipe steel billets – used both for internal production of the extensive range of seamless pipes and distribution to the external customers;
   - Production and distribution of wheels steel billets – used for railway wheels production and distribution to the external customers.
4. Other operations segment - production and sales of enamel ware and other by-products and services.

Inter-segment sales primarily consisted of steel billets sold by the "Metallurgical Plant Dneprosteel" LLC to the JSC "Interpipe Niznedneprovsky Tube Rolling Plant" and "Interpipe Niko Tube" LLC, the cost of which was included in the cost of pipes and wheels.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

Segment revenues and results

Year ended 31 December 2016	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Revenue	346,782	127,719	228,439	13,652	716,592
Elimination of sales to other segments	-	-	(209,927)	-	(209,927)
Revenue - external	**346,782**	**127,719**	**18,512**	**13,652**	**506,665**
Operating (loss) / profit	**(80,423)**	**14,100**	**4,154**	**1,115**	**(61,054)**
Finance income					1,000
Finance costs					(107,793)
Non-operating foreign exchange difference					(4,120)
Share of profit of associates					28
Income tax expense					(857)
Loss for the year					**(172,796)**

For the year ended 31 December 2016, share of profit of associates was attributable to the pipes segment.

The Group measures the performance of its operating segments through a measure of earnings before interest, tax, depreciation and amortisation (EBITDA). EBITDA is calculated as operating profit or (loss) plus depreciation and amortisation charge, plus impairment of property, plant, equipment and intangible asset, plus loss / (gain) on disposal of property, plant and equipment, plus foreign exchange cash flow hedges effect, plus extraordinary losses / (gains) and plus operating foreign exchange gain/(loss).

EBITDA is not a measure of financial performance under IFRS. The calculation of EBITDA by the Group may be different from the calculations of similarly labelled measures used by other companies and it should therefore not be used to compare one company against another or as a substitute for analysis of the Group's operating results as reported under IFRS. EBITDA is not a direct measure of the Group's liquidity, nor is it an alternative to cash flows from operating activities as a measure of liquidity, and it needs to be considered in the context of the Group's financial commitments. EBITDA may not be indicative of the Group's historical operating results, nor is it meant to be predictive of the Group's potential future results. The Group believes that EBITDA provides useful information to the users of the Consolidated Financial Statements because it is an indicator of the strength and performance of the Group's ongoing business operations, including the Group's ability to fund discretionary spending such as capital expenditure, acquisitions and other investments and the Group's ability to incur and service debt.

EBITDA by segments

Year ended 31 December 2016	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Operating (loss) / profit	(80,423)	14,100	4,154	1,115	(61,054)
Depreciation and amortisation	36,899	10,907	15,546	17	63,369
Loss / (gain) on disposal of property, plant and equipment (Note 27)	454	(3)	47	-	498
Foreign exchange cash flow hedge (Note 35)	68,111	-	2,782	4	70,897
Extraordinary loss	7	2	98	-	107
Operating foreign exchange difference	(23,829)	(2,952)	(666)	2	(27,445)
EBITDA	**1,219**	**22,054**	**21,961**	**1,138**	**46,372**

Segment assets, liabilities and other information

Year ended 31 December 2016	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Segment assets	345,812	68,279	94,969	5,842	514,902
Segment liabilities	80,467	17,485	32,092	4,111	134,155
Investment in associates (Note 10)	851	-	-	-	851
Additions to property, plant and equipment (Note 8)	18,975	6,767	8,083	3	33,828
Movement in provisions	7,657	1,927	253	636	10,473
Other non-cash items	(10,069)	(592)	(294)	(456)	(11,411)

Segment revenues and results

Year ended 31 December 2015	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Revenue	462,231	126,509	248,404	10,842	847,986
Elimination of sales to other segments	-	-	(221,625)	-	(221,625)
Revenue - external	**462,231**	**126,509**	**26,779**	**10,842**	**626,361**
Operating profit / (loss)	**9,748**	**21,713**	**(24,008)**	**1,730**	**9,183**
Finance income					536
Finance costs					(106,207)
Non-operating foreign exchange difference					10,023
Share of profit of associates					(130)
Income tax expense					10,195
Loss for the year					**(76,400)**

For the year ended 31 December 2015, share of profit of associates was attributable to pipes segment.

EBITDA by segments

Year ended 31 December 2015	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Operating profit / (loss)	9,748	21,713	(24,008)	1,730	9,183
Depreciation and amortisation	33,493	8,909	18,532	12	60,946
Impairment of property, plant and equipment and intangible assets (Note 27)	19,135	1,880	30,006	-	51,021
(Gain) / loss on disposal of property, plant and equipment (Note 27)	(568)	(374)	8	-	(934)
Foreign exchange cash flow hedge (Note 35)	39,061	-	796	-	39,857
Extraordinary loss	528	27	705	-	1,260
Operating foreign exchange difference	(95,476)	(12,650)	(510)	(61)	(108,697)
EBITDA	**5,921**	**19,505**	**25,529**	**1,681**	**52,636**

Segment assets, liabilities and other information

Year ended 31 December 2015	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Segment assets	331,338	97,392	173,619	4,568	606,917
Segment liabilities	90,758	14,491	37,609	4,933	147,791
Investment in associates (Note 10)	936	-	-	-	936
Additions to property, plant and equipment (Note 8)	28,549	4,189	6,996	55	39,789
Movement in provisions (Note 20)	10,424	1,873	144	128	12,569
Other non-cash items	39,756	611	578	819	41,764
Revaluation of PPE (Note 8)	49,144	25,200	(14,530)	-	59,814

Reportable segments' assets are reconciled to total assets as follows:

	31 December 2016	*31 December 2015*
Segment assets for reportable segments	**509,911**	**603,285**
Other operations	**5,842**	**4,568**
Unallocated		
Intangible assets	1,517	886
Deferred tax assets	2,080	2,072
Prepaid income tax	3,246	6,429
Prepaid current income tax	336	-
Taxes recoverable, other than income tax	8,547	12,160
Other financial assets	22,692	19,893
Cash and cash equivalents	24,417	16,686
Other non-current assets	-	2
	62,835	**58,128**
Total assets	**578,588**	**665,981**

Reportable segments' liabilities are reconciled to total liabilities as follows:

	31 December 2016	*31 December 2015*
Segment liabilities for reportable segments	**130,044**	**142,858**
Other operations	**4,111**	**4,933**
Unallocated		
Deferred tax liabilities	13,463	13,422
Taxes payable, other than income tax	3,985	5,215
Current income tax liabilities	4,953	6,447
Borrowings	1,021,380	998,192
Subordinated loan	40,000	40,000
Interest payable	146,517	82,394
Dividends payable to non-controlling interest owners	213	243
Other liabilities	768	366
	1,231,279	**1,146,279**
Total liabilities	**1,365,434**	**1,294,070**

Property, plant and equipment revaluation adjustments by operational segments

Year ended 31 December 2015	*Pipes*	*Railway wheels*	*Steel making*	*Other operations*	*Total*
Impairment losses recognised in profit or loss	(20,074)	(2,183)	(33,675)	-	(55,932)
Reversal of impairment losses recognised in profit or loss	857	309	3,745	-	4,911
Revaluation decrease recognised in other comprehensive income	(13,133)	(511)	(786)	-	(14,430)
Revaluation increase recognised in other comprehensive income	81,494	27,585	16,186	-	125,265
Total revaluation	**49,144**	**25,200**	**(14,530)**	**-**	**59,814**

Geographical information

Revenues from external customers

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Ukraine	139,939	144,686
Europe	127,011	178,061
Russia	96,271	81,671
Middle East and Africa	58,839	75,073
Americas	45,987	74,652
Other CIS countries	32,998	70,153
Other countries	5,620	2,065
	506,665	**626,361**

Americas region includes the USA, Canada and Latin America countries. Other CIS countries region includes members of the Commonwealth of Independent States, except for Ukraine and Russia, both of which are presented as separate regions.

Non-current assets

Non-current assets comprising property, plant and equipment, intangible assets are presented in the table below. Non-current assets are allocated by foreign countries in which the Group holds assets. If non-current assets in an individual foreign country are material, those assets are disclosed separately.

	31 December 2016	*31 December 2015*
Ukraine	317,613	389,012
Europe	71	122
Other countries	114	139
	317,798	**389,273**

7. Fair value measurement

The Group measures property, plant and equipment and certain financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The carrying amounts of financial instruments, consisting of short-term accounts receivable and payable, other financial assets, non-defaulted short-term loans and borrowings, derivative financial instruments approximate their fair values.

Fair value measurement hierarchy for assets and liabilities as at 31 December 2016:

		Fair value measurement using			
	Carrying amount	*Fair value*	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
Fair value of assets:					
Property, plant and equipment	316,281	316,281	-	-	316,281
Trade and other accounts receivable	64,613	64,613	-	64,613	-
	380,894	**380,894**	**-**	**64,613**	**316,281**
Fair value of liabilities:					
Borrowings	1,021,380	308,148	-	308,148	-
Interest accrued and withholding tax	146,517	146,517	-	146,517	-
Trade and other accounts payable	65,961	65,961	-	65,961	-
	1,233,858	**520,626**	**-**	**520,626**	**-**

Fair value measurement hierarchy for assets and liabilities as at 31 December 2015:

		Fair value measurement using			
	Carrying amount	*Fair value*	*Quoted prices in active markets (Level 1)*	*Significan t observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
Fair value of assets:					
Property, plant and equipment	388,387	388,387	-	-	388,387
Trade and other accounts receivable	87,952	87,952	-	87,952	-
	476,339	**476,339**	**-**	**87,952**	**388,387**
Fair value of liabilities:					
Borrowings	998,192	325,458	-	325,458	-
Interest accrued and withholding tax	82,394	82,394	-	82,394	-
Trade and other accounts payable	71,287	71,287	-	71,287	-
	1,151,873	**479,139**	**-**	**479,139**	**-**

There have been no transfers between Level 1 and Level 2 during 2016 and 2015.

8. Property, plant and equipment

Movement in property, plant and equipment and related accumulated depreciation for the years ended 31 December 2016 and 2015 was as follows:

	Buildings and structures	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equipment*	*Construction-in-progress and uninstalled equipment*	*Total*
Cost or valuation:						
At 1 January 2015	**301,920**	**338,733**	**18,516**	**5,555**	**19,343**	**684,067**
Additions	-	-	-	-	51,477	51,477
Transfers	4,381	22,188	381	582	(27,532)	-
Disposals and write-offs	(342)	(1,142)	(210)	(28)	(17)	(1,739)
Accumulated depreciation elimination	(54,129)	(96,528)	(4,731)	(3,135)	-	(158,523)
Revaluation	7,387	54,684	8,554	-	(10,811)	59,814
Translation difference	(107,740)	(124,084)	(6,466)	(1,581)	(6,838)	(246,709)
At 31 December 2015	**151,477**	**193,851**	**16,044**	**1,393**	**25,622**	**388,387**
Additions	-	-	-	-	33,828	33,828
Transfers	1,701	22,047	377	955	(25,080)	-
Disposals and write-offs	(223)	(1,676)	(46)	(39)	-	(1,984)
Translation difference	(17,870)	(23,206)	(1,902)	(225)	(2,037)	(45,240)
At 31 December 2016	**135,085**	**191,016**	**14,473**	**2,084**	**32,333**	**374,991**
Accumulated depreciation and impairment:						
At 1 January 2015	**56,843**	**103,566**	**5,503**	**3,551**	**-**	**169,463**
Depreciation for the year	18,675	36,994	1,342	553	-	57,564
Disposals and write-offs	(186)	(958)	(124)	(26)	-	(1,294)
Accumulated depreciation elimination	(54,129)	(96,528)	(4,731)	(3,135)	-	(158,523)
Translation difference	(21,203)	(43,074)	(1,990)	(943)	-	(67,210)
At 31 December 2015	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation for the year	17,509	41,518	2,649	573	-	62,249
Disposals and write-offs	(58)	(967)	(23)	(45)	-	(1,093)
Translation difference	(844)	(1,407)	(130)	(65)	-	(2,446)
At 31 December 2016	**16,607**	**39,144**	**2,496**	**463**	**-**	**58,710**
Net book value						
At 31 December 2015	**151,477**	**193,851**	**16,044**	**1,393**	**25,622**	**388,387**
At 31 December 2016	**118,478**	**151,872**	**11,977**	**1,621**	**32,333**	**316,281**

As at 31 December 2016 and 2015, property, plant and equipment with carrying value of USD 231,967 thousand and USD 291,448 thousand, respectively, were pledged as a security for the Group's borrowings (Note 19).

Revaluation adjustments/Impairment/Reversal of impairment as at 31 December 2015:

	Buildings and structures	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equipment*	*Construction-in-progress and uninstalled equipment*	*Total*
Impairment losses recognised in profit or loss	(26,677)	(20,422)	(132)	-	(8,701)	(55,932)
Reversal of impairment losses recognised in profit or loss	1,138	3,497	276	-	-	4,911
Decrease resulting from revaluations recognised in other comprehensive income	(10,073)	(2,200)	(22)	-	(2,135)	(14,430)
Increase resulting from revaluations recognised in other comprehensive income	42,999	73,809	8,432	-	25	125,265
Total	**7,387**	**54,684**	**8,554**	**-**	**(10,811)**	**59,814**

The revalued property, plant and equipment are presented by buildings and structures; machinery and equipment; transport and motor vehicles; fixtures and office equipment; construction-in-progress and uninstalled equipment.

The Group engaged an independent appraiser to determine the fair value of all groups of property plant and equipment as at 31 December 2015. Valuation analysis and estimates of value, performed by the independent appraiser, were based on historical, current and prospective information, adjusted for any difference in nature, location or condition of the specific property compared to similar assets and benchmarks used.

Depending on the item of the property plant and equipment, fair value was determined using the combination of the following three methods:

- comparative method;
- cost approach method;
- discounted cash flows method.

The most significant observable and unobservable valuation inputs are listed below and their changes would result in a significant increase or decrease in fair value of the revalued assets:

- price per square metre – 133-505 USD;
- discount rate – 17.0%;
- terminal growth rate – 2.4%;
- inflation rate – 1.7-2.4%.

As at 31 December 2016 and 2015, the cost of fully depreciated items of property, plant and equipment, which remain in use, amounted to USD 3,152 thousand and USD 8,334 thousand, respectively.

If property, plant and equipment continued to be measured using cost model, their carrying amount would be as follows:

	Buildings and structures	*Machinery and equipment*	*Transport and motor vehicles*	*Fixtures and office equipment*	*Construction-in-progress and uninstalled equipment*	*Total*
31 December 2015	91,384	118,324	6,422	625	15,192	231,947
31 December 2016	76,878	108,823	5,457	743	20,870	212,771

9. Intangible assets and goodwill

Movement in intangible assets and goodwill and related accumulated amortisation for the years ended 31 December 2016 and 2015 was as follows:

	Patents and trademark	*Accounting software*	*Other software*	*Intangible assets under development*	*Total*
Cost					
At 1 January 2015	**61**	**1,772**	**1,236**	**1,789**	**4,858**
Additions	-	9	24	246	279
Transfers	69	77	90	(236)	-
Disposals	(1)	-	(96)	-	(97)
Translation difference	(29)	(577)	(428)	(442)	(1,476)
At 31 December 2015	**100**	**1,281**	**826**	**1,357**	**3,564**
Additions	**3**	**-**	**3**	**812**	**818**
Transfers	9	342	286	(637)	-
Disposals	-	-	(8)	(3)	(11)
Translation difference	(13)	(215)	(31)	(19)	(278)
At 31 December 2016	**99**	**1,408**	**1,076**	**1,510**	**4,093**
Accumulated amortisation and impairment					
At 1 January 2015	**48**	**1,404**	**1,041**	**1,392**	**3,885**
Amortisation for the year	17	82	91	-	190
Disposals	(1)	-	(93)	-	(94)
Translation difference	(17)	(461)	(346)	(479)	(1,303)
At 31 December 2015	**47**	**1,025**	**693**	**913**	**2,678**
Amortisation for the year	17	57	129	-	203
Disposals	-	-	-	-	-
Translation difference	(7)	(105)	(80)	(113)	(305)
At 31 December 2016	**57**	**977**	**742**	**800**	**2,576**
Net book value					
At 31 December 2015	**53**	**256**	**133**	**444**	**886**
At 31 December 2016	**42**	**431**	**334**	**710**	**1,517**

Accounting and other software is determined to have finite lives ranging from three to seven years; patents and trademark are determined to have finite lives ranging from three to eight years. Amortisation of intangible assets is included in general and administrative expenses in the consolidated statement of comprehensive income.

For the years ended 31 December 2016 and 2015, there were no internally generated intangible assets included into additions of intangible assets under development.

10. Investments in associates

The Group's investments in associates were as follows:

Entity	*Activity*	*% of the Group ownership*	*31 December 2016*	*31 December 2015*
PJSC "Nikopolsky Repairing Plant"	Repairs	25%	494	492
PJSC "Nikopolsky Tooling Plant"	Tooling for machines	25%	357	444
PJSC "Teplogeneratzia"	Utility services	30%	-	-
			851	**936**

PJSC "Teplogeneratzia", PJSC "Nikopolsky Tooling Plant" and PJSC "Nikopolsky Repairing Plant" are entities incorporated in Ukraine. They are private companies not listed on any public exchange.

During the year ended 31 December 2016, the Company did not change its ownership share in the share capital of its associates.

The following table illustrates summarised financial information of the Group's investments in associates:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
At period beginning	936	1,613
Share of profit / (loss)	28	(130)
Translation difference	(113)	(547)
At period end	**851**	**936**

The Group's share in net assets of its associates was as follows:

	PJSC "Teplo-generatzia"	*PJSC "Nikopolsky Tooling Plant"*	*PJSC "Nikopolsky Repairing Plant"*
At 31 December 2016			
Assets	-	929	706
Liabilities	-	(571)	(213)
Net assets – carrying amounts of investments	**-**	**358**	**493**

	PJSC "Teplo-generatzia"	*PJSC "Nikopolsky Tooling Plant"*	*PJSC "Nikopolsky Repairing Plant"*
At 31 December 2015			
Assets	-	837	652
Liabilities	-	(393)	(160)
Net assets – carrying amounts of investments	-	**444**	**492**

The following table illustrates the Group's share in revenues and profit or loss of associates:

	For the year ended 31 December 2016		*For the year ended 31 December 2015*	
	Revenue	*Profit / (Loss)*	*Revenue*	*(Loss) / Profit*
PJSC "Teplogeneratzia"	1,406	55	1,528	(247)
PJSC "Nikopolsky Repairing Plant"	1,585	(62)	1,562	68
PJSC "Nikopolsky Tooling Plant"	1,163	35	1,455	49

11. Income tax

The components of income tax expense for the years ended 31 December 2016 and 2015 were as follows:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Current income tax expense	(1,411)	(5,583)
Deferred income tax benefit	554	15,778
	(857)	**10,195**

Income tax benefit / (expense) for the years ended 31 December 2016 and 2015 originated in the following tax jurisdictions:

	Domestic tax rates applicable to individual group entities as at			
	31 December 2016	*31 December 2015*	*For the year ended 31 December 2016*	*For the year ended 31 December 2015*
Ukraine	18%	18%	(523)	16,403
Russia	20%	20%	109	(1,237)
Switzerland	11%	11%	(647)	(651)
The USA	34%	34%	74	(3,653)
Cyprus	12.5%	12.5%	124	(542)
Kazakhstan	20%	20%	6	(125)
			(857)	**10,195**

Loss before tax for financial reporting purposes is reconciled to tax expense as follows:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Accounting loss before tax	**(171,939)**	**(86,595)**
Tax benefit calculated at domestic rates applicable to individual Group entities	17,002	28,011
Tax effect of non-deductible expenses	(10,501)	(5,265)
Tax effect of non-taxable incomes	8,029	5,528
Adjustment of property, plant and equipment for tax purposes	-	1,968
Recognition of the tax asset relating to the change in an estimate of deductibility of certain temporary difference	(628)	(3,475)
Change in unrecognised deferred tax assets	(12,701)	(21,825)
Translation difference	(512)	(92)
Other differences	(1,546)	5,345
	(857)	**10,195**

Deferred tax assets and liabilities related to the following:

	31 December 2016	*Change recognised in profit or loss*	*Change recognised in other comprehensive income*	*Translation difference*	*31 December 2015*
Deferred tax liabilities:					
Taxable differences on intercompany settlements and investments	(10,649)	(318)	-	5	(10,336)
Revaluation of property, plant and equipment and difference in depreciation	(1,259)	1,176	-	(1,421)	(1,014)
	(11,908)	**858**	**-**	**(1,416)**	**(11,350)**
Deferred tax assets:					
Deferral of revenues and related costs	735	(955)	-	(40)	1,730
Deductible costs retained in inventories	537	470	-	(43)	110
Tax losses carried forward	103,788	4,851	-	(7,368)	106,305
Write-down of inventories	802	50	-	(83)	835
Deductible differences on intercompany settlements and investments	1,983	(5,538)	-	(9)	7,530
Accrued liabilities and provisions	3,170	(916)	675	(456)	3,867
Loans and interest payable	8,588	4,819	-	(1,137)	4,906
Allowance for doubtful accounts	2,256	1,150	-	88	1,018
Adjustment for unrealised profits in inventories	1,349	735	-	-	614
Deferral of deductible expenses	7,876	7,627	-	(250)	499
Other deferred tax assets	281	104	-	(155)	332
	131,365	**12,397**	**675**	**(9,453)**	**127,746**
Unrecognised deferred tax assets	(130,840)	(12,701)	-	9,607	(127,746)
Deferred income tax benefit from origination and reversal of temporary differences		554	675		
Reflected in the consolidated statement of financial position as follows:					
Deferred tax assets	**2,080**				**2,072**
Deferred tax liabilities	**(13,463)**				**(13,422)**

	31 December 2015	*Change recognised in profit or loss*	*Change recognised in other comprehensive income*	*Translation difference*	*31 December 2014*
Deferred tax liabilities:					
Taxable differences on intercompany settlements and investments	(10,336)	(6)	-	15	(10,345)
Revaluation of property, plant and equipment and difference in depreciation	(1,014)	15,587	(19,951)	(4,893)	8,243
	(11,350)	**15,581**	**(19,951)**	**(4,878)**	(2,102)
Deferred tax assets:					
Deferral of revenues and related costs	1,730	1,802	-	(38)	(34)
Deductible costs retained in inventories	110	(609)	-	(78)	797
Tax losses carried forward	106,305	49,289	-	(29,866)	86,882
Write-down of inventories	835	205	-	(356)	986
Deductible differences on intercompany settlements and investments	7,530	7,293	-	(97)	334
Accrued liabilities and provisions	3,867	(1,183)	(370)	(2,522)	7,942
Loans and interest payable	4,906	947	-	(2,468)	6,427
Allowance for doubtful accounts	1,018	(1,109)	-	(666)	2,793
Adjustment for unrealised profits in inventories	614	(3,423)	-	-	4,037
Deferral of deductible expenses	499	-	-	-	499
Other deferred tax assets	332	302	-	(14)	44
	127,746	**53,514**	**(370)**	**(36,105)**	**110,707**
Unrecognised deferred tax assets	(127,746)	(53,316)	-	31,491	(105,921)
Deferred income tax benefit from origination and reversal of temporary differences		15,778	(20,321)		
Reflected in the consolidated statement of financial position as follows:					
Deferred tax assets	**2,072**				**9,497**
Deferred tax liabilities	**(13,422)**				**(6,813)**

The deferred tax effect on tax losses carried forward was as follows:

Country of origination	*For the year ended 31 December 2016*	*For the year ended 31 December 2015*
Ukraine	89,171	95,833
Cyprus	7,348	3,235
USA	2,984	3,301
Switzerland	3,867	3,764
Kazakhstan	223	172
Russia	195	-
	103,788	**106,305**

Tax losses carried forward are available for offset against future taxable profits of the companies in which the losses arose for 20 years in the USA, for 5 years in Cyprus and indefinitely in all other jurisdictions.

Deferred tax assets were identified but not recognised in full amount for Ukrainian entities, in respect of write-down of inventories and tax losses carried forward for the USA and in respect of tax losses carried forward for Cyprus entities as there are doubts on availability of sufficient taxable profits in future periods against which assets can be utilised.

As at 31 December 2016 and 2015, the Company has not recognised deferred tax liability in respect of temporary differences amounting to USD 31,058 thousand and USD 26,644 thousand, respectively, associated with investments in subsidiaries as the Company is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

12. Inventories

Inventories consisted of the following:

	31 December 2016	*31 December 2015*
Raw materials	32,475	25,085
Work in process	15,020	13,089
Finished goods	52,932	50,701
	100,427	**88,875**

As at 31 December 2016 and 2015, write down of inventories to net realisable value amounted to USD 6,305 thousand and USD 19,341 thousand, respectively.

As at 31 December 2016 and 2015, the following balances of raw materials, work in process and finished goods, were pledged as a security for the Group's borrowings (Note 19):

	31 December 2016	*31 December 2015*
Raw materials	17,603	9,311
Work in process	9,088	6,102
Finished goods	29,084	32,167
	55,775	**47,580**

13. Trade and other accounts receivable

Trade and other accounts receivable consisted of the following:

	31 December 2016	*31 December 2015*
Trade accounts receivable	63,120	121,236
Less allowance for impairment	(6,152)	(38,113)
	56,968	83,123
Other receivables net of allowance for impairment	7,645	4,829
	64,613	**87,952**

As at 31 December 2016, trade receivables with carrying value of USD 33,719 thousand (2015: USD 42,869 thousand), were pledged as a security for the Group's borrowings (Note 19).

Movement in the allowance for impairment of trade accounts receivable was as follows:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
At period beginning	38,113	24,632
Charge for the year (Note 25)	1,066	19,118
Write-off	(32,227)	(1,067)
Translation difference	(800)	(4,570)
At period end	**6,152**	**38,113**

As at 31 December 2016 and 2015, allowance for impairment of other receivables amounted to USD 718 thousand and USD 641 thousand, respectively.

As at 31 December 2016 and 2015, the allowance for impairment of trade accounts receivable included USD 459 thousand and USD 8,064 thousand, respectively, of the allowance that was determined individually in respect of debtors with significant financial difficulties or with estimated high probability of their insolvency.

The ageing of trade and other accounts receivable is as follows:

			Past due, net of allowance for impairment			
	Total	*Neither past due nor impaired*	*< 30 days*	*30 – 60 days*	*60 – 90 days*	*>90 days*
31 December 2016	64,613	35,045	16,812	2,808	1,421	8,527
31 December 2015	87,952	33,272	20,666	16,631	3,694	13,689

Trade receivables are non-interest bearing and are generally collected within a three-month term. As at 31 December 2016 and 2015, 80% and 63% of trade accounts receivable, respectively, were due from twenty major customers.

14. Prepayments and other current assets

Prepayments and other current assets consisted of the following:

	31 December 2016	*31 December 2015*
Prepayments to suppliers	30,803	39,406
Prepaid insurance expense	261	551
Other current assets	2,307	1,468
	33,371	**41,425**

15. Taxes recoverable, other than income tax

Taxes recoverable, other than income tax consisted of the following:

	31 December 2016	*31 December 2015*
Value-added tax recoverable	8,543	12,156
Other taxes recoverable	4	4
	8,547	**12,160**

VAT recoverable primarily originated in Ukraine (Note 5).

16. Other financial assets

Other financial assets consisted of the following:

	31 December 2016	*31 December 2015*
Available reimbursement related to litigations	12,616	10,750
Guarantee deposits	5,236	4,310
Restricted bank deposits	4,773	4,774
Other	67	59
	22,692	**19,893**

As at 31 December 2016 and 2015, restricted bank deposits with carrying value of USD 307 thousand and USD 306 thousand, respectively, were pledged as a security for the Group's borrowings (Note 19). Restricted bank deposits with carrying value of USD 4,000 thousand were placed as an appeal bond related to litigations as at 31 December 2016.

As at 31 December 2016 and 2015, the guarantee deposits represented restricted bank deposits relating to the letters of credit issued by banks in favour of the Group's suppliers and guarantees issued by banks in favour of the Group's customers.

17. Cash and cash equivalents

Cash and cash equivalents consisted of the following:

	31 December 2016	*31 December 2015*
Current accounts and deposits on demand at banks	23,030	16,472
Time deposits at banks	1,358	187
Cash in hand	29	27
	24,417	**16,686**

As at 31 December 2016 and 2015, cash and cash equivalents with carrying value of USD 6,419 thousand and USD 8,728 thousand, respectively, were placed on the bank accounts subject to the security for the Group's borrowings (Note 19).

18. Subordinated loan

During 2014, the shareholders have provided subordinated loan to the Group in the amount of USD 40.0 million to support its short-term liquidity position. The principal amount bears an interest at a rate of 10.5% per annum. The subordinated loan and accrued interest may be repaid only after 2011 Restructured facilities (Note 19) are settled in full.

19. Borrowings

Interest bearing borrowings are carried net of unamortised portion of directly attributable loan origination costs consisted of the following:

	31 December 2016	*31 December 2015*
Current borrowings		
Interest bearing loans due to banks	819,101	797,137
Bonds issued	199,806	199,497
Other borrowings	2,473	1,558
	1,021,380	**998,192**
Interest accrued but not paid	144,853	81,486
Interest withholding tax payable	1,664	908
	146,517	**82,394**
	1,167,897	**1,080,586**

Applicable interest rate and currency split for borrowings were as follows:

	Applicable interest rates	*31 December 2016*	*31 December 2015*
2011 Restructured SACE facilities*			
USD			
Fixed rate	7.77% - 13.12%	81,053	79,070
Floating rate	LIBOR (3month) + 1.5% - 3.5%	98,724	96,300
Floating rate	LIBOR (3month) + 4.0% - 6.0%	17,671	17,058
		197,448	192,428
2011 Restructured facilities			
USD			
Floating rate	LIBOR (3month) + 4.0% - 6.0%	520,770	502,331
		520,770	502,331
Bonds			
USD			
Fixed rate	10.25%	199,806	199,497
		199,806	199,497
Other facilities			
EUR			
Floating rate	LIBOR (3month - 12month) + 4.0% - 10.5%	-	8,792
EUR			
Fixed rate	7.00% - 13.25%	33,031	34,526
USD			
Fixed rate	7.00% – 15.75%	67,852	59,060
EUR			
Fixed rate	7.50% – 8.60%	-	1,558
RUB			
Fixed rate	7.50% – 8.60%	2,473	-
		103,356	103,936
		1,021,380	**998,192**

** SACE - Italian export credit agency; SACE facilities - facilities backed by SACE.*

In 2011, the Group executed debt restructuring documentation with its lenders and bondholders. In order to give effect to the restructuring in a uniform manner, the lenders under various bilateral and syndicated facility agreements (the “2011 Restructured facilities”), the lenders under the EAF project finance facilities backed by SACE (the “2011 Restructured SACE facilities”) and the Group have entered into one overriding agreement which contains provisions to amend and override certain clauses (including various rights and obligations of the parties) set out in each of the 2011 Restructured facilities and the 2011 Restructured SACE facilities (the “Override agreement”) which has entered into full force and effect on 16 December 2011. The Override agreement acted as an umbrella amendment agreement applicable to each of the 2011 Restructured facilities and the 2011 Restructured SACE facilities.

As at 31 December 2016 and 2015, the Group was in breach of certain financial and non-financial covenants provided by 2011 Restructured SACE facilities, 2011 Restructured facilities, Other facilities agreements and bonds issue undertakings (Note 2). The non-compliance with the covenants provides the lenders with rights to demand accelerated or full immediate repayment of the borrowings. Loan portfolio restructuring process together with amendment to the existing covenants commenced in October 2013, was not completed as at 31 December 2016 and is continuing.

As at 31 December 2016, USD 215,574 thousand (USD 233,877 thousand as at 31 December 2015) of borrowings, which otherwise would be maturing in more than 12 months from the reporting date, were reclassified into current loans as a result of the above non-compliance as it is required by IAS 1.74.

As at 31 December 2016 and 2015, the nominal value of the Group's loans and borrowings was USD 1,021,734 thousand and USD 999,930 thousand, respectively.

Pledges of assets

A summary of the pledges to secure the Group's obligations is set out below:

	31 December 2016	*31 December 2015*
Carrying values of property, plant and equipment (Note 8)	231,967	291,448
Inventories (Note 12)	55,775	47,580
Trade receivables (Note 13)	33,719	42,869
Cash and cash equivalents placed on pledged bank accounts (Note 17)	6,419	8,728
Other financial assets (Note 16)	307	306
Rights/title/interest under property, plant and equipment purchase agreements	83	107

As at 31 December 2016 and 2015, shares and participatory interest of subsidiaries as detailed in Note 32, except for "META" LLC and "Interpipe Central Trade" GmbH, were pledged as collateral to secure Group's obligation under the Restructured facilities.

As at 31 December 2016 and 2015, the participatory interest in the "Metallurgical Plant Dneprosteel" LLC, Steel.One Limited and "Dneprosteel-Energo" LLC (Note 32) were also pledged in favour of the other 2011 Restructured lenders on a second-tier basis vis-a-vis 2011 Restructured SACE facility lenders.

20. Provisions

Provisions included the following:

	31 December 2016	*31 December 2015*
Provision for customers' and other claims	16,757	20,289
Defined benefit state pension plan	18,057	16,004
Retirement benefit plan	1,041	948
	35,855	**37,241**
Provision – current portion	(18,899)	(22,213)
Provision – non-current portion	**16,956**	**15,028**

Non-current portion of the provisions relates to defined benefit state pension plan and retirement benefit plan.

Changes in the provisions:

	Provision for customers' and other claims	*Defined benefit state pension plan*	*Retirement benefit plan*	*Total provisions*
At 1 January 2015	**8,556**	**27,833**	**1,632**	**38,021**
Charge for the year	14,714	44	11	14,769
Payments and utilisation	-	(2,428)	(159)	(2,587)
Reversal	(2,200)	-	-	(2,200)
Translation difference	(781)	(9,445)	(536)	(10,762)
At 31 December 2015	**20,289**	**16,004**	**948**	**37,241**
Charge for the year	3,978	6,484	355	10,817
Payments and utilisation	(5,839)	(2,051)	(126)	(8,016)
Reversal	(344)	-	-	(344)
Translation difference	(1,327)	(2,380)	(136)	(3,843)
At 31 December 2016	**16,757**	**18,057**	**1,041**	**35,855**

For the years ended 31 December 2016 and 2015, interest costs attributable to the provisions and amounting to USD 2,914 thousand and USD 3,390 thousand, respectively, were included in finance costs in the consolidated statement of comprehensive income.

Provision for customers' and other claims

Provision for customers' and other claims represents provision for probable losses relating to customers' quality claims and other litigations filed against the Group in the courts. Charge, net of reversal, for the year ended 31 December 2016 amounted to USD 1,856 thousand (USD 6,129 thousand for the year ended 31 December 2015) is credited against respective insurance coverage recognized in other financial assets. Charge, net of reversal, for the year ended 31 December 2016 for USD 1,778 thousand (USD 6,385 thousand for the year ended 31 December 2015) is included in customers` and other claims charges and other finance costs in profit or loss.

As at 31 December 2016 and 2015, insurance coverage and other reimbursements against probable losses amounting to USD 12,616 thousand and USD 10,750 thousand, respectively, were recognised as an asset and included in other financial assets (Note 16) in the consolidated statement of financial position. For the year ended 31 December 2016, change in insurance coverage for USD 2,200 thousand was set off against provision for customers' and other claims to customers' in the consolidated statement of financial position (USD 6,129 thousand for the year ended 31 December 2015). Refer to Note 34 for further details on the provision relating to litigations.

Defined benefit state pension plan

Production subsidiaries of the Group domiciled in Ukraine have a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of the former and existing employees of the Group. Under the plan the Group's employees who have qualifying working experience in health hazardous environment and thus eligible to early retirement are entitled to additional compensations financed by the Group and paid through the Ukrainian State Pension Fund. These obligations fall under definition of a defined benefit plan.

The following tables summarise the components of benefit expense recognised in the consolidated statement of comprehensive income and the amounts recognised in the consolidated statement of financial position with respect to the plan. Benefit expense, with the exception of interest cost, is included in payroll and related expenses within costs of sales (Note 24). Interest cost is included in finance costs (Note 30).

Benefit expense recognised in the consolidated income statement

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Interest cost (Note 30)	2,751	3,212
Current service cost	318	356
Past service cost	(279)	(1,671)
	2,790	**1,897**

Changes in the present value of the defined benefit state pension plan

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Present value at the beginning of the year	16,004	27,833
Current service cost	318	356
Past service cost	(279)	(1,671)
Interest cost (Note 30)	2,751	3,212
Payment	(2,051)	(2,428)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	4,972	(3,046)
- experience adjustments	(1,278)	1,193
Translation difference	(2,380)	(9,445)
Present value at the end of the year	**18,057**	**16,004**

The Group's best estimate of contributions expected to be paid to the plan during the year ending 31 December 2017 amounts to USD 1,889 thousand.

Retirement benefit plan

Some production subsidiaries of the Group domiciled in Ukraine have contractual commitments to pay certain lump-sum payments to the retiring employees with a long service period as well as certain other post retirement and employment benefits according to the collective agreements. The following tables summarise the components of benefit expense recognised in the consolidated statement of comprehensive income and the amounts recognised in the statement of financial position with respect to the plan. Benefit expense, with the exception to interest cost, is included in payroll and related expenses within cost of sales and general and administrative expenses as appropriate. Interest cost is included in the finance costs (Note 30).

Benefit expense recognised in the consolidated income statement

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Interest cost (Note 30)	163	178
Current service cost	45	53
Past service cost	6	(17)
	214	**214**

Changes in the present value of retirement benefit plan

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Present value at the beginning of the year	948	1,632
Current service cost	45	53
Past service cost	6	(17)
Interest cost (Note 30)	163	178
Payment	(126)	(159)
Re-measurement losses / (gains) on defined benefit plans:		
- changes in financial assumptions	44	(144)
- experience adjustments	97	(59)
Translation difference	(136)	(536)
Present value at the end of the year	**1,041**	**948**

The Group's best estimate of contributions expected to be paid to the plan during the year ending 31 December 2017 amounts to USD 138 thousand.

Principal assumptions applicable to all plans

The principal assumptions used in determining defined benefit obligations for the Group's defined benefit plans are shown below:

	31 December 2016	*31 December 2015*
Annual discount rate	16.0%	17.0%
Annual salary increase rate	10.0% in 2017, 10.0% afterwards	20.0% in 2016, 10.0% afterwards
Annual pension increase rate	6.0% in 2017, 6.0% afterwards	0% in 2016, 8.0% afterwards

Sensitivity analysis

A quantitative sensitivity analysis for significant assumption as at 31 December 2016 is as shown below:

Assumptions	*Discount rate*		*Future salary increases*		*Staff turnover*	
Sensitivity Level	*1% increase*	*1% decrease*	*1% increase*	*1% decrease*	*25% increase*	*25% decrease*
Impact on the net defined benefit obligation	1,004	(1,219)	(100)	108	481	(380)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

21. Trade and other accounts payable

Trade and other accounts payable consisted of the following:

	31 December 2016	*31 December 2015*
Trade accounts payable to suppliers	50,565	61,573
Dividends payable to non-controlling interest owners	213	243
Other accounts payable	15,183	9,471
	65,961	**71,287**

Trade accounts payable are non-interest bearing and are generally settled within a three-month term.

22. Taxes payable, other than income tax

Taxes payable, other than income tax consisted of the following:

	31 December 2016	*31 December 2015*
Property tax payable	1,660	1,910
Accrued and withheld payroll taxes	1,065	773
VAT payable	441	2,065
Other miscellaneous taxes payable	819	467
	3,985	**5,215**

23. Advances and other current liabilities

Advances and other current liabilities consisted of the following:

	31 December 2016	*31 December 2015*
Advances from customers	23,487	32,963
Short-term employee benefits	5,683	6,779
Other current liabilities	4,139	119
	33,309	**39,861**

24. Cost of sales

Cost of sales consisted of the following:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Materials	(177,024)	(250,878)
Energy and utilities	(91,199)	(81,286)
Foreign exchange cash flow hedge (Note 35)	(70,897)	(39,857)
Depreciation	(60,672)	(58,656)
Payroll and related expenses	(27,081)	(34,718)
Rolling tools and instruments	(8,506)	(10,124)
Repairs and maintenance	(6,804)	(6,981)
Write down of inventories	(4,828)	(22,977)
Other	(19,068)	(17,376)
	(466,079)	**(522,853)**

25. Selling and distribution expenses

Selling and distribution expenses consisted of the following:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Forwarding and transportation services	(32,721)	(46,666)
Custom services and duties	(12,820)	(7,848)
Payroll and related expenses	(12,272)	(11,397)
Professional fees and other service fees	(10,150)	(981)
Sales agency fees	(8,649)	(2,840)
Storage and packaging expenses	(4,526)	(5,931)
Advertising and promotion	(1,292)	(757)
Depreciation	(1,124)	(390)
Accounts receivable impairment (Note 13)	(1,066)	(19,118)
Insurance expense	(132)	(310)
Other	(1,660)	(3,847)
	(86,412)	**(100,085)**

26. General and administrative expenses

General and administrative expenses consisted of the following:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Payroll and related expenses	(24,462)	(24,342)
Professional fees	(3,537)	(4,937)
Business trips and transportation	(2,397)	(3,174)
Depreciation and amortisation	(1,573)	(1,900)
Rent	(1,521)	(1,697)
Taxes, other than income tax	(877)	(673)
Communication	(618)	(584)
Bank fees	(469)	(537)
Insurance expense	(374)	(486)
Repairs and maintenance	(219)	(241)
Other	(1,340)	(1,534)
	(37,387)	**(40,105)**

Auditors' remuneration

Auditors' remuneration for the year ended 31 December 2016 is included in professional fees above and comprises statutory audit fee for the audit of the Consolidated Financial Statements of the Group and stand alone financial statements of certain Group entities of USD 460 thousand (2015: USD 493 thousand) as well as non-audit fees of USD 24 thousand (2015: USD 49 thousand).

27. Other operating income and expenses

Other operating income and expenses consisted of the following:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Maintenance of social assets	(1,256)	(1,347)
Customers' and other claims charges, net of reversals	(1,104)	(5,168)
Impairment of other assets	(972)	(852)
(Loss) / gain on disposal of property, plant and equipment and intangible assets	(498)	934
(Loss) / gain on disposal of by-products	(471)	273
Reversal / (impairment) of prepayments and other accounts receivable	19	(517)
Revaluation decrease and impairment of property, plant and equipment	-	(51,021)
Other loss	(1,004)	(5,134)
	(5,286)	**(62,832)**

28. Operating and non-operating foreign exchange difference

Foreign currency translation differences on monetary assets and liabilities consisted of the following;

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Operating foreign exchange gains originated on		
trade accounts receivable	12,371	32,095
settlements with suppliers	12,661	70,281
other operating exchange difference	2,413	6,321
	27,445	**108,697**
Non-operating foreign exchange (losses) / gains originated on		
loans payable other than those designated as hedging items	(3,991)	3,452
cash balances	(129)	6,571
	(4,120)	**10,023**

29. Finance income

Finance income consisted of the following:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Interest income	721	455
Other finance income	279	81
	1,000	**536**

30. Finance costs

Finance costs consisted of the following:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Interest expense relating to bank loans and bonds issued	(97,443)	(94,690)
Debt restructuring costs	(4,565)	(1,877)
Defined benefit state pension plan interest costs (Note 20)	(2,751)	(3,212)
Insurance expenses	(1,575)	(4,358)
Retirement benefit plan interest costs (Note 20)	(163)	(178)
Other finance costs	(1,296)	(1,892)
	(107,793)	**(106,207)**

31. Equity

Issued capital and capital distribution

The Group was formed in April – September 2006 through a series of transactions that ultimately resulted in the Company obtaining controlling ownership interest in the subsidiaries from entities which were under common control at the time of the above reorganisation. As part of the reorganisation all the shares of the Company have been transferred to and, since 2006 are ultimately held by a number of discretionary trusts established to operate the Group as well as certain other investments. Mr. Viktor Pinchuk, a citizen of Ukraine, and his family members are beneficiaries of these discretionary trusts. The trustees engaged to manage the trusts are professional, experienced and reputable trust management companies.

Ordinary shares of €0.01 each, authorised and issued and fully paid were as follows:

	Shares	*USD thousand*
At 31 December 2015	4,001,950,000	62,304
At 31 December 2016	4,001,950,000	62,304

Upon its incorporation on 30 December 2005, the Company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of CY£1 each at par. On 22 December 2006 the Company issued 4,000 additional ordinary shares of CY£1 each at a premium of CY£ 41,033 each for a total premium of CY£164,132 thousand, which is equivalent to USD 361,091 thousand, translated at historic rate.

During the period from March to June 2008 a set of amendments was made to the authorised share capital of the Company, including conversion of the authorised share capital into euro, a subdivision of existing shares, a merge of the Company's shares and two additional issues of shares both before the merging and after it.

In December 2011, the Company issued 1,950,000 additional ordinary shares of EUR 0.01 each (equivalent of USD 26 thousand) at a premium of EUR 25 each for a total premium of EUR 48,591 thousand, which is equivalent of USD 64,974 thousand, translated at historic rate.

As a result of the above mentioned transactions, as at 31 December 2015 and 2016, the number of shares equalled to 4,001,950 thousand ordinary shares of EUR 0.01 each and the authorised, issued and fully paid capital of the Company amounted to EUR 40,019 thousand (equivalent of USD 62,304 thousand).

The shares of the Company are not listed.

There were no changes in the share capital of the Company during the years ended 31 December 2016 and 2015.

Revaluation reserve

Revaluation reserve is used to record increases in the fair value of property, plant and equipment as well as decreases to the extent that such decreases relate to any prior increase on the same asset previously recognised in equity. Revaluation reserve is limited in respect of dividends distribution.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries denominated in their respective functional currencies into the Group reporting currency as well as monetary items that form part of the net investment in these subsidiaries.

Cash flow hedge reserve

Cash flow hedge reserve is used to record the effective portion of the gain or loss on the hedging instrument in other comprehensive income. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale occurs.

Dividends payable by the Company and its subsidiaries

There were no dividends declared by the Company or its subsidiaries that should be paid to the shareholders for the year ended 31 December 2016 and 31 December 2015..

32. Principal subsidiaries

The Group included the following subsidiaries as at 31 December 2016 and 2015:

			Effective ownership	
Name of the company	*Country of incorporation*	*Business activities*	*31 December 2016*	*31 December 2015*
JSC "Interpipe Niznedneprovsky Tube Rolling Plant"	Ukraine	Production of seamless and welded pipes and railway wheels	93.93%	93.93%
JSC "Interpipe Novomoskovsk Pipe-Production Plant"	Ukraine	Production of welded pipes	89.24%	89.24%
"Interpipe Niko Tube" LLC	Ukraine	Production of seamless pipes	100.00%	100.00%
"Metallurgical Plant Dneprosteel" LLC	Ukraine	Production of steel billets	100.00%	100.00%
"Dneprosteel-Energo" LLC	Ukraine	Resale of electricity	100.00%	100.00%
"Transkom - Dnepr" LLC	Ukraine	Transportation services	100.00%	100.00%
"Limestone factory" LLC	Ukraine	Production of limestone	93.93%	93.93%
Society "Dishware Novomoskovsk" Ltd	Ukraine	Production of dishware	87.64%	87.64%
"Interpipe Dneprovtormet" PJSC	Ukraine	Scrap metal processing	98.67%	98.67%
"Luganskiy Kombinat Vtormet" LLC	Ukraine	Scrap metal processing	98.67%	98.67%
"META" LLC	Ukraine	Scrap metal processing	98.67%	98.67%
"Research and development center "Quality" LLC	Ukraine	Research and development	100.00%	100.00%
"Interpipe Ukraine" LLC	Ukraine	Trading	100.00%	100.00%
"Interpipe Management" LLC	Ukraine	Management services	100.00%	100.00%
"KLW Production" LLC	Ukraine	Production of railway wheels	100.00%	100.00%
"Interpipe-M" LLC	Russia	Trading	100.00%	100.00%
"Interpipe Kazakhstan" LLC	Kazakhstan	Trading	100.00%	100.00%
"Interpipe Europe" LLC	Switzerland	Trading	100.00%	100.00%
"Klw-Wheelco" LLC	Switzerland	Trading	100.00%	100.00%
"North American Interpipe, Inc"	The United States	Trading	100.00%	100.00%
"Interpipe Middle East" FZE with limited liability	The United Arab Emirates	Trading	100.00%	100.00%
"Interpipe Central Trade" GmbH	Germany	Trading	100.00%	100.00%
Steel.One Limited	Cyprus	Subholding	100.00%	100.00%
Saleks Investments Limited	Cyprus	Subholding	100.00%	100.00%

There were no acquisitions in 2016 and 2015.

33. Related party transactions

The Group defines related parties in accordance with IAS 24 “Related Party Disclosures”. IAS 24 focuses significantly on the concept of “control” (including common control) and “significant influence” as primary methods of related party identification.

During years ended 31 December 2016 and 2015, the Group’s transactions with its related parties comprised those with its associates (Note 10), shareholders, key management personnel and other related parties.

Transactions with associates and other related parties

The transactions and outstanding balances of the Group with its related parties are presented below:

	2016			*2015*		
	Associates	*Other*	*Total*	*Associates*	*Other*	*Total*
Transactions:						
Sales	1,036	2,653	3,689	2,157	-	2,157
Purchases	6,763	8,251	15,014	12,265	-	12,265
General and administrative expenses	-	382	382	-	-	-
Finance income	-	627	627	-	-	-
Finance cost	-	484	484	-	-	-
Outstanding balances:						
Cash and cash equivalents	-	15,569	15,569	-	-	-
Amounts owed to the Group	6,327	589	6,916	3,505	-	3,505
Amounts owed by the Group	3,127	12,606	15,733	3,314	7,268	10,582

Terms and conditions of transactions with associates and other related parties

The sales to and purchases from the related parties are made at the terms equivalent to those that prevail in arm’s length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. For the year ended 31 December 2016, the Group has recorded an impairment charge relating to receivables from the related parties amounting to USD 85 thousand (2015: USD 51 thousand). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

As at 31 December 2016, cash and cash equivalents in the related party bank comprised USD 15,569 thousand (as at 31 December 2015 balance was nil). This amount consists of cash on current accounts and/or in transit and bank deposits including guaranty deposits (USD 14,211 thousand and USD 1,358 thousand respectively). Finance income at amount USD 627 thousand relates to commission interest paid by the related party bank to the Group for keeping cash on its accounts. Finance expenses at amount USD 484 thousand arise on short term loans granted by the related party bank to the Group. As at 31 December 2016 there were no outstanding loan balances due to the related party bank.

Transactions with shareholders

Subordinated loan

During 2014 shareholders have provided unsecured subordinated loan to the Group in the amount of USD 40 million to support its short-term liquidity position. The principal amount bears an interest at a rate of 10.5% per annum. The subordinated loan and accrued interest may be repaid only after 2011 Restructured facilities (Note 19) are settled in full.

As at 31 December 2016 and 2015, interest payable under this subordinated loan included in other accounts payable, amounted to USD 11,358 thousand and USD 7,268 thousand. During the year 2016 and 2015, interest expenses related to this subordinated loan amounted to USD 4,270 thousand and USD 4,258 thousand, accordingly.

Accounts payable to shareholders

As at 31 December 2016, accounts payable to shareholders, included in other accounts payable, amounted to USD 221 thousand, (2015: USD 228 thousand) were interest free, unsecured and payable on demand.

Compensation to key management personnel

Key management personnel of the Group as at 31 December 2016 comprised:

The members of the Board of Directors:

Name	Function
Kirill Roubinski	Chairman of the Board of Directors of Interpipe Limited
Gennady Gazin	Non-Executive Director
Andrii Dudnyk	Non-Executive Director
Jean Pierre Saltiel	Independent Non-Executive Director
Ganna Khomenko	Non-Executive Director
Michael Tsarev	Non-Executive Director
Yakiv Konstantynivs'ky	Non-Executive Director
Iuliia Chebotarova	Non-Executive Director
Ulrich Becker	Independent Non-Executive Director
Philippe Bideau	Independent Non-Executive Director
Fadi Khraybe	Chief Executive Officer of Interpipe Limited

Senior Management of the Group as at 31 December 2016 and 2015 comprised sixteen and fourteen persons (including the CEO who is also a member of the Board of Directors), respectively.

For the year ended 31 December 2016, total compensation, comprising short-term employee benefits, to the members of the Board of Directors amounted to USD 2,660 thousand (2015: USD 2,422 thousand) and total compensation to the members of Senior Management of the Group amounted to USD 4,790 thousand (2015: USD 3,952 thousand). The compensation was included in general and administrative expenses in the consolidated statement of comprehensive income.

In addition to the above no other incentives were attributable to the key management personnel of the Group.

34. Commitments, contingencies and operating risks

Operating environment

The Group has significant operations in Ukraine as well as in Russia and some other CIS countries, whose economies while deemed to be of market status continue to display certain characteristics consistent with those of an economy in transition. These characteristics include, but are not limited to low levels of liquidity in the capital markets, relatively high inflation and the existence of currency controls which cause the national currencies to be illiquid outside of these countries. These countries continue economic reforms and development of their legal, tax and regulatory frameworks as required by a market economy. The future stability of the economies is largely dependent upon the success of these reforms and the effectiveness of economic, financial and monetary measures undertaken by their governments. As a result, operations in Ukraine, Russia and other CIS countries involve risks that are not typical for developed markets.

The all above factors, as disclosed in Note 2 "Operating environment and risks of the Group", had already affected and may have a further adverse effect on the Group's consolidated financial position and results of operations.

Taxation

Ukrainian as well as Russian and other CIS countries' legislations and regulations regarding taxation and other regulatory matters, including currency exchange control and custom regulations, continue to evolve. The legislations and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations continue to be not unusual.

The Ukrainian tax authorities have been seen to consistently increase their audit activity for transactions with non-resident entities, to which they seek to apply such relatively new requirements as "beneficial ownership", "substance over form", and other similar principles. They also have started to enforce more vigorous and stringent transfer pricing rules introduced in Ukraine in 2013. The transfer pricing 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 not supported by relevant documentation.

Management has implemented internal controls to be in compliance with such regulatory and tax compliance matters in the countries where the Group operates, including new Ukrainian transfer pricing legislation and believes that its interpretation of the relevant legislations is appropriate and that the Group has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable. Where the risk of outflow of resources is probable, the Group has accrued tax liabilities based on management's best estimate.

Nevertheless, the uncertainty related to inconsistent enforcement and application of the tax legislation in the above countries creates a risk of substantial additional tax liabilities and penalties being claimed by the tax authorities, which cannot be reliably estimated, but, if sustained, could have a material effect on the Group's financial position, results of operations and cash flows. Management believes that there are strong arguments to successfully defend any such challenge and does not believe that the risk is any more significant than those of similar enterprises operating in Ukraine, Russia or other CIS countries. When it is not considered probable that a material claim will arise, no provision has been established in these financial statements. Management further believes that ascertained risks of possible outflow of resources arising from tax and other regulatory compliance matters are immaterial as at 31 December 2016 and 2015.

Litigation

As at 31 December 2016 and 2015 North American Interpipe, PJSC Interpipe NTRP and LLC Interpipe Niko Tube were defendants in several litigations with a total potential claimed payments amounting to approximately USD 16,567 thousand and USD 20,004 thousand, respectively. Provision for probable adverse consequences of the above cases amounting to USD 16,567 thousand and USD 20,004 thousand was included in total provision for customers' and other claims amounted to USD 16,757 thousand and USD 20,289 thousand in the consolidated statement of financial position as at 31 December 2016 and 2015, respectively (Note 20).

At the same time, two lenders filed two lawsuits against the Group claiming repayment of the past due obligation in amount of USD 77,242 thousand. This amount comprises the loan principal, related interest payable in amount of USD 64,667 thousand already recognised in the consolidated financial statements as at 31 December 2016 as well as fines and penalties of USD 12,575 thousand. Management believes that the ultimate liability for the fines and penalties, if any, arising from the lawsuits will not have a material adverse effect on the Group's financial condition or the results of its future operations and is less than probable, accordingly, no corresponding accrual for the fines and penalties was made in these consolidated financial statements.

In addition to the specific cases mentioned above, in the ordinary course of business the Group is subject to legal actions and complaints. As at 31 December 2016 and 2015, provisions have been made in respect of these cases amounting to USD 120 thousand and USD 104 thousand, respectively. Management believes that the ultimate liability arising from such actions or complaints will not have a material adverse effect on the consolidated financial position or the results of future operations of the Group.

Lease of land

The Group has the right to permanent use of the land plots on which its Ukrainian production facilities are located, and pays land tax as assessed annually by the state based on the total area and use for which the land is zoned.

Contractual commitments for the acquisition of property, plant and equipment

As at 31 December 2016 and 2015, the Group's contractual commitments for acquisition and modernisation of production equipment amounted to USD 21,442 thousand and USD 41,308 thousand, respectively. The Group's contractual commitments for acquisition of property, plant and equipment as at 31 December 2016 included prepayments made for property, plant and equipment for USD 11,840 thousand recognized as construction-in-progress and uninstalled equipment in the consolidated statement of financial position.

35. Financial risk management

The Group's principal financial instruments comprise trade receivables and payables, interest bearing loans due to banks, bonds issued, cash and cash equivalents. The main purpose of these financial instruments is to provide funding for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations.

The Group may also from time to time enter into derivative transactions, primarily forward currency contracts. The purpose is to manage currency risks arising from Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk, credit risk and interest rate risk. The policies for managing each of these risks are summarised below.

Foreign currency risk

The Group performs its operations mainly in the following currencies: the Ukrainian hryvnia ("UAH"), the US dollar ("USD"), the Euro ("EUR"), the Russian rouble ("RUB") and the Kazakhstani tenge ("KZT").

The exchange rate of USD to UAH and related cross-rates to other currencies as set by the National Bank of Ukraine ("NBU") as at the dates stated were as follows:

	100 UAH	*1 EUR*	*100 RUB*	*1000 KZT*
As at 31 December 2016	3.678	1.0453	1.6591	3.0005
As at 31 December 2015	4.167	1.0926	1.3721	2.9458

The Group sells its products to Europe, Russia, Middle East and Africa, Americas and other regions; purchases materials from other countries; and attracts substantial amounts of foreign currency denominated short-term and long term borrowings, and is, thus, exposed to foreign exchange risk. Foreign currency denominated trade receivables and payables, and borrowings give rise to foreign exchange exposure.

The following tables demonstrate USD equivalents of the monetary assets and liabilities originally denominated in different currencies, as at 31 December 2016 and 2015:

As at 31 December 2016	*UAH*	*USD*	*EUR*	*RUB*	*Other*	***Total***
Other non-current assets	77	133	-	-	-	**210**
Trade and other accounts receivable	17,635	17,034	16,454	13,487	3	**64,613**
Other financial assets	-	20,325	1,978	-	389	**22,692**
Cash and bank deposits	6,205	7,123	9,173	1,830	86	**24,417**
	23,917	**44,615**	**27,605**	**15,317**	**478**	**111,932**
Subordinated loan	-	40,000	-	-	-	**40,000**
Other non-current liabilities	11	-	-	-	-	**11**
Borrowings	-	1,132,393	33,031	2,473	-	**1,167,897**
Trade and other accounts payable	33,492	14,320	17,256	801	92	**65,961**
	33,503	**1,186,713**	**50,287**	**3,274**	**92**	**1,273,869**

As at 31 December 2015	*UAH*	*USD*	*EUR*	*RUB*	*Other*	***Total***
Other non-current assets	149	131	-	-	-	**280**
Trade and other accounts receivable	26,169	24,415	22,132	14,028	1,208	**87,952**
Other financial assets	-	19,785	87	-	21	**19,893**
Cash and bank deposits	2,727	9,564	1,240	2,666	489	**16,686**
	29,045	**53,895**	**23,459**	**16,694**	**1,718**	**124,811**
Subordinated loan	-	40,000	-	-	-	**40,000**
Other non-current liabilities	11	-	-	-	-	**11**
Borrowings	-	1,044,502	34,526	1,558	-	**1,080,586**
Trade and other accounts payable	36,085	18,249	16,093	567	293	**71,287**
	36,096	**1,102,751**	**50,619**	**2,125**	**293**	**1,191,884**

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant:

For the year ended 31 December 2016	*High / low limits of change in currency exchange rate, %*	*Effect on profit before tax*	*Effect on other comprehensive income*
USD/UAH	+6.44%	4,903	(53,603)
EUR/UAH	+2.88%	1,598	(960)
RUB/UAH	+7.07%	829	-
USD/KZT	+13.00%	2	-
EUR/USD	+0.96%	(677)	-
USD/UAH	-10.33%	(7,865)	85,981
EUR/UAH	-10.64%	(5,905)	3,547
RUB/UAH	-5.55%	(651)	-
USD/KZT	-13.00%	(2)	-
EUR/USD	-7.08%	4,993	-

For the year ended 31 December 2015	*High / low limits of change in currency exchange rate, %*	*Effect on profit before tax*	*Effect on other comprehensive income*
USD/UAH	+18.00%	17,282	(163,575)
EUR/UAH	+18.00%	9,152	(6,215)
RUB/UAH	+50.00%	7,953	-
USD/KZT	+60.00%	(1,084)	-
EUR/USD	+12.50%	(9,663)	-
USD/UAH	-40.00%	(38,404)	363,499
EUR/UAH	-40.00%	(20,339)	13,810
RUB/UAH	-33.50%	(5,329)	-
USD/KZT	-20.00%	361	-
EUR/USD	-12.50%	9,663	-

Cash flow hedging of the Group's future revenues

The Group, in particular its Ukrainian subsidiaries, are exposed to foreign currency risk related to their USD and EUR nominated export revenue, which is primarily intragroup. The subsidiaries attracted borrowings in the same currencies as the forecasted revenue streams to economically hedge the foreign currency risk exposure.

On 1 January 2014 a portion of future monthly intragroup export revenues expected to be received in USD and EUR over the period from January 2014 through December 2020 were designated as the hedged item. The USD and EUR nominated borrowings were designated as the hedging instruments. The nominal amounts of the hedged item and the hedging instruments are equal.

The cash flow hedge position was USD 459 million as of 1 January 2014. To the extent that a change in the foreign currency rate impacts the fair value of the hedging instrument, the effects are recognized in other comprehensive income or loss and reclassified to profit or loss in the same period in which the hedged item affects profit or loss.

The impact on other comprehensive income is comprised of the following:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Foreign exchange cash flow hedges total charge	(48,049)	(124,760)
Total foreign exchange loss recognised in OCI	(48,049)	(124,760)
Reclassification of the foreign exchange loss to cost of sales	32,608	39,857
Ineffective portion of cash flow hedge reclassified to cost of sales	38,289	-
Total reclassification of the foreign exchange loss to cost of sales (Note 24)	70,897	39,857
Net effect of cash flow hedge accounting	**22,848**	**(84,903)**

A schedule of the expected reclassification of the accumulated loss from the re-measurement of the hedging instruments recognized in other comprehensive income or loss to profit or loss as of 31 December 2016 is as follows:

	2017	*2018*	*2019*	*2020*
Reclassification	(61,632)	(54,075)	(54,050)	(127,072)

Net investments in foreign operations

On 1 January 2014, the Company designated certain intragroup financial instruments which settlement was neither planned nor likely to occur in the foreseeable future, as net investments in a number of its Ukrainian subsidiaries in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". Such financial instruments comprised of intercompany loans and, in some cases, other long-term receivables and payables. Accordingly, foreign exchange differences arising on such financial instruments after the designation date had been recognised in other comprehensive income.

As at 31 December 2016 and 2015, the accumulated balance of exchange differences on net investment in foreign operations composed USD 728,709 thousand and USD 668,449 thousand, respectively.

The impact of exchange differences on other comprehensive income comprises:

	For the year ended 31 December 2016	*For the year ended 31 December 2015*
Exchange differences on translation of foreign operations (other than those designated as net investments)	54,611	60,735
Net foreign exchange loss from net investments in foreign operations	(60,260)	(223,898)
	(5,649)	**(163,163)**

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and borrowings.

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

As a result of the covenants breach, the lenders became entitled to demand early repayment of any outstanding amounts. Accordingly, the liabilities due or claimable due within 12 months from 31 December 2016 exceeded the Group's current assets as of that date by USD 1,040,601 thousand (Note 2).

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. The borrowings are included in the Less than 3 months category as a result of the breach of covenants as at 31 December 2016 and 2015 (Notes 2 and 19).

As at 31 December 2016	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Borrowings and interest payable	1,167,897	-	-	-	1,167,897
Trade and other accounts payable	55,859	10,102	-	-	65,961
	1,223,756	**10,102**	**-**	**-**	**1,233,858**

As at 31 December 2015	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Borrowings and interest payable	1,080,586	-	-	-	1,080,586
Trade and other accounts payable	50,387	20,900	-	-	71,287
	1,130,973	**20,900**	-	**-**	**1,151,873**

Credit risk

Financial instruments, which potentially subject the Group to significant concentrations of credit risk, consist principally of bank deposits (Notes 16, 17), trade and other accounts receivable (Note 13).

Cash is placed with financial institutions, which are considered to have minimal risk of default at the time of deposit.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. Most of the Group's sales are made to customers with an appropriate credit history or on a prepayment basis. The Group does not require collateral in respect of its financial assets. The credit risk exposure of the Group is monitored and analysed on a case-by-case basis. Based on historical collection statistics, the Group's management believes that there is no significant risk of loss to the Group beyond the impairment allowances already recognised against the assets. The maximum exposure to the credit risk is represented by the carrying amounts of the financial assets that are carried in the consolidated statement of financial position.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates (Note 19). The Group's policy is to manage its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Floating rates are mostly linked to London Inter Bank Offering Rate ("LIBOR").

The following table demonstrates the annualised sensitivity of the Group's profit before tax to a reasonably possible change in interest rates, with all other variables held constant (through the impact on floating rate borrowings):

For the year ended 31 December 2016	*High / low limits of change in interest rate, basic points*	*Effect on profit before tax*
LIBOR (USD)	+ 8	(496)
LIBOR (USD)	+ 60	(3,721)

For the year ended 31 December 2015	*High / low limits of change in interest rate, basic points*	*Effect on profit before tax*
LIBOR (USD)	+ 12	(734)
LIBOR (USD)	+ 50	(3,057)

Capital risk management

The Group considers its debt and shareholders' equity as the primary capital sources. 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 to the shareholders and benefits to other stakeholders as well as to provide financing of its operating requirements, capital expenditures and the Group's development strategy. The Group's capital management objectives and policies are unchanged since the previous year.

The Group's capital management policies aim to ensure and maintain an optimal capital structure, to reduce the overall cost of capital and to provide flexibility relating to the Group's access to capital markets. Furthermore, the Group makes its investment decisions taking into consideration its capital structure.

Fair values of financial instruments

The fair value of the Groups' financial instruments is disclosed in Note 7.

36. Events after the reporting period

In April 2017, Kirill Roubinski, Chairman of the Board of Directors of Interpipe Limited Board of Directors resigned.

In May 2017, Jean Pierre Saltiel, Independent Non-Executive Director of Interpipe Limited Board of Directors resigned.

In July 2017, Gennady Gazin, Non-Executive Director of Interpipe Limited Board of Directors resigned.

In April 2018, Interpipe entered into a production cooperation arrangement with Vallourec, a French limited liability company which is one of the world leaders in premium tubular solutions. The parties shall jointly invest into and launch the jointly owned pipe finishing facility in Ukraine aimed to finish certain types of non-OCTG seamless tubes produced by Interpipe. Such tubes shall include mechanical, line pipe and process applications, which will be further commercialized by Vallourec to various European customers. The operations of such jointly owned finishing facility are expected to start in early 2019.

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